



**\$1,309,000,000 (equivalent)**  
**\$900,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022**  
**€300,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022**  
issued by  
**ALTICE FINANCING S.A.**  
**\$400,000,000 8<sup>1</sup>/<sub>8</sub>% Senior Notes due 2024**  
issued by  
**ALTICE FINCO 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 “Senior Secured Notes Issuer”), 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 (the “Senior Notes Issuer”, and together with the Senior Secured Notes Issuer, the “Issuers”), which is in turn a wholly owned direct subsidiary of Altice VII S.à r.l. (“Altice VII”), offered \$900 million aggregate principal amount of its 6<sup>1</sup>/<sub>2</sub>% senior secured notes due 2022 (the “Dollar Senior Secured Notes”) and €300 million aggregate principal amount of its 6<sup>1</sup>/<sub>2</sub>% senior secured notes due 2022 (the “Euro Senior Secured Notes”, and together with the Dollar Senior Secured Notes, the “New Senior Secured Notes”) and the Senior Notes Issuer offered \$400 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub>% senior notes due 2024 (the “New Senior Notes” and, together with the New Senior Secured Notes, the “New Notes”) in connection with the financing of the Tricom Acquisition and the ODO Acquisition (each as defined herein). The New Senior Secured Notes will mature on January 15, 2022 and the New Senior Notes will mature on January 15, 2024. The Issuers will pay interest on the New Notes, as applicable, semi annually in cash in arrears on each January 15 and July 15, commencing on July 15, 2014.

On the Issue Date (as defined below), the Initial Purchasers deposited (i) the gross proceeds from the offering of the New Senior Secured Notes into segregated escrow accounts in the name of the Trustee (as defined herein) for the benefit of the holders of the New Senior Secured Notes and (ii) the gross proceeds from the offering of the New Senior Notes into a segregated New Senior Notes escrow account in the name of the Trustee for the benefit of the holders of the New Senior Notes. The release of escrow proceeds will be subject to the conditions set forth in “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”.

The release of escrow proceeds may occur on one or more occasions. If the conditions for the release of escrow proceeds are not satisfied prior to August 31, 2014 or upon the occurrence of certain other events, the applicable New Notes will be subject to a special mandatory redemption at 100% of the initial issue price of each such New Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. See “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*.”

At any time prior to December 15, 2016, the Senior Secured Notes Issuer may redeem some or all of the New Senior Secured Notes at a price equal to 100% of the principal amount plus a “make whole” premium. At any time on or after December 15, 2016, the Senior Secured Notes Issuer may redeem some or all of the New Senior Secured Notes at the redemption prices set forth herein. In addition, at any time prior to December 15, 2016, the Senior Secured Notes Issuer may redeem up to 40% of the New Senior Secured Notes with the net proceeds from one or more specified equity offerings. Further, the Senior Secured Notes Issuer may redeem all of the New Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice VII and its restricted subsidiaries sell certain of their assets, if the Senior Secured Notes Issuer or Altice VII experience specific kinds of changes in control or upon certain HOT Minority Shareholder Option Exercises (as defined herein), the Senior Secured Notes Issuer may be required to make an offer to repurchase the New Senior Secured Notes at the prices set forth herein.

At any time prior to December 15, 2018, the Senior Notes Issuer may redeem some or all of the New Senior Notes at a price equal to 100% of the principal amount plus a “make whole” premium. At any time on or after December 15, 2018, the Senior Notes Issuer may redeem some or all of the New Senior Notes at the redemption prices set forth herein. In addition, at any time prior to December 15, 2016, the Senior Notes Issuer may redeem up to 40% of the New Senior Notes with the net proceeds from one or more specified equity offerings. Further, the Senior Notes Issuer may redeem all of the New 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 VII and its restricted subsidiaries sell certain of their assets, if the Senior Notes Issuer or Altice VII experience specific kinds of changes in control or upon certain HOT Minority Shareholder Option Exercises (as defined herein), the Senior Notes Issuer may be required to make an offer to repurchase the New Senior Notes at the prices set forth herein.

The New Senior Secured Notes are senior secured obligations of the Senior Secured Notes Issuer and the New Senior Notes are senior obligations of the Senior Notes Issuer. Prior to the release of all of the proceeds of the offering of the New Senior Secured Notes and the New Senior Notes (as applicable) from the applicable escrow accounts, the New Senior Secured Notes are secured by a first ranking pledge over the Senior Secured Notes Issuer's rights under the Senior Secured Notes Escrow Agreement (as defined herein) and the assets in the Senior Secured Notes Escrow Accounts (as defined herein); provided that in the event the Orange Dominicana Acquisition Completion Date (as defined herein) occurs prior to the Tricom Acquisition Completion Date (as defined herein), the first ranking assignment over the remaining proceeds in the Senior Secured Notes Escrow Accounts and the rights of the Senior Secured Notes Issuer under the Senior Secured Notes Escrow Agreement will also secure all of the other senior secured indebtedness of the Senior Secured Notes Issuer on a pari passu basis, and the New Senior Notes are secured by a first ranking pledge over the Senior Notes Issuer's rights under the Senior Notes Escrow Agreement (as defined herein) and the assets in the Senior Notes Escrow Account (as defined herein).

Following the release of the proceeds of the offering of the New Senior Secured Notes and the New Senior Notes (as applicable) from the applicable escrow accounts, (a) the New Senior Secured Notes will be guaranteed on a senior secured basis (the "Senior Secured Notes Guarantees") by Altice VII, Altice Caribbean S.à r.l. ("Altice Caribbean"), Cool Holding Ltd. ("Cool Holding"), H. Hadaros 2012 Ltd. ("SPV1"), 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"), Cabovisão—Televisão por Cabo, S.A. ("Cabovisão"), Altice Bahamas S.à r.l. ("Altice Bahamas") (collectively, the "Existing Guarantors"), and, within 90 days following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom S.A., and Global Interlinks Ltd. (together, "Tricom") and Orange Dominicana S.A. ("ODO") (such guarantors, collectively, the "Senior Secured Notes Guarantors"), (b) the New Senior Notes will be guaranteed on a senior subordinated basis (the "Senior Notes Guarantees" and together with the Senior Secured Notes Guarantees, the "Guarantees") by the Senior Secured Notes Issuer and the Existing Guarantors and, following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom and ODO (such guarantors, collectively, the "Senior Notes Guarantors" and together with the Senior Secured Notes Guarantors, the "Guarantors"), (c) the New Senior Secured Notes will benefit from (i) first ranking pledges over all of the share capital of the Senior Secured Notes Issuer and the Existing Guarantors (other than Altice VII, Green, Cabovisão and Altice Portugal), the capital stock of HOT (as defined herein) and, following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom and ODO, (ii) a first ranking pledge over the bank accounts and all receivables of the Senior Secured Notes Issuer, including the Senior Secured Notes Issuer Pledged Proceeds Notes (as defined herein), (iii) subject to certain exceptions, first ranking pledges over all of the material assets of each Existing Guarantor and, following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom and ODO, (iv) a first ranking pledge over the Senior Notes Proceeds Loans (as defined herein) and (v) a first ranking pledge over the Cool Shareholder Loan (as defined herein); and (d) the New Senior Notes and the Senior Notes Guarantees will benefit from (i) a first ranking pledge over all of the share capital of the Senior Notes Issuer, (ii) second ranking pledges over all of the share capital of the Senior Secured Notes Issuer, Cool Holding and Altice Holdings, (iii) a second ranking pledge over the Cool Shareholder Loan and (iv) second ranking pledges of the Senior Notes Proceeds Loans. The collateral securing the New Notes and the Guarantees also secure, on a first or second ranking basis, as applicable, the obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors under the Senior Secured Debt (as defined herein) and the obligations of the Senior Notes Issuer and the Senior Notes Guarantors under the Existing Senior Notes (as defined herein). Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral, the holders of the New Notes will receive proceeds from such Collateral only after the lenders under the 2012 Revolving Credit Facility, 2013 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 New Notes and the Structure*".

See "**Risk Factors**" beginning on page 40 for a discussion of certain risks that you should consider in connection with an investment in the New Notes.

**The New Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Issuers are offering the New 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. For a description of certain restrictions on the transfer of the New Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*".**

Application has been made to the Luxembourg Stock Exchange for the New 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 Dollar Senior Secured Notes and the New Senior Notes are in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 above \$200,000. The Euro Senior Secured Notes are in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000. As of December 12, 2013 (the "Issue Date"), each series of New Notes are being represented by one or more global notes that were delivered through

The Depository Trust Company (“DTC”), Euroclear SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme*, as applicable. Interests in each global note will be exchangeable for definitive notes only in certain limited circumstances. See “*Book- Entry, Delivery and Form*”.

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

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

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

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*Joint Bookrunners*

**Goldman Sachs International**

**Morgan Stanley**

**Barclays**

**Crédit Agricole CIB**

**Deutsche Bank**

**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. REFERENCES IN THESE LISTING PARTICULARS TO THE “OFFERING MEMORANDUM” ARE TO THE OFFERING MEMORANDUM DATED DECEMBER 5, 2013 PURSUANT TO WHICH THE NEW NOTES WERE ISSUED.**

**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 sell, or a solicitation of an offer to buy, any of the New Notes.**

**Neither the Issuers nor any of their 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 this Offering Memorandum. You must not rely on unauthorized information or representations.**

**The information in this Offering Memorandum is current only as of the date of the Offering Memorandum, and may have changed after that date. For any time after the date of the Offering Memorandum, the Issuers do not represent that their affairs or the affairs of the Group (as defined herein) are the same as described or that the information in this Offering Memorandum is correct, nor do they imply those things by delivering this Offering Memorandum or selling securities to you.**

**The Issuers and the Initial Purchasers (as defined below) are offering to sell the New Notes only in places where offers and sales are permitted.**

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**IN CONNECTION WITH THE OFFERING OF NEW NOTES, GOLDMAN SACHS INTERNATIONAL (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NEW NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NEW 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 NEW 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 ISSUERS RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NEW NOTES.**

The Issuers offered the New Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. The New 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 this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum is being provided for informational use solely in connection with consideration of a purchase of the New Notes (i) to U.S. investors that the Issuers reasonably believe 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.

This Offering Memorandum is 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 (“FSM Act”)) in connection with the issue or sale of any New Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is 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 this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This Offering Memorandum has been prepared on the basis that all offers of the New 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 New Notes. Accordingly, any person making or intending to make any offer within the EEA of the New Notes should only do so in circumstances in which no obligation arises for the Issuers or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuers nor the Initial Purchasers has authorized, nor do any of them authorize, the making of any offer of the New Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the New Notes contemplated in this Offering Memorandum.

This Offering Memorandum constitutes 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 Issuers and Altice VII have prepared this Offering Memorandum solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the New 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 this Offering Memorandum 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 New Notes. You are responsible for making your own examination of the Issuers, the Group, Tricom and ODO and your own assessment of the merits and risks of investing in the New Notes. The Issuers are not and the Initial Purchasers are not making any representation to you regarding the legality of an investment in the New Notes by you.

The information contained in this Offering Memorandum has been furnished by the Issuers, Altice VII and other sources they believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set out in this Offering Memorandum, and nothing contained in this Offering Memorandum is or shall be relied upon as a promise or representation by the Initial Purchasers, whether as to the past or the future. This Offering Memorandum contains summaries, believed by the Issuers and Altice VII 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 Issuers upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the New Notes will also be available for inspection upon request at the specified offices of the Principal Paying Agent (as defined in this Offering Memorandum) in Luxembourg. All summaries of the documents contained herein are qualified in their entirety by this reference.

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

The information contained herein regarding HOT and its subsidiaries is primarily based on HOT’s public filings with the Israel Securities Authority. Neither HOT nor any of its subsidiaries, nor any of their representatives, officers, employees or advisers, assumes any responsibility for the accuracy or completeness of the information contained herein, and such parties do not have any liability with respect to the New Notes.

No person is authorized in connection with any offering made pursuant to this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuers or the Initial Purchasers. The information contained in this Offering Memorandum is current at the date hereof. Neither the delivery of this Offering Memorandum 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 this Offering Memorandum or in the Issuers’ or the Group’s affairs since the date of this Offering Memorandum.

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

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

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the New 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 New Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any New Notes. The Issuers and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The New 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 New Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this Offering Memorandum. You may be required to bear the financial risks of investing in the New Notes for an indefinite period of time.

#### **Internal Revenue Service Circular 230 Disclosure**

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

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

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

Each purchaser of the New Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under “*Transfer Restrictions*”. The New 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 New 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 New Notes, see “*Transfer Restrictions*”. The New Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any New Note to the public.

#### **NOTICE TO CERTAIN EUROPEAN INVESTORS**

***Austria*** This Offering Memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this Offering Memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this Offering Memorandum 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 New Notes in Austria and the offering of the New Notes may not be advertised in Austria. Any offer of the New 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 New Notes in Austria.

**Luxembourg** This Offering Memorandum has 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 New Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum 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 New 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. The Offering Memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the New Notes may not be offered publicly in Germany.

**France** This Offering Memorandum has not been prepared in the context of a public offering 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 New Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the New 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. 411-2 and D. 411-1 of the *Code of Monétaire et Financier*. Neither this Offering Memorandum nor any other offering material may be distributed to the public in France.

**Italy** None of this Offering Memorandum or any other documents or materials relating to the New Notes have been or will be submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa (“CONSOB”). Therefore, the New Notes may only be offered or sold in the Republic of Italy (“Italy”) pursuant to an exemption under article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended, and article 35-bis, paragraph 3, of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, the New Notes are not addressed to, and neither the Offering Memorandum nor any other documents, materials or information relating, directly or indirectly, to the New Notes can be distributed or otherwise made available (either directly or indirectly) to any person in Italy other than to qualified investors (*investitori qualificati*) pursuant to article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, acting on their own account.

The New Notes (including the rights representing an interest in the New Notes in global form) which are the subject of this Offering Memorandum, 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 New 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 New Notes to be offered so as to enable an investor to decide to purchase or subscribe for the New 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 New Notes may not be offered 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 New Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This Offering Memorandum, as well as any other material relating to the New Notes which are the subject of the offering contemplated by this Offering Memorandum, 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 New 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 New Notes, including, but not limited to, this Offering Memorandum, 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. The New Notes are being offered in Switzerland by way of a private placement (i.e., to a small number of selected, hand picked investors only), without any public advertisement and only to investors who do not purchase the New Notes with the intention to distribute them to the public.

**United Kingdom** This Offering Memorandum is directed solely 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 New Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is 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 this Offering Memorandum relates 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 this Offering Memorandum or any of its contents.

**Portugal** Neither this offering, nor the New 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 Issuers nor the Initial Purchasers have, directly or indirectly, offered or sold any New Notes or distributed or published this Offering Memorandum, any prospectus, form of application, advertisement or other document or information in Portugal relating to the New 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 Decree-Law no. 63-A/2013, of 10 May 2013.

As a result, this offering and any material relating to the New 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 Cod.VM, (ii) is not treated by the relevant financial intermediary as a non-qualified investor (*investidor não qualificado*) pursuant to article 317 of the Cod.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 Cod.VM.

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

The New Notes may not be offered or sold to any Israeli investor unless (i) it 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) such investor has completed and signed a questionnaire regarding qualification as a Qualified Israeli Investor and delivered it to Goldman Sachs International and (iii) such investor has certified that it has an exemption from Israeli withholding taxes on interest and has delivered a copy of such certification to Goldman Sachs International.

**THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NEW NOTES.**



## DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in this Offering Memorandum refers to Altice VII and its subsidiaries (but excluding Tricom and ODO). See “Corporate and Financing Structure” and “The Transactions”. Definitions of certain term and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see “Glossary” on page G-1 of this Offering Memorandum.

“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 among, *inter alios*, the Senior Secured Notes 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.

“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 the Senior Notes Issuer 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*, the Senior Notes Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the Senior Notes.

“2012 Senior Notes Proceeds Loan” refers to the proceeds loan agreement dated the 2012 Transaction Completion Date between the Senior Notes Issuer and the Senior Secured Notes Issuer pursuant to which the proceeds of the 2012 Senior Notes were on-lent by the Senior Notes Issuer to the Senior Secured Notes 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>1</sup>/<sub>8</sub>% senior secured notes due 2019 issued by the Senior Secured Issuer under the 2012 Senior Secured Notes Indenture.

“2012 Senior Secured Notes Indenture” refers to the indenture dated as of December 12, 2012, among, *inter alios*, the Senior Secured Notes 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 Take Private Transaction, the refinancing of certain indebtedness of Cool Holding and HOT, the entering into of the 2012 Revolving Credit Facility Agreement, the issuing of the HOT Refinancing Notes, the Acquisition Note and the Cool Proceeds Note, the making of the 2012 Senior Notes Proceeds Loan and the offering and sale of the 2012 Notes.

“2012 Transaction Completion Date” means December 27, 2012 and refers to the date on which the 2012 Transaction completed.

“2013 Coditel Acquisition” has the meaning ascribed to it under “General Description of our Business and the Offering—Recent Developments.”

“2013 Guarantee Facility” refers to the guarantee facility agreement dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Existing Senior Secured 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 facility agreement, dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Senior Secured Notes 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 Senior Notes” refers to the €250 million aggregate principal amount of 9% senior notes due 2023 of the Senior Notes Issuer issued by the Senior Notes Issuer under the 2013 Senior Notes Indenture.

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

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

“2013 Term Loan” refers to the term loan credit agreement on or prior to between the Senior Secured Notes Issuer as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as Security Agent.

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

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

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

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

“Acquisition Note” refers to SPV1’s NIS 955.5 million aggregate principal amount of notes due 2019 issued to the Senior Secured Notes Issuer on the 2012 Transaction Completion Date.

“Acquisition of Content Subsidiaries” has the meaning ascribed to it under “*General Description of our Business and the Offering—Recent Developments.*”

“Aggregate Portuguese Guarantee Limit” refers to €95 million, representing the maximum aggregate amount of obligations (i) guaranteed by Altice Portugal and Cabovisão under the Portuguese Guarantees and (ii) secured by the Cabovisão Security, which limitation applies to all indebtedness so guaranteed and/or secured on an aggregate basis.

“Aggregate ONI Security Limit” refers to €45,807,869.98, representing the maximum aggregate amount of obligations secured by the ONI Security, which limitation applies to all indebtedness so secured on an aggregate basis.

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

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

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

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

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

“Altice Group” refers to, collectively, the Group and the Numericable Group.

“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” 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 the Grand Duchy of Luxembourg.

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

“Cabovisão Bridge Facility” refers to the facility agreement, dated March 6, 2013 (as amended and restated on April 18, 2013), among, *inter alios*, Altice Holdings, as the borrower, Altice VII, 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 Transactions.

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

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

“Cabovisão Security” refers to the security interests governed by Portuguese law created by Altice Holdings, Altice West Europe (if applicable), Altice Portugal and Cabovisão and as amended from time to time.

“Cabovisão Security Agreement” refers to the security agreement dated April 23, 2013 among, *inter alios*, Altice Holdings, Altice Portugal and Cabovisão, as guarantors, and Wilmington Trust (London) Limited, as security agent (as amended and restated 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 Holdco” refers to Coditel Holding Lux II S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg.

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

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

“Coditel Purchase Agreement” has the meaning ascribed to it under “*General Description of our Business and the Offering—Recent Developments.*”

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

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

“Collateral” refers to the Senior Secured Collateral and the Senior Notes Collateral.

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

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

“Cool Shareholder Loan” refers to the amended and restated interest free loan agreement dated January 11, 2013 between Altice VII and Cool Holding pursuant to which Altice VII 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*”.

“Dollar Senior Secured Notes” refers to the \$900 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% New Senior Secured Notes due 2022 offered hereby.

“DTC” refers to the Depository Trust Company.

“Escrow Agent” refers to the Senior Secured Notes Escrow Agent or the Senior Notes Escrow Agent and “Escrow Agents” refers to them collectively.

“Escrow Accounts” refers to the Senior Secured Notes Escrow Accounts and the Senior Notes Escrow Account.

“Escrow Agreements” refers to the Senior Secured Notes Escrow Agreement and the Senior Notes Escrow Agreement, collectively.

“Euro Senior Secured Notes” refers to the €300 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% New Senior Secured Notes due 2022 offered hereby.

“Euroclear” refers to Euroclear Bank SA/NV.

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

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

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

“Existing Coditel Proceeds Loan” refers to the existing proceeds loan agreement between Coditel Holding as lender and Coditel Belgium as borrower.

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

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

“Existing Notes” collectively refers to the Existing Senior Notes and the Existing Senior Secured Notes.

“Existing Senior Notes” collectively refers to the 2013 Senior Notes and the 2012 Senior Notes.

“Existing Senior Notes Indentures” collectively refers to the 2013 Senior Notes Indenture and the 2012 Senior Notes Indenture and “Existing Senior Notes Indenture” refers to the 2013 Senior Notes Indenture and 2012 Senior Notes Indenture, as the context requires.

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

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

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

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

“GOT On-Loan” refers to the intercompany loan entered into between OMT Invest as lender and Group Outremer Telecom as borrower in connection with the Outremer Transaction.

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

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

“Group” refers to Altice VII and its subsidiaries (but excludes Tricom and ODO), unless the context otherwise requires.

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

“Guarantees” collectively refers to the Senior Notes Guarantees and the Senior Secured Notes Guarantees.

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

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

“HOT Minority Shareholders” has the meaning given to such term in “Management and Governance”.

“HOT Minority Shareholder Agreements” has the meaning given to such term in “Description of Our Business”.

“HOT Minority Shareholder Call Options” has the meaning given to such term in “Description of Our Business”.

“HOT Minority Shareholder Option Exercises” has the meaning given to the term “Minority Shareholder Option Exercise” in the “Description of Senior Secured Notes”.

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

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

“HOT Proceeds RCF Note” refers to HOT’s NIS 320 million aggregate principal amount of notes issued to the Senior Secured Notes Issuer on the 2012 Transaction Completion Date subject to the terms of the revolving loan agreement dated December 27, 2012 among the Senior Secured Notes 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 Existing Senior Secured Issuer on the 2012 Transaction Completion Date.

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

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

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

“HOT Telecom” refers to HOT Telecom Limited Partnership.

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

“Initial Purchasers” refers to Goldman Sachs International, Morgan Stanley & Co. International plc, Barclays Bank PLC, Crédit Agricole Corporate and Investment Bank and Deutsche Bank AG, London Branch.

“Intercreditor Agreement” refers to the intercreditor agreement dated December 12, 2012, as amended from time to time, among, *inter alios*, the Senior Notes Issuer, the Senior Secured Notes Issuer, Cool Holding, and Citibank, N.A., London Branch, as the Security Agent.

“Issuers” refers to the Senior Notes Issuer and the Senior Secured Notes Issuer.

“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 Le Cable Refinancing and the 2013 Transactions.

“Le Cable Refinancing” has the meaning given to such term in “*Corporate and Financing Structure*”.

“Luxembourg” refers to the Grand Duchy of Luxembourg.

“Mobius Acquisition” has the meaning ascribed to it under “*General description of our business and the Offering—Recent Developments—Acquisition of the Mobius Group*”.

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

“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.

“New AH Proceeds Loans” refers to the intercompany loans made by the Senior Secured Notes Issuer as lender to Altice Holdings, and any successor entity, as borrower, in connection with the New Transactions.

“NewCo Convertible Bonds” refers to the convertible bonds issued by Altice Blue Two and subscribed for by Altice Caribbean in connection with the Outremer Transaction and the 2013 Transactions.

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

“New Notes” refers to the New Senior Secured Notes and the New Senior Notes, collectively.

“New Senior Notes” refers to the \$400 million aggregate principal amount of 8<sup>1</sup>/<sub>8</sub>% senior notes due 2024 of the Senior Notes Issuer offered hereby.

“New Senior Notes Indenture” refers to the indenture governing the New Senior Notes.

“New Senior Notes Proceeds Loan” has the meaning ascribed to it under “*The Transactions—The Financing*”.

“New Senior Secured Notes” refers to, collectively, the Euro Senior Secured Notes and the Dollar Senior Secured Notes.

“New Senior Secured Notes Indenture” refers to the indenture governing the New Senior Secured Notes.

“New Transactions” has the meaning ascribed to it under “*The Transactions*”.

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

“Noteholder” refers to a holder of the New Notes.

“Numericable Group” refers to Numericable Group S.A. and its subsidiaries.

“ODO” refers to Orange Dominicana S.A.

“ODO Acquisition” has the meaning ascribed to it under “*The Transactions*”.

“ODO Guarantee Limit” refers to \$856 million, representing the maximum aggregate amount of obligations guaranteed by ODO.

“OMT Invest” refers to OMT Invest S.A.S., a *société par actions simplifiée*, incorporated under the laws of France.

“OMT Minority Shareholders” refers to the equity interest of approximately 23% (to be increased to approximately 25% upon completion of the Mobius Transaction) held by the management of OMT Invest (and, upon completion of the

Mobius Transaction, the Mobius management) in Altice Blue Two. The remaining equity interest in Altice Blue Two is held by Altice Caribbean, a wholly owned subsidiary of Altice VII.

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

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

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

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

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

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

“ONI Security” refers to the security interests governed by Portuguese law created by Winreason, ONI, S.G.P.S. and its subsidiaries under the ONI Security Agreement and as amended from time to time.

“ONI Security Agreement” refers to the security agreement dated 10 November 2011 among, inter alios, Wireason, ONI S.G.P.S., Onitelecom, Hubgrade, S.A., F300—Fiber Communications, S.A. and Knewon, S.A., as pledgors, and Banco Efisa, S.A., as security agent (as amended and restated on August 8, 2013).

“ONI Transaction” refers to, collectively, the ONI Acquisition and the ONI Refinancing.

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

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

“Outremer” refers to Groupe Outremer Telecom and its subsidiaries.

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

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

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

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

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

“Portuguese Guarantee” refers to each of the guarantees provided by Altice Portugal and Cabovisão with respect to the Senior Secured Debt and to certain hedge counterparties (on a senior basis) and the Senior Notes (on a subordinated basis).

“Portuguese Law Collateral” refers to, collectively, the Cabovisão Security and the ONI Security which secure the Senior Secured Debt (other than the New Senior Secured Notes).

“Restricted Group” refers to Altice VII and its Restricted Subsidiaries, as defined in the New Indentures.

“Revolving Credit Facility Agreements” collectively refers to the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility.

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

“Senior Notes” collectively refers to the New Senior Notes and the Existing Senior Notes.

“Senior Notes Collateral” has the meaning ascribed to it under “*The Offering—Security—New Senior Notes*”.

“Senior Notes Escrow Account” has the meaning ascribed to it under “*The Offering—Escrow of Proceeds; Special Mandatory Redemption*”.

“Senior Notes Escrow Agent” refers to Citibank, N.A., London Branch, acting in its capacity as escrow agent under the Senior Notes Escrow Agreement.

“Senior Notes Escrow Agreement” has the meaning ascribed to it under “*The Offering—Escrow of Proceeds; Special Mandatory Redemption*”.

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

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

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

“Senior Notes Proceeds Loans” collectively refers to the New Senior Notes Proceeds Loan, the 2012 Senior Notes Proceeds Loan and the 2013 Senior Notes Proceeds Loan.

“Senior Secured Collateral” has the meaning ascribed to it under “*The Offering—Security—New Senior Secured Notes*”.

“Senior Secured Debt” refers to the 2012 Senior Secured Notes, the 2012 Revolving Credit Facility, the 2013 Term Loan, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the New Senior Secured Notes.

“Senior Secured Notes Escrow Accounts” has the meaning ascribed to it under “*The Offering—Escrow of Proceeds; Special Mandatory Redemption*.”

“Senior Secured Notes Escrow Agent” refers to Citibank, N.A., London Branch, acting in its capacity as escrow agent under the Senior Secured Notes Escrow Agreement.

“Senior Secured Notes Escrow Agreement” has the meaning ascribed to it under “*The Offering—Escrow of Proceeds; Special Mandatory Redemption*”.

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

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

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

“Senior Secured Notes Issuer Pledged Proceeds Notes” collectively refers to the AH Proceeds Loan, the New AH Proceeds Loans, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Notes.

“SPV1” refers to H. Hadaros 2012 Ltd.



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

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

“Tricom Acquisition” has the meaning ascribed to it under “*The Transactions*”.

“Tricom Guarantee Limit” refers to \$260 million, representing the maximum aggregate amount of obligations guaranteed by Tricom.

“Trustee” refers to Citibank, N.A., London Branch, acting in its capacity as trustee under the New Indentures.

“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.

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

## 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***

This Offering Memorandum includes the following historical consolidated financial information of Altice VII:

- the unaudited condensed consolidated financial statements of Altice VII as of September 30, 2012 and 2013 and for the nine months ended September 30, 2012 and 2013, prepared in accordance with IAS 34, which have been reviewed by Deloitte Audit S.à r.l.; and
- the audited consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012, 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 VII, and information directly derived therefrom, are referred to herein as the “Historical Consolidated Financial Information”.

#### ***Illustrative Aggregated Selected Financial Information***

Altice VII 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 VII since 2010, which have had a significant impact on the Historical Consolidated Financial Information.

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

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

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

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

As a result of the series of significant acquisitions that have been consummated by Altice VII since 2010, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Consequently, certain unaudited illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012 has been included in this Offering Memorandum as we believe this will aid comparability of the results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum for each of these periods. The illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012, and information directly derived therefrom, are referred to herein as the “Illustrative Aggregated Selected Financial Information”. The Illustrative Aggregated Selected Financial Information has been compiled by aggregating selected aggregated financial information extracted from (i) the audited historical consolidated financial statements of Altice VII for each of the years ended December 31, 2011 and 2012 and (ii) the audited historical financial information of each of the business undertakings the acquisition of which was consummated by Altice VII prior to the date of this Offering Memorandum for each of the years ended December 31, 2011 and 2012 (or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of Altice VII). Adjustments have been made to the resulting aggregation in instances where the audited historical financial information of a business undertaking acquired by Altice VII and included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS 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 this Offering Memorandum. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Mobius Group, Tricom or ODO as these acquisitions are still pending as of the date of this Offering Memorandum. The Pro Forma Financial Information (as defined below) and the Illustrative Aggregated Selected Financial Information include the results of operations of Valvision even though we disposed of our interests in Valvision in 2013. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.6 million and €2.5 million to aggregated and pro forma revenues and € 0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII but which have been designated as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.6 million and € 9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed € 0.5 million to pro forma revenue and €0.5 million to pro forma EBITDA.

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

- the audited historical financial statements of Altice VII for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS (which include in the notes thereto certain pro forma financial information of HOT Telecom for the period between January 1, 2011 and March 16, 2011);
- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgium GAAP;

- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;
- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;
- the audited accounts of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;
- the audited pro forma accounts for ONI for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;
- the audited consolidated accounts for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;
- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP (aligned with the measurement and recognition criteria of IFRS); and
- the unaudited financial statements for SportV for the year ended December 31, 2012 prepared in accordance with IFRS.

The Illustrative Aggregated Selected Financial Information among other things:

- neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such;
- has not been audited in accordance with any generally accepted auditing standards;
- has not been reviewed in accordance with any generally accepted review standards;
- is presented for illustrative purposes only;
- is provided for certain limited items from Altice VII'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 this Offering Memorandum 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 in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by Altice VII for any other periods for which Historical Consolidated Financial Information or Pro Forma Financial Information has been included in this Offering Memorandum.

The Illustrative Aggregated Selected Financial Information includes results of operations data of the acquired businesses (other than Mobius Group, Tricom and ODO) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the non- controlling

interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling owners' interests may be very significant as is demonstrated by the line item "profit or loss attributable to non-controlling interests" in the Historical Consolidated Financial Statements. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the Illustrative Aggregated Selected Financial Information is also subject to the limitations with respect to non-IFRS measures described below.

### ***ODO***

Following the completion of the ODO Acquisition, the Group expects that it will own between 70% and 75% of the equity interests in ODO. This Offering Memorandum includes the following financial information of ODO prepared in accordance with IFRS:

- the unaudited condensed interim standalone financial statement of ODO as of and for the nine months ended September 30, 2012 and 2013;
- the audited standalone financial statements of ODO as of and for the year ended December 31, 2012.

### ***Pro Forma Financial Information***

The Offering Memorandum includes the following pro forma financial information of Altice VII giving effect to each of the significant acquisitions described above (without giving effect to the ODO Acquisition or the Tricom Acquisition) as if such acquisitions had occurred by January 1, 2012:

- the unaudited pro forma consolidated interim financial statements of Altice VII as of September 30, 2013 and for each of the nine months ended September 30, 2012 and 2013; and
- the unaudited pro forma consolidated financial statements of Altice VII for the year ended December 31, 2012.

The above-mentioned pro forma consolidated financial statements of Altice VII, and information directly derived from such pro forma consolidated financial statements, are referred to herein as the "Pre-Transaction Pro Forma Financial Information".

The Offering Memorandum includes the following pro forma financial information of Altice VII giving effect to each of the significant acquisitions described above and the ODO Acquisition (but without giving effect to the Mobius Acquisition and the Tricom Acquisition) as if such acquisitions had occurred by January 1, 2012:

- the unaudited pro forma consolidated interim financial information of Altice VII as of September 30, 2013 and for the nine months ended September 30, 2012 and 2013; and
- the unaudited pro forma consolidated financial information of Altice VII for the year ended December 31, 2012.

The above-mentioned pro forma consolidated financial information of Altice VII, and information directly derived from such pro forma consolidated financial information, are referred to herein as the "Post-Transaction Pro Forma Financial Information".

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

The Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition or the Tricom Acquisition and therefore does not include financial information of Tricom or Mobius.

The Pro Forma Financial Information included in this Offering Memorandum 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 auditing standards.

The Pro Forma Financial Information included in this Offering Memorandum and their respective pro forma adjustments, among other things:

- are based on upon 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 significant acquisitions and disposals described above, the Tricom Acquisition, the Mobius Acquisition and the ODO Acquisition occurred with effect from the dates indicated; and
- do not purport to project our results of operations or financial condition for any future period or as of any future date.

The Historical Consolidated Financial Information, the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information mentioned above do not indicate results that may be expected for any future period.

The Pro Forma Financial Information includes the results of operations and financial condition of the acquired businesses and in the case of the Post-Acquisition Pro Forma Financial Information, the results of ODO, for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Pro Forma Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Consolidated Financial Information and the Pro Forma Financial Information can be significant and are reflected in the line item profit or loss attributable to non-controlling interests in the relevant statements of income.

#### ***Certain Adjusted Financial Information***

This Offering Memorandum also includes certain financial information on an as adjusted basis to give effect to the 2013 Transactions and the New Transactions, including this offering and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the 2013 Transactions and the New Transactions on the Group's indebtedness as if the 2013 Transactions and the New Transactions had occurred on September 30, 2013 and the Group's interest expense as if the 2013 Transactions and the New Transactions occurred on January 1, 2012. 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 2013 Transactions and the New Transactions occurred on September 30, 2013 or January 1, 2012, respectively; nor does it purport to project the Combined Entities' or the Group's indebtedness or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

#### ***Non-IFRS Measures***

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

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

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

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

## SUBSCRIBER, MARKET AND INDUSTRY DATA

### Key Operating Measures

This Offering Memorandum 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, ARPUs, penetration and mobile coverage of territory, which management uses to track the financial and operating performance of our businesses. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the internal operating systems of the individual members of the Group. 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 by the Group included elsewhere in the Offering Memorandum.

### Market and Industry Data

We operate in industries in which it is difficult to obtain precise market and industry information. We have generally obtained the market and competitive position data in this Offering Memorandum from our competitors' public filings, from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable. Certain information in this Offering Memorandum contains independent market research carried out by Euromonitor International Limited, IHS and Analysis Mason and should not be relied upon in making, or refraining from making, any investment decision. Analysis Mason does not guarantee the accuracy, adequacy or completeness of any information and would not be responsible for any errors or omissions or for the results obtained from the use of such information.

We calculate market share for each of our services in Israel 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 are calculated from our penetration data by extrapolating overall market penetration from industry sources to our footprint.

However, none of us, the Initial Purchasers or any of our or their respective advisors can verify the accuracy and completeness of such information and none of us, the Initial Purchasers or any of our or their respective advisors has independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information and, as far as we are aware and are able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases we have made statements in this Offering Memorandum regarding our industries and our position in these industries based on our experience and our own investigation of market conditions. None of us, the Initial Purchasers or any of our or their respective advisors can assure you that any of these assumptions are accurate or correctly reflect our position in these industries, and none of our or their internal surveys or information has been verified by independent sources.



## EXCHANGE RATE INFORMATION

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

	U.S.\$ per euro			
	Period Average <sup>(1)(2)</sup>	High	Low	Period End <sup>(3)</sup>
<b>Year</b>				
2010 .....	1.3266	1.4510	1.1952	1.3366
2011 .....	1.3924	1.4874	1.2925	1.2960
2012 .....	1.2859	1.3463	1.2053	1.3197
<b>Month</b>				
May 2013 .....	1.2981	1.3190	1.2828	1.2971
June 2013 .....	1.3198	1.3402	1.3005	1.3005
July 2013 .....	1.3083	1.3280	1.2792	1.3276
August 2013 .....	1.3315	1.3420	1.3204	1.3204
September 2013 .....	1.3354	1.3531	1.3127	1.3531
October 2013 .....	1.3639	1.3804	1.3498	1.3599
November 2013 .....	1.3497	1.3367	1.3605	1.3591

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

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

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

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

<u>As of</u>	<u>EUR per NIS</u>	
December 31, 2010 .....	€0.2125	NIS1.00
December 31, 2011 .....	€0.2024	NIS1.00
December 31, 2012 .....	€0.2030	NIS1.00
September 30, 2012 .....	€0.1976	NIS1.00
September 30, 2013 .....	€0.2094	NIS1.00

<u>Average rate for the</u>	<u>EUR per NIS</u>	
Year ended December 31, 2010 .....	€0.2018	NIS1.00
Year ended December 31, 2011 .....	€0.2009	NIS1.00
Year ended December 31, 2012 .....	€0.2018	NIS1.00
Nine months ended September 30, 2012 .....	€0.2023	NIS1.00
Nine months ended September 30, 2013 .....	€0.2086	NIS1.00

<u>As of</u>	<u>EUR per CHF</u>	
December 31, 2010 .....	€0.7997	CHF1.00
December 31, 2011 .....	€0.8226	CHF1.00
December 31, 2012 .....	€0.8226	CHF1.00
September 30, 2012 .....	€0.8265	CHF1.00
September 30, 2013 .....	€0.8179	CHF1.00

<u>Average rate for the</u>	<u>EUR per CHF</u>	
Year ended December 31, 2010 .....	€0.7301	CHF1.00
Year ended December 31, 2011 .....	€0.8112	CHF1.00
Year ended December 31, 2012 .....	€0.8296	CHF1.00
Nine months ended September 30, 2012 .....	€0.8303	CHF1.00
Nine months ended September 30, 2013 .....	€0.8119	CHF1.00

<u>As of</u>	<u>EUR per DOP</u>
September 30, 2013 .....	€0.0177 DOP1.00
<u>Average rate for the</u>	<u>EUR per DOP</u>
Year ended December 31, 2011 .....	€0.0188 DOP1.00
Year ended December 31, 2012 .....	€0.0201 DOP1.00
Nine months ended September 30, 2012 .....	€0.0202 DOP1.00
Nine months ended September 30, 2013 .....	€0.0186 DOP1.00

## FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance our existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- negative changes to our credit rating;
- risks associated with our structure, this offering, and our other indebtedness;
- risks related to the New Transactions;
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the Tricom Acquisition, the ODO Acquisition and the cost savings we expect to realize from our Network Sharing Agreement in Israel;
- the competitive environment and downward price pressure in the broadband communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- risks related to royalties payments and our licenses;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;

- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;
- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;
- increases in operating costs and inflation risks;
- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and mobile telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to achieve cost saving from network sharing arrangements for our mobile services in Israel;
- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- the ability of third party suppliers and vendors to timely deliver qualitative products, network infrastructure, equipment, software and services;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we have recently acquired or may acquire in the future;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;
- our ability to maintain subscriber data and comply with data privacy laws;
- our ability to manage our brands;
- changes in, or failure or inability to comply with, government regulations and adverse outcomes from regulatory proceedings;
- the application of law generally and government intervention that opens our fixed-line and mobile networks to competitors, which may have the effect of increasing competition and reducing our ability to reach the expected returns on investment;
- our ability to obtain building and environmental permits for the building and upgrading of our networks, including our mobile network in Israel, and to comply generally with city planning laws;
- our inability to completely control the prices we charge to customers or the programming we provide;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;

- our ability to integrate acquired businesses and realize planned synergy benefits from acquisitions (including without limitation the Tricom Acquisition and the ODO Acquisition);
- our ability to maintain adequate managerial controls and procedures as the business grows;
- our ultimate parent’s interest may conflict with our interests;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and
- other factors discussed in this Offering Memorandum.

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

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

We disclose important factors that could cause our actual results to differ materially from our expectations in this Offering Memorandum. 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 New Notes.

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

#### **AVAILABLE INFORMATION**

For so long as any of the New 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 New Indentures and so long as the New Notes are outstanding, we will furnish periodic information to holders of the New Notes, as applicable. See “*Description of Senior Secured Notes—Certain Covenants—Reports*” and “*Description of Senior Notes—Certain Covenants—Reports*”.

## **TAX CONSIDERATIONS**

Prospective purchasers of the New Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the New 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 New 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 this Offering Memorandum is the property of its respective holder.

## GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

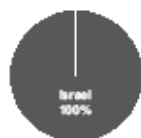
*This general description of our business and the offering highlights selected information contained in this Offering Memorandum regarding the Group and the New Notes. It does not contain all the information you should consider prior to investing in the New Notes. You should read the entire Offering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

*In this section, unless the context otherwise requires, the terms “Group”, “we”, “us” and “our” refers to Altice VII and its subsidiaries (but excluding Tricom and ODO). However, the Post-Acquisition Pro Forma Financial Information gives pro forma effect to the ODO Acquisition.*

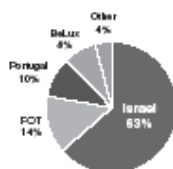
### Overview

We are a multinational cable and telecommunications company with presence in three regions—Israel, Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland) and the French Overseas Territories (currently comprising the Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential customers and corporate customers. Our cable networks enable us to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. We have expanded internationally through price-disciplined acquisitions and have recently entered into agreements to acquire Tricom and Orange Dominicana (“ODO”) in the Dominican Republic. Both of these transactions are subject to regulatory approval and are expected to be completed in the first quarter of 2014. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. Prior to the ODO Acquisition and the Tricom Acquisition, we passed 3.6 million homes with 1.5 million Cable Customer Relationships, 3.2 million cable-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1.1 million mobile telephony RGUs and had 0.1 million xDSL / non-cable RGUs, as at September 30, 2013. Pro forma for the ODO Acquisition and the Tricom Acquisition, as at September 30, 2013, we passed approximately 4.0 million homes with 1.7 million Cable Customer Relationships, 3.4 million cable-based RGUs, an average of 2.0 RGUs per Cable Customer Relationship, 4.4 million mobile telephony RGUs and had 0.5 million xDSL / non-cable based RGUs. We target cable operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. We aim to substantially improve the operational performance of businesses we acquire, thereby providing the cash flow generation to help fund future growth. We are the largest cable television operator and the second largest broadband Internet access services provider and a leading provider of multiple-play services in our service areas. We offer bundled triple-play services, and where possible, quadruple-play services, at attractive prices, and focus our marketing efforts on our multiple-play offerings. Our service portfolio in each of the regions in which we operate is set forth below. Our last three quarters annualized Pro Forma Adjusted EBITDA was €862.6 million (which excludes the EBITDA of Green Datacenter and Auberimmo and includes expected synergies from the acquisitions of Outremer, ONI, Tricom and ODO, the estimated EBITDA of Tricom and cost savings expected to be realized as a result of our Network Sharing Agreement). Please refer to “—Pro Forma Adjusted EBITDA” for further details. The table below shows the Pre-Transaction Pro Forma EBITDA and Post-Transaction Pro Forma EBITDA splits by geography for the Last Three Quarters Annualized, as applicable.

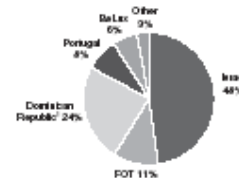
**Altice VII Restricted Group  
Pre Fold-in of Assets**



**Altice VII Restricted Group  
Before Dominican Republic  
Acquisitions**



**Altice VII Restricted Group  
Before Tricom Acquisition  
Pro-forma for ODO Acquisition**



(1) Excludes Tricom EBITDA of €37.5 million for the nine months ended September 30, 2013

We believe that we benefit from a significant fixed network advantage. Our cable based services are delivered over hybrid fiber coaxial (“HFC”) cable networks that are among the most technically advanced in the markets in which we operate. Our networks benefit from substantial spectrum availability and, on a blended basis, we are 98% Docsis 3.0 enabled (excluding the Dominican Republic), allowing us to offer advanced triple-play services to our customers. The fiber-rich characteristic of our network gives it capacity, speed and quality advantages as compared to copper based DSL

networks. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. We believe that our networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard. We expect to be able to increase broadband Internet download and upload speeds beyond those offered by the FTTH technologies without incurring significant investments, providing us with further competitive advantage to capture new bandwidth-intensive usages such as multimedia and multi-screen.



Geographic Area	Israel	Western Europe		Overseas Territories		Other
Countries of Operation	Israel	Belgium and Luxembourg <sup>2</sup>	Portugal	French Overseas Territories <sup>2,3</sup>	Dominican Republic <sup>5</sup>	Various
Bundling Strategy	3P + Mobile	4P/3P	3P	4P	4P	NA
Cable Services Offered	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet infrastructure access</li> <li>■ Fixed line telephony</li> <li>■ ISP</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	
Mobile Services Offered	<ul style="list-style-type: none"> <li>■ UMTS 3G Mobile services</li> <li>■ B2B iDEN mobile services<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ MVNO mobile services (Belgium only)</li> </ul>	<ul style="list-style-type: none"> <li>■ NA</li> </ul>	<ul style="list-style-type: none"> <li>■ UMTS 3G mobile services<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ 2G mobile services</li> <li>■ 3G mobile services</li> <li>■ 4G LTE mobile services</li> </ul>	
xDSL Based Services / Other Services	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Pay television</li> <li>■ Internet access</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Pay television</li> <li>■ Internet access</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Television content</li> </ul>

- (1) We continue to provide our iDEN mobile services under the “MIRS” brand.
- (2) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand licensed from Numericable France.
- (3) We provide pay television, fixed-line telephony and Internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories. In Guadeloupe and Martinique we have begun to market these services under the Numericable brand which we have historically used for services provided via our cable network but we continue to use the ONLY brand in French Guiana, Mayotte and La Réunion.
- (4) In La Réunion, Mayotte and French Guiana, we continue to market our mobile services under the “ONLY” brand.
- (5) On October 31, 2013 we entered into agreements to acquire Tricom, a cable and fixed-line as well as mobile services provider in the Dominican Republic. On November 26, 2013, we entered into an agreement to acquire ODO, a mobile and wireless broadband services provider in the Dominican Republic.



## Key Operating Measures<sup>(1)</sup>

	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Pre- Transaction Total	Tricom	ODO	Post- Transaction Total
<b>CABLE-BASED SERVICES</b>								
<b>Market and Network</b>								
Homes Passed .....	2,272	233	906	154	3,565	440 <sup>(3)</sup>	—	4,005
Docsis 3.0 Upgraded (%) .....	100%	100%	99%	49%	98%	78%	—	95%
<b>Unique Customers</b>								
Cable Customer Relationships .....	1,145	115	240	38	1,538	138 <sup>(4)</sup>	—	1,676
Triple-Play Cable Customer Relationships.....	448	51	136	15	650	—	—	N/A
<b>RGUs &amp; Penetration</b>								
Total RGUs .....	2,316	239	609	68	3,233	186	—	3,419
Pay Television RGUs .....	881	130	227	38	1,276	138 <sup>(5)</sup>	—	1,414
Pay Television Penetration (%) .....	39%	56%	25%	25%	36%	31%	—	35%
Broadband Internet RGUs .....	755	56	156	15	982	27	—	1,009
Broadband Internet Penetration (%) .....	33%	24%	17%	10%	28%	6%	—	25%
Fixed-Line Telephony RGUs .....	680	53	226	15	974	21	—	995
Fixed-Line Telephony Penetration (%) .....	30%	23%	25%	10%	27%	5%	—	25%
RGUs Per Cable Customer Relationship .....	2.0 x	2.1 x	2.5 x	1.8 x	2.1 x	1.3 x	—	2.0 x
<b>ARPU</b>								
Cable ARPU (€) .....	47.6	41.1	35.1	50.8	—	20.0 <sup>(6)</sup>	—	—
<b>MOBILE-BASED SERVICES</b>								
<b>Market and Network</b>								
UMTS Mobile Coverage of Territory (%).....	50%	—	—	89%	—	—	—	—
<b>Subscribers</b>								
Total Mobile Subscribers .....	773	3	—	367	1,143	302 <sup>(7)</sup>	2,989 <sup>(8)</sup>	4,434
Postpaid.....	762	3	—	188	953	17 <sup>(7)</sup>	403 <sup>(8)(9)</sup>	1,373
Prepaid.....	11	—	—	179	190	285 <sup>(7)</sup>	2,587 <sup>(8)(10)</sup>	3,061
<b>ARPU</b>								
Mobile ARPU (€) .....	16.9	40.9	—	26.8	—	3.3	9.8	—
<b>xDSL / NON-CABLE BASED SERVICES</b>								
<b>RGUs</b>								
Total RGUs .....	—	—	—	135	135	348	—	483
Broadband Internet RGUs .....	—	—	—	55	55	96	—	151
Fixed-Line Telephony RGUs .....	—	—	—	80	80	251	—	331

(1) Please refer to “Summary Financial Information and Other Data—Key Operating Measures” for further details.

(2) Only relates to the cable based services (pay television, broadband Internet and fixed-line telephony) provided by the Group in Guadeloupe and Martinique and excludes the xDSL based broadband Internet (including IPTV) and fixed-line telephony services provided by the Group in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte following the acquisition of a controlling interest in Outremer in July 2013.

(3) Includes one and two ways homes passed by Tricom’s HFC network.

(4) Includes non-residential customers and includes only pay television cable customer relationships.

(5) Represents “Equivalent Billing Units” of Tricom.

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

(7) Does not include wireless data subscribers.

(8) Includes subscribers through resellers as ODO enters into direct contractual arrangements with customers of resellers. All postpaid subscribers are considered as active. Includes exclusively mobile subscribers, with mobile broadband/Internet subscribers excluded.

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

(10) Prepaid residential subscribers only.

## Key Performance Measures

	Illustrative Aggregated Selected Financial Information <sup>(1)</sup>		Post-Transaction Pro Forma Financial Information <sup>(2)</sup>				
	For the year ended December 31,		For the year ended December 31,	For the nine months ended September 30,		L3QA <sup>(3)</sup>	L3QA % of Total <sup>(3)</sup>
	2011	2012	2012	2012	2013		
	€ in millions						
<b>Revenue</b>							
Israel.....	845.5	850.4	850.4	634.9	669.4	892.5	46.6%
Belgium and Luxembourg.....	67.3	71.3	71.3	52.8	53.2	70.9	3.7%
Portugal.....	238.8	235.4	235.3	174.6	159.8	213.1	11.1%
French Overseas Territories.....	217.9	219.6	219.6	163.3	166.3	221.7	11.6%
Dominican Republic <sup>(1)(2)</sup> .....	—	—	457.7	343.3	333.6	444.8	23.2%
Others <sup>(4)</sup> .....	56.7	65.2	65.2	50.5	53.4	71.3	3.7%
<b>Total Revenue</b> .....	<b>1,426.2</b>	<b>1,441.8</b>	<b>1,899.5</b>	<b>1,419.4</b>	<b>1,435.8</b>	<b>1,914.4</b>	<b>100%</b>
<b>EBITDA<sup>(5)</sup></b>							
Israel.....	327.2	305.2	305.2	229.2	269.9	359.9	48.0%
Belgium and Luxembourg.....	41.0	45.6	45.6	35.3	35.4	47.2	6.3%
Portugal.....	39.0	48.0	48.0	31.9	45.1	60.1	8.0%
French Overseas Territories.....	72.4	75.1	75.1	56.9	62.1	82.8	11.0%
Dominican Republic <sup>(1)(2)</sup> .....	—	—	166.7	127.4	132.7	176.9	23.6%
Others <sup>(4)</sup> .....	17.7	20.3	20.3	18.2	17.3	23.1	3.1%
<b>Total EBITDA</b> .....	<b>497.2</b>	<b>494.2</b>	<b>660.9</b>	<b>498.9</b>	<b>562.4</b>	<b>749.9</b>	<b>100%</b>
Equity based compensation <sup>(6)</sup> .....	6.0	3.8	3.8	3.8	—	—	100%
<b>Adjusted EBITDA<sup>(7)</sup></b> .....	<b>503.2</b>	<b>498.0</b>	<b>664.7</b>	<b>502.7</b>	<b>562.4</b>	<b>749.9</b>	<b>100%</b>
<b>Pro Forma Adjusted EBITDA<sup>(8)</sup></b> .....						<b>862.6</b>	<b>100%</b>

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under “Dominican Republic”). It does not give pro forma effect to the acquisition of Tricom. For details, see “*Post-Transaction Pro Forma Financial Information of the Group*”.

(3) Last Three Quarters Annualized (L3QA) is calculated by dividing the revenue, EBITDA or Adjusted EBITDA, as applicable, for the nine months ended September 30, 2013 by three and multiplying the result by four. There can be no assurance, and you should not assume, that this annualized presentation of our results for the nine months ended September 30, 2013 represents an accurate forecast of our actual results of operations.

(4) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.6 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.6 million and €9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.5 million to aggregated revenue and €0.5 million to aggregated EBITDA.

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

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

(7) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

(8) For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, see “*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*”.

We enjoy strong market positions in our service area across our regions, notably on the broadband and pay television segments where our cable technology enables us to offer premium digital services, attractive interactive features and local content to our subscribers. We have leveraged our unique network advantage to drive our multiple-play strategy and offer an attractive combination of content, speed and functionality at competitive prices. We experienced a significant increase in the percentage of triple-play subscribers, reaching 42% of our existing cable customer base as of September 30, 2013 compared to 34% as of December 31, 2011, translating into growth in RGU per unique cable customer relationship and cable based services ARPU. In the Dominican Republic, Tricom has also experienced growth in triple-play customers.

### Cable-Based Services ARPU Growth and Triple Play Penetration

	2011	2012	Q3 2013
<b>Israel<sup>(1)</sup></b>			
Cable ARPU (€).....	42.4	44.4	47.6
Growth (%) <sup>(2)</sup> .....	3.9%	4.7%	7.2%
3P Penetration (%).....	28%	34%	39%
<b>Belgium &amp; Luxembourg<sup>(3)</sup></b>			
Cable ARPU (€).....	36.7	39.5	41.1
Growth (%) <sup>(2)</sup> .....	6.1%	7.6%	4.1%
3P Penetration (%).....	42%	42%	44%
<b>Portugal<sup>(4)</sup></b>			
Cable ARPU (€).....	36.9	34.9	35.1
Growth (%) <sup>(2)</sup> .....	(2.5)%	(5.4)%	0.6%
3P Penetration (%).....	58%	58%	57%
<b>French Overseas Territories<sup>(5)</sup></b>			
Cable ARPU (€).....	43.1	48.3	50.8
Growth (%) <sup>(2)</sup> .....	5.3%	12.1%	5.2%
3P Penetration (%).....	22%	31%	39%
<b>Dominican Republic<sup>(6)</sup></b>			
Cable ARPU (€) <sup>(7)</sup> .....	22.0	21.5	20.0
Growth (%) <sup>(2)</sup> .....	N/A	(9.6)%	(4.9)%
3P Penetration (%) <sup>(8)</sup> .....	9%	13%	16%

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

(2) For 2011 and 2012, represents year on year growth. For the nine months ended September 30, 2013, represents growth compared to 2012.

(3) Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest in June 2011).

(4) Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012).

(5) Overseas Territories represents operating measures of Le Cable and excludes Outremer (in which we acquired a controlling interest in July 2013).

(6) Dominican Republic represents Tricom (in which we agreed to acquire a controlling interest on October 31, 2013).

(7) Cable ARPU includes only revenues related to pay television services and also revenues from additional set-top boxes and other value-added and premium services. Does not include ARPU from broadband Internet and fixed telephony services.

(8) Blended 3P penetration shown for cable and xDSL / non-cable based customers. The Q3 2013 3P penetration percentage for Tricom is as of August 2013.

We seek to create value by continuously optimizing our cost base and capital expenditures. In addition, we aim to maximize the return on our investments by defining and implementing our investment strategy, IT and network planning as well as procurement initiatives at the group level. We have implemented common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved substantial reductions in our operating expenses as we implemented consistent best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. We believe sharing of best practices across our regions and implementation of group synergies is a key driver of our operational performance improvements, operating margin increases and organic cash-flow growth.

The roll-out of LaBox, our most advanced set-top box, across Western Europe, is evidence of our focus on optimisation and our ability to develop common areas to further drive group's efficiency. We plan to roll-out the LaBox in Israel in 2014. As a result of acquisitions and the operational improvements to existing and acquired businesses, we have grown our EBITDA and our profitability and operational cash flow substantially over the past three years. For the nine months ended September 30, 2013 and the year ended December 31, 2012, on a historical consolidated basis, our total Adjusted EBITDA was €377.0 million and €406.9 million, respectively, our Adjusted EBITDA margin was 40.6% and 37.2%, respectively and our Adjusted EBITDA less capital expenditures amounted to €190.4 million and €59.9 million, respectively. In addition, the growth in EBITDA, profitability and operating cash flow of businesses we have acquired reflects our unique expertise in turning around such businesses. In particular, in our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 40.5% in the nine months ended September 30, 2013 compared to 14.2% in 2011. We will aim to implement cost optimization initiatives in line with those already successfully deployed across the group in the Dominican Republic and believe we will benefit from additional synergies following the ODO Acquisition and the Tricom Acquisition.

## Summary Financials

The table below summarizes our growth in revenues, Adjusted EBITDA and Adjusted EBITDA less capital expenditures:

	Historical Consolidated Financial Information				Illustrative Aggregated Selected Financial Information <sup>(1)</sup>		Post-Transaction Pro Forma Financial Information <sup>(2)</sup>				
	For the year ended December 31,		For the nine months ended September 30,		For the year ended December 31,		For the year ended December 31,		For the nine months ended September 30,		L3QA <sup>(3)</sup>
	2010	2011	2012	2013	2011	2012	2012	2012	2013	2013	
	€ in millions										
Revenue .....	167.2	784.2	1,092.4	928.4	1,426.2	1,441.8	1,899.5	1,419.4	1,435.8	1,914.4	
Adjusted EBITDA <sup>(4)</sup> .....	48.1	303.8	406.9	377.0	503.2	498.0	664.7	502.7	562.4	749.9	
Capital Expenditures <sup>(5)</sup> .....	49.9	189.7	347.0	186.6	293.8	397.8	471.0	333.5	248.4	331.2	
Adjusted EBITDA—Capital Expenditures .....	(1.8)	114.1	59.9	190.4	209.4	100.2	193.7	169.2	314.0	418.7	
Pro Forma Adjusted EBITDA <sup>(6)</sup> .....										862.6	

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "Illustrative Aggregated Selected Financial Information of the Group".

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"). It does not give pro forma effect to the acquisition of Tricom. For details, see "Post-Transaction Pro Forma Financial Information of the Group".

(3) Last Three Quarters Annualized (L3QA) is calculated by dividing the revenue, Adjusted EBITDA or Adjusted EBITDA less capital expenditures, as applicable, for the nine months ended September 30, 2013 by three and multiplying the result by four. There can be no assurance and you should not assume that this annualized presentation of our results for the nine months ended September 30, 2013 represents an accurate forecast of our actual results of operations.

(4) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

(5) For the Post-Transaction Pro Forma Financial Information, capital expenditures have been calculated by aggregating the Group's capital expenditures based on the Pre-Transaction Pro Forma Financial Information and the capital expenditures of ODO based on the historical financial statements of ODO. For the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, ODO's total capital expenditures were € 73.2 million, €38.9 million and €38.9 million, respectively.

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

## Our Competitive Strengths

We believe that we benefit from the following key strengths:

***We enjoy leading positions in pay television and broadband Internet services in well diversified markets with favorable dynamics for cable operators.*** We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In a significant majority of our footprint, we are the sole cable operator and are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In Israel, our largest geography by revenue and EBITDA, we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. In a significant majority of our footprint we benefit from relatively high levels of GDP per capita, high population density and strong demographic and population growth trends. All of the countries in which we currently operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. Broadband penetration in our footprint, and in particular in Israel, Belgium and Luxembourg, also compares favorably with most other West European markets. Following the ODO Acquisition and the Tricom Acquisition, we will also own the leading cable operator in the Dominican Republic and believe we are well-positioned to capture growth from increased penetration of our cable based services.

***We believe that we benefit from a fixed network advantage in each of our markets.*** We own our HFC networks that, on a blended basis, are 98% Docsis 3.0 enabled, excluding the Dominican Republic, where network upgrades are underway. Our state-of-the-art networks allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. In a significant majority of our footprint, we are the sole end-to-end fixed infrastructure alternative to the incumbent operator. In addition, compared to DSL-based and satellite infrastructures of our competitors in our service area, we believe we benefit from important efficiencies in our operations. We are able to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades, given the existing technological capability of our networks. At these speeds, we believe that our broadband service will exceed the performance of the current fastest competitive technologies (VDSL, VDSL2). We currently have a network advantage in terms of download speed across approximately 80% of our service area across geographies (excluding the Dominican Republic) and, specifically in Israel, where we expect to continue offering faster speeds than our competitor's legacy technology and at par with it in areas where it has deployed FTTH. We believe that with our HFC technology we are well positioned for future technological developments making it possible for us to increase broadband Internet download and upload speeds exceeding those offered by the FTTH technologies, without making significant additional investments.

## Network Key Characteristics

	Altice Key Geographies					European Peers		
	Israel	Belgium/ Luxembourg	Portugal	French Overseas Territories <sup>(1)</sup>	Dominican Republic	Ziggo	Telenet	KDG
Cable Network Capacity .....	600-862 MHz	550-860 MHz	750 MHz	550MHz	Primarily 750-1,000 MHz <sup>(2)</sup>	862 MHz	600 MHz	Mainly 641 MHz
Docsis 3.0 Upgrade .....	100%	100%	99%	49%	78% <sup>(3)</sup>	100%	100%	95%
Homes Passed per node .....	~1,250	~645	~1,092	~140	~750	1,500	~650	>1,000
Advertised Speed (Mbits).....	30-100	50-200	30-360	20-30	1-100	20-150	60-120	10-100

(1) Only relates to the cable based services we provide in Guadeloupe and Martinique and excludes services provided over our xDSL platform.

(2) 80% of Tricom's cable network as of June 2013.

(3) As of September 2013.

***We are a leading multiple-play provider of cable based services in our markets with substantial cross-sell and up-sell opportunities.*** Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multiple-play offerings by selling our differentiated pay television, high speed broadband Internet, fixed line telephony and, in some instances, mobile telephony services as bundles which we offer to our customers at attractive prices. We believe the strength of our pay television, broadband and fixed telephony businesses and our ability to offer advanced mobile telephony services makes us well positioned to increase penetration of multiple-play and premium packages. We believe continued focus on our bundling strategy and increasing our triple-play or, where possible, quadruple-play penetration will enable us to grow our cable based services ARPU. In addition, we intend where possible to convert our more than 480 thousand xDSL / non-cable based subscribers in the French Overseas Territories and the Dominican Republic into Docsis 3.0 cable-based subscribers by upgrading these networks. We believe that this conversion of customers from xDSL to cable will be less challenging. In Israel, we co-develop and co-own high-quality original local content together with local producers and broadcast it on our proprietary channels. We believe our high-quality proprietary local content, along with high-quality local content we purchase and our distinctive brands enable us to attract new and retain existing subscribers to our cable based services. Similarly we expect substantial growth in demand for high speed Internet. According to IDC, worldwide demand for high-speed broadband Internet is expected to increase by 2.6 times between 2013 and 2016. We believe that we are well positioned to capitalize on this trend as we offer download speeds of at least 100 Mbps to a significant majority of homes passed in our footprint. In order to take advantage of fixed mobile convergence trends and competitive market dynamics, we are selectively implementing a mobile strategy in certain of our territories. We own and operate a 3G mobile network in Israel and in the French Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in Belgium we complement our fixed-line products with mobile offerings through an MVNO arrangement. Following the Tricom Acquisition and the ODO Acquisition, we believe that we will benefit from cross-selling Tricom's high speed broadband and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks.

***We benefit from strong EBITDA margin and scalable capital expenditures translating into strong organic cash flow growth.*** On a historical consolidated basis, our Adjusted EBITDA as a percentage of revenues increased from 28.8% in fiscal year ended December 31, 2010 to 40.6% in the nine months ended September 30, 2013, primarily as a result of operational efficiencies implemented by us across the organization, in addition to acquisitions of higher margin businesses. The operational efficiencies have been complemented by efficient capital expenditure as, on a blended basis, 98% of our networks are already upgraded to Docsis 3.0, making cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. For the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively, based on the Pre-Transaction Pro Forma Financial Information, we generated Adjusted EBITDA as a percentage of revenues of 34.9% and 39.0% and Adjusted EBITDA less capital expenditure, as a percentage of Adjusted EBITDA of 20.5% and 51.4%. We will continue to invest in selected areas where we believe there are attractive opportunities to generate superior return over time and further increase our cash conversion, including the upgrade of our cable network in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic.

***We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence.*** Our entrepreneurial culture and efficient decision making processes are designed to allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We believe a key driver of our success is our ability to identify attractive acquisition targets and assess the associated potential for value creation, consummate the acquisitions on terms economically attractive to us and consistently and timely implement best operational practices that drive the previously identified improvements in the profitability of acquired businesses. We have historically been able to acquire fixed 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, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by the Company over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 40.5% in the nine months ended September 30, 2013 compared to 14.2% in 2011. More recently, we have identified attractive assets in the Dominican Republic, which we believe will be synergistic and may benefit from certain cost advantages as part of the Group, including technological know-how and improved procurement terms.

***We have an experienced management team with a long term industry track record.*** We manage our business by combining the expertise of Altice senior management with the local expertise of the managers of our operating subsidiaries who have significant experience managing day-to-day operations at cable and telecommunications companies. We are supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally. Among Mr. Drahi's achievements is the roll-up of the French cable and telecom market into Numericable and Completel, in which an entity controlled by Mr. Drahi currently controls 30% of the voting shares (including certain call options) and has entered into agreements to increase its ownership to 40% of these entities, subject to regulatory approval. The Altice senior management team has extensive experience in the cable and telecommunications sectors. Before joining Altice in 2009, Dexter Goei (CEO) worked for 15 years in investment banking, most recently as Co-Head of the Media & Telecommunications Group for Europe, Middle East and Africa at Morgan Stanley. Before joining Altice in 2012, Dennis Okhuijsen (CFO) worked for 17 years in the cable sector with UPC, UGC and Liberty Global, most recently as Group Treasurer of Liberty Global. Before joining Altice in 2005, Jérémie Bonnin (General Secretary) worked for 7 years at KPMG in Transaction Services. Before joining Altice in 2013, Max Aaron (General Counsel) was a partner at Allen & Overy for over 14 years focusing on capital markets transactions.

### **Our Strategy**

The key components of our strategy are to:

***Organically grow operating margins and cash flow by leveraging our operational expertise and group synergies.*** We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as our group develops. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin. Furthermore, we expect to realize further economies of scale in capital expenditures as our Group expands and our bargaining power increases. In addition, we believe in-market consolidation opportunities and related synergies will continue to drive our profitability and cash-flow expansion. For example, we believe our recent acquisition of Outremer Telecom, a mobile and fixed-line player in the French Overseas Territories, and ONI, a leading B2B telecom provider in Portugal, are highly complementary to our existing cable operations in these geographies. In the French Overseas Territories, we hope to realize cost savings by reducing duplicative cost structures, leveraging a combined distribution and customer care network, harmonizing marketing campaigns and benefitting from international connectivity as a result of Outremer's international backbone, as well as benefit from cross-selling and up-selling opportunities between our cable, DSL and mobile customer bases. In Portugal, we expect the acquisition of ONI will allow us to leverage our extensive fiber-backbone and cable network in Portugal to help optimize our penetration of the B2B market and to benefit from cost synergies by improving the operating processes and combining overlapping functions. In the Dominican Republic, we have entered into agreements to acquire Tricom, a cable and fixed line as well as mobile services provider, and ODO, a mobile and wireless broadband services provider, which we believe will enable us to build an integrated fixed line and mobile infrastructure, provide us with substantial cross-sell and up-sell opportunities and we believe will allow us to grow operating margins by realizing operating expense and capital expenditure savings in the Dominican Republic.

***Further increase multiple-play penetration and ARPU by providing new and existing customers with additional products and services, including attractive mobile products wherever profitable.*** We believe that our state-of-the-art networks across our markets provide us with a strong technological infrastructure for delivering high-quality television, higher speed Internet and triple and, where permitted, quadruple-play services at attractive prices. We believe that fixed network leadership, operational excellence and multiple-play strategy are key success factors in our end markets. We have successfully increased triple-play penetration, as reflected by the growing number of RGUs per customer relationship across geographies from 1.96x as of December 31, 2011 to 2.10x as of September 30, 2013 (without giving effect to the ODO Acquisition and the Tricom Acquisition). Our strategy is to continue to increase our multiple-play customer bases by attracting new customers and cross-selling our existing cable-based services customer base with mobile services in the jurisdictions in which we offer those services. We will also exploit up-selling opportunities to maximize ARPU by increasing penetration of certain services, such as higher speed broadband Internet, premium content or value added interactive services, such as VoD and PVR. In addition, as the Group continues to roll out its cable network in the French Overseas Territories and the Dominican Republic in addition to its existing xDSL network, we believe that we will be able to more easily convert some of our existing xDSL customer relationships into cable-based customer relationships with additional services and potentially higher ARPU.

***Leverage our networks to address new growth opportunities including B2B and mobility.*** We believe that our dense cable network infrastructures supported by fiber backbones ideally position us to service new demand arising from corporate customers and to benefit from the convergence of fixed-mobile usage without significant capital investment and at very competitive pricing. We aim to leverage our cost-efficient infrastructures to offer tailored data solutions and capture profitable growth in these markets, thereby maximizing the return on our network assets. As the B2B telecommunications market shifts to next generation services, including IP VPN, hosting or cloud services, which are more bandwidth-intensive and complex, we will look to expand opportunistically in the B2B businesses, which offer important economies of scale and synergies with our B2C operations. In addition, as mobile Internet traffic is expected to grow at an average 68% growth rate between 2012 and 2017 (according to a Cisco VNI 2013 study) primarily driven by development of smart devices supporting multiple wireless technologies, we believe our high capacity backbone will be differentiating as it enables us to offer a compelling backhaul offload offering at limited cost to MNOs.

***Generate value through disciplined acquisition strategy and proven integration capabilities.*** We deploy capital opportunistically across our portfolio through value enhancing acquisitions with the aim of generating strong cash flow and operational synergies in the cable and telecommunication sector. We target operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Our acquisition strategy also benefits from our flexible capital structure, which features no material near term maturities, ability to opportunistically access the capital markets and incurrence-based covenants that permit incurrence of debt up to four times our last two quarters annualized EBITDA and, subject to certain limitations, have carve-outs and exceptions allowing us to make investments and other distributions. Our capital structure and the terms of the agreements governing our debt enable us to execute our acquisition strategy by being agile and opportunistic in a fast evolving environment.

## **Recent Developments**

### ***Dominican Republic Acquisitions***

#### ***ODO Acquisition***

On November 26, 2013, Altice Bahamas (a wholly-owned indirect subsidiary of Altice VII) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), entered into a share purchase agreement (the “ODO Acquisition Agreement”) pursuant to which Altice Bahamas has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the “ODO Sellers”), and the ODO Sellers have agreed to sell to Altice Bahamas, on completion of the ODO Acquisition, all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is \$1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel, and the approval of the board of directors of Orange S.A. and Wirefree Services Denmark A/S and is expected to occur in the first quarter of 2014.

While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO and approximately 88% of the equity interest in Tricom. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in each of ODO and Tricom. However, if the minority investors in ODO and Tricom purchase equity interests in the common holding company of ODO and Tricom (expected to be Altice Bahamas), Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interests of each of ODO and Tricom. In the event that we will be required to fund the purchase of more than 75% of the equity interests in ODO and are unable to finance such purchase within the Restricted Group, an affiliate of Altice VII will fund the additional amount required in the form of an equity contribution to the Restricted Group and has obtained committed financing to fund such equity contribution. To the extent more equity than the percentages shown above are purchased by third party minority investors (up to 30% in ODO, Tricom or the holding company) the decrease in Altice VII financing required for the acquisitions will be a maximum of up to approximately €40 million and accordingly such amount will be used for general corporate purposes within the Restricted Group. We expect to enter into a shareholders’ agreement with the minority investors in ODO on terms similar to the shareholders’ agreement entered into with the Tricom Seller in connection with the Tricom Acquisition. For further details, see “The Transactions”



### *Tricom Acquisition*

On October 31, 2013, Altice Caribbean (a wholly-owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the “Tricom Sellers”), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the “Tricom Purchase Agreements”) pursuant to which Altice Caribbean or one of its subsidiaries (the “Tricom Purchaser”) is expected to purchase all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, “Tricom”) from the Tricom Sellers (the “Tricom Acquisition”). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition is \$405 million. We expect the Tricom Sellers to agree to reinvest approximately \$20 million of proceeds of the Tricom Acquisition in the Tricom Purchaser (which is expected to merge with Tricom), through the subscription of subordinated preferred equity certificates. Upon completion of the Tricom Acquisition, we expect that the Tricom Sellers will enter into a shareholders’ agreement with the parent of the Tricom Purchaser providing, in particular, that the Tricom Sellers will have the right, under certain conditions, to convert all or part of their subordinated preferred equity certificates into shares representing up to 12.12% of the total outstanding shares of the Tricom Purchaser. This ownership structure is subject to change, including in the event we agree with the Tricom Sellers that its minority investment will be held in a common holding company of Tricom and ODO. See “*General Description of our Business and the Offering—Recent Developments—Dominican Republic Acquisitions—ODO Acquisition*”. The shareholders’ agreement shall also include certain restrictions on the transfer of Tricom Purchaser’s securities, as well as put and call options on all of the securities in Tricom Purchaser held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders’ agreement. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican Republic regulatory authority Indotel. For further details, see “The Transactions”

### *Potential Benefits from the acquisition of Tricom and ODO*

The acquisition of Tricom and ODO is consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom’s high speed broadband and pay television offerings to ODO’s existing customers and ODO’s mobile services to Tricom’s customers in addition to offering new services that utilize both companies’ product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom’s and ODO’s network infrastructures are complementary. After the consummation of the ODO Acquisition and the Tricom Acquisition, we intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom’s cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop (“ULL”) and bitstream fees as well as realizing operational synergies. ODO’s mobile business will also benefit from Tricom’s network, which is expected to provide transmission capacity for ODO’s base stations at lower cost than prevailing market rates for leased capacity. We also believe there is potential for savings by combining overlapping regional and national fixed backbones as well as optimising mobile frequencies and networks, including utilizing Tricom’s excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

### *2013 Coditel Acquisition*

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

### *Acquisition of Content Subsidiaries*

On October 4, 2013, Valemi Corp., Ma Chaîne Sport S.A.S., Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S. (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 10.25%, respectively) in Ma Chaîne Sport S.A.S. to Altice VII. In addition, on October 10, 2013, the general shareholders’ meeting of Ma Chaîne Sport S.A.S. decided on a capital decrease of €5 million by way of a share buy-back of the remaining shares in Ma Chaîne Sport S.A.S. held by Valemi Corp which was not sold under the sale and purchase agreement, corresponding to 21.75% of Ma Chaîne Sport S.A.S. share capital. This capital decrease has been completed on November 8, 2013. As a result of these transactions, Altice

VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S. which in turn holds 100% of Sportv S.A. Ma Chaîne Sport S.A.S. produces and assembles a diverse range of content including live broadcasts of sports events and other programmes relating to football, tennis, handball, boxing and other sports as well as general health and well-being. It broadcasts such content via four specialized French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien-Etre. Sportv S.A. produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by Ma Chaîne Sport and Sportv as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and Sportv also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream. In 2012, Ma Chaîne Sport S.A.S. and Sportv S.A. generated EBITDA of €9.0 million and €0.8 million respectively and had an EBITDA margin of 56.7% and 62.5% respectively.

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

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the “Mobius Acquisition”). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the “Mobius Technology” brand and double and triple play services based on xDSL technology to residential customers under the “IZI” brand. The consummation of the Mobius Acquisition is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including regulatory approval. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two will be reduced to approximately 75%.

#### ***Network Sharing Agreement***

On November 8, 2013, HOT Mobile entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership that will hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has also entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner’s mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion or preparation by the parties and subject to any required agreement or regulation. We expect that arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. However, there can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner. For a description of the Network Sharing Agreement and the RoU Agreement, please see “*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*”.

#### ***Other Transactions***

The Group has designated Green Datacenter and Auberimmo as unrestricted subsidiaries in accordance with the terms of our debt instruments. Since such designation these entities are no longer subject to the covenants under the terms governing our indebtedness, including the New Indentures. For the nine months ended September 30, 2012 and 2013, respectively, Green Datacenter contributed €7.7 million and €8.8 million to pro forma revenue and €6.7 million and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.7 million and € 0.5 million to pro forma revenue and €0.7 million and €0.5 million to pro forma EBITDA. On a standalone basis, Green Datacenter and Auberimmo had outstanding debt of € 26.4 million and €5.1 million, respectively, as of September 30, 2013.

#### ***Altice Group***

##### ***Our Controlling Shareholder***

Founded by telecom entrepreneur Patrick Drahi, Next L.P. is the parent company of the Altice Group. Next L.P. and its shareholders have significant experience identifying acquisition opportunities, structuring, financing and managing investments in the telecommunications industry, advising cable operators worldwide and creating value through operational excellence. Through Altice VII and its subsidiaries, the Altice Group has developed a strong presence in Israel, Portugal, Belgium, Luxembourg, Switzerland, the Caribbean and the French overseas territories in the Indian Ocean region. In addition, the Altice Group has consolidated the cable and telecom market in France as a result of the roll up of the French cable and telecom market into Numericable and Completel and currently holds 27.38% of the voting shares (30% including certain call options) of Numericable Group. The Altice Group has entered into agreements with

certain shareholders of Numericable Group to increase its ownership to 40%, which will enable the Altice Group to consolidate results of operations of the Numericable Group in the future with results of operations of the Altice Restricted Group in the financial statements of a parent entity of the Altice Group. Notwithstanding such consolidation, each of the Altice Restricted Group and the Numericable Group will continue to be financed on a stand-alone basis and the Altice Restricted Group will continue to provide separate financial statements and other required periodic reports to holders of its indebtedness.

### ***Equity Capital Market Opportunities***

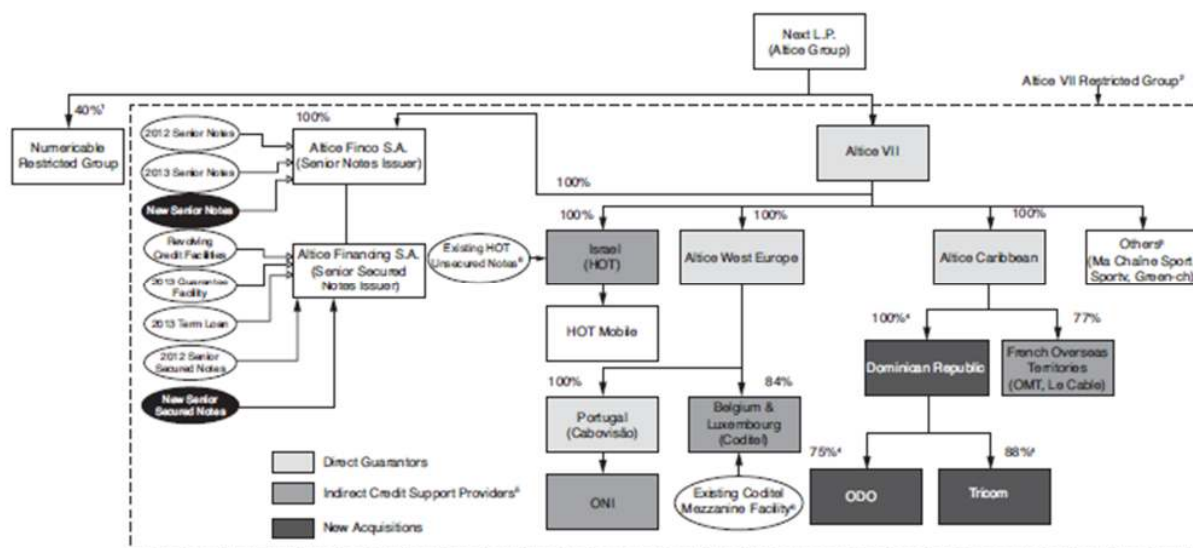
The Altice Group is currently evaluating its opportunities in accessing equity capital markets and has undertaken preliminary steps in connection with a potential initial public offering. Consequently, the Altice Group or an affiliate may seek to commence an initial public offering in the short or medium term, although there is no assurance that any such transaction will be executed.

### **The Issuers**

The Senior Secured Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of 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 B171162. The Senior Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of 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 B171151. The Issuers' business operations include only managing the financing activities of the Group. The Issuers' ability to pay principal, interest and premium, if any, on the New Notes is dependent, in large part, upon payments received from the Group pursuant to the Pledged Proceeds Notes and the Senior Notes Proceeds Loans, as applicable. See "*Risk Factors—Risks Relating to the New Notes and the Structure—The Issuers are special purpose vehicle companies with limited assets other than their respective interests in the Existing Senior Notes Proceeds Loans, New Senior Notes Proceeds Loan, AH Proceeds Loan, New AH Proceeds Loan, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Note and escrowed funds and are dependent upon cash from Altice VII 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 New Transactions. For further details, see “Corporate and Financing Structure”.



- (1) A subsidiary of Next L.P. has entered into an agreement with certain funds affiliated with Cinven Ltd. (“Cinven”) and an entity affiliated with Carlyle Group (“Carlyle”) to acquire additional shares in Numericable Group from Cinven and Carlyle (the “Numericable Acquisition”) following which such subsidiary of Next L.P. will hold 40% of shares in Numericable Group and will have the majority of votes in the board of directors pursuant to the Numericable Group shareholders’ agreement. The Numericable Acquisition is subject to regulatory approval.
- (2) The Restricted Group for the New Senior Secured Notes does not include the Senior Notes Issuer.
- (3) Includes Green Datacenter and Auberimmo which have been designated as unrestricted subsidiaries.
- (4) While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO. The negotiations are in advanced stages and in no event will Alice VII own less than 70% of the equity interest in ODO. We also expect to hold 88% of the equity interests in Tricom. However, if the minority investors in ODO and Tricom purchase equity interests in the common holding company of ODO and Tricom, Alice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interests of each of ODO and Tricom.
- (5) The New Senior Secured Notes will benefit from pledges over certain secured proceeds loans (or other intercompany debt) to such entities and/or security provided by such entities. For further details, see the table below and “Corporate and Financing Structure.”
- (6) Substantially all of our third-party indebtedness within the Restricted Group is at the Senior Notes Issuer and the Senior Secured Notes Issuer except for the finance leases, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility.

The following is a summary of certain aspects of the Guarantees and Collateral related to the New Senior Secured Notes. The Guarantees and Collateral related to the New Senior Secured Notes are complex and subject to significant exceptions and qualifications. The following summary is not a complete description of the Guarantees and Collateral related to the New Senior Secured Notes and is qualified in its entirety by reference to the more detailed descriptions set out in “Description of Senior Secured Notes” and “Corporate and Financing Structure”. See also, “Risk Factors—Risk Relating to the New Notes and the Structure”. For a description of the Guarantees and Collateral related to the New Senior Notes, see “Description of Senior Notes” and “Corporate and Financing Structure”.

## New Senior Secured Notes

Company	% Ownership by Altice VII	Guarantor(s)	Direct Share Pledges	Additional Security/Proceeds Loans/Other
Altice VII and certain intermediate holding companies	100% <sup>(1)</sup>	Yes	First-ranking pledges over all of the share capital of Altice Holdings, Altice West Europe, Altice Portugal <sup>(2)</sup> , Altice Caribbean, Cool Holdings, SPV1, Altice Bahamas and ABO	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 as well as €48 million of ABO Proceeds Loans.
Senior Notes Issuer <sup>(3)</sup>	100%	No	N/A	First-ranking pledges over all Senior Notes Proceeds Loans from the Senior Notes Issuer to the Senior Secured Notes Issuer.
Senior Secured Notes Issuer	100%	N/A	First-ranking pledge over all of the share capital of the Senior Secured Notes Issuer	First-ranking pledge over the bank accounts and all receivables of the Senior Secured Notes Issuer, including the Senior Secured Notes Issuer Pledged Proceeds Notes to Altice Holding, Cool Holding, SPV1 and HOT.
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 NIS 1.9 billion (€398 million) secured proceeds loan from the Senior Secured Notes 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 (ODO/Tricom) <sup>(5)</sup>	Orange: 75% <sup>(6)</sup> Tricom: 88% <sup>(6)</sup>	Yes	First-ranking pledge over the share capital of ODO and Tricom owned indirectly by Altice VII	First-ranking share pledges over operating companies (following approval by Indotel) and all material assets (other than licenses and real estate assets valued at less than €5 million) <sup>(7)</sup>
Portugal (Cabovisão and ONI)	100%	Cabovisão: Yes <sup>(2)</sup> ONI: No	None (see Additional Security/Proceeds Loans/Other)	<p>The New Senior Secured Notes will not be secured by the share capital of Altice Portugal or any assets of Altice Portugal, Cabovisão or ONI.</p> <p>Pursuant to the Intercreditor Agreement, the holders of the New Senior Secured Notes will share on a <i>pari passu</i> basis in the proceeds of any enforcement by the other senior secured creditors of the Senior Secured Notes Issuer of their security interests over the following property and assets:</p> <ul style="list-style-type: none"> <li>– all material assets of Altice Portugal and Cabovisão (including bank accounts of Cabovisão and shareholders' credit of Altice Portugal, a floating charge over the business as a going concern of Cabovisão)<sup>(2)</sup>.</li> <li>– certain assets and rights of ONI and its wholly owned subsidiaries (including shareholders' credits, certain bank accounts and receivables under certain telecommunication contracts)<sup>(4)</sup>.</li> </ul> <p>Pledge over €24 million Original Cabovisão Proceeds Notes<sup>(2)</sup></p> <p>First-ranking pledge over Altice Holdings' securities account where the €22.2 million of New Cabovisão Proceeds Notes and €47.5 million of Onitelecom Proceeds Notes are registered.</p>
Belgium and Luxembourg (Coditel)	85%	No (see Additional Security/Proceeds Loans/Other)	None (see Additional Security/Proceeds Loans/Other)	<p>No direct security over the assets of Coditel Belgium and Coditel Luxembourg.</p> <p>First-ranking pledge over €131 million of loans under the Coditel Senior Facility, which are secured by first-ranking security interests over the share capital of Coditel Holding and Coditel Belgium, receivables and bank accounts of Coditel Holdings, 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.</p>
French Overseas Territories (Le Cable and OMT)	77%	No (see Additional Security/Proceeds Loans/Other)	None (see Additional Security/Proceeds Loans/Other)	<p>No direct security over the assets of OMT and Le Cable.</p> <p>First-ranking pledge over €358 million of Outremer Proceeds Loans and €8 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</p>
Other (Green, Ma Chaîne Sport and Sportv)	97%-100%	Green: Yes Others: No	None	<p>First-ranking pledge over bank accounts and receivables of Green.</p> <p>Pursuant to the Intercreditor Agreement, the holders of the New Senior Secured Notes will share on a <i>pari passu</i> basis in the proceeds of any enforcement by the other senior secured creditors of the Senior Secured Notes Issuer of their security interests over the capital stock of Green.</p> <p>No security over assets or shares of Ma Chaîne Sport and Sportv.</p>

(1) Other than Altice VII.

(2) Subject to the Aggregate Portuguese Guarantee Limit (€95 million).

(3) Excluded from the Restricted Group for purposes of the Senior Secured Debt.

(4) Subject to the Aggregate ONI Security Limit (€45.8 million).

(5) Following the Tricom Acquisition and the ODO Acquisition, as applicable.

- (6) While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in ODO. We also expect to hold 88% of the equity interests in Tricom. However, if the minority investors in ODO and Tricom, purchase equity interests in the common holding company of ODO and Tricom, Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interests of each of ODO and Tricom.
- (7) Subject, in the case of ODO, to the ODO Guarantee Limit (\$856 million) and, in the case of Tricom, the Tricom Guarantee Limit (\$260 million).

## THE OFFERING

*The summary below describes the principal terms of the New Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of Senior Secured Notes” and “Description of Senior Notes” sections of this Offering Memorandum contain a more detailed description of the terms and conditions of the New Notes, including the definitions of certain terms used in this summary.*

### Issuers

Senior Secured Notes Issuer ..... Altice Financing S.A.

Senior Notes Issuer ..... Altice Finco S.A.

### Notes Offered

New Senior Secured Notes ..... \$900 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% senior secured notes due 2022 (the “Dollar Senior Secured Notes”).

€300 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% senior secured notes due 2022 (the “Euro Senior Secured Notes” and together with the Dollar Senior Secured Notes, the “New Senior Secured Notes”).

New Senior Notes ..... \$400 million aggregate principal amount of 8<sup>1</sup>/<sub>8</sub>% senior notes due 2024 (the “New Senior Notes” and together with the Senior Secured Notes, the “New Notes”).

### Maturity Date

New Senior Secured Notes ..... January 15, 2022

New Senior Notes ..... January 15, 2024

### Interest

Dollar Senior Secured Notes ..... 6.500%

Euro Senior Secured Notes ..... 6.500%

New Senior Notes ..... 8.125%

### Interest Payment Dates

New Notes ..... Semi-annually in cash in arrears on each January 15 and July 15, commencing July 15, 2014. Interest will accrue from the Issue Date.

Denomination ..... The Dollar Senior Secured Notes and the New Senior Notes are in denominations of \$200,000 and any integral multiples of \$1,000 above \$200,000. Dollar Senior Secured Notes and New Senior Notes in denominations of less than \$200,000 are not available. The Euro Senior Secured Notes are in denominations of €100,000 and any integral multiples of €1,000 in excess of €100,000. Euro Senior Secured Notes in denominations of less than €100,000 are not available.

### Issue Price

Dollar Senior Secured Notes ..... 100.000% plus accrued interest, if any, from the Issue Date.

Euro Senior Secured Notes ..... 100.000% plus accrued interest, if any, from the Issue Date.

New Senior Notes ..... 100.000% plus accrued interest, if any, from the Issue Date.

### Ranking

New Senior Secured Notes ..... The New Senior Secured Notes:

- are general obligations of the Senior Secured Notes Issuer;
- will be secured as set forth under “—Security”;
- rank pari passu in right of payment with any existing or future indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the New Senior Secured Notes;
- rank senior in right of payment to any existing or future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the New Senior Secured Notes; and
- will be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer that is secured by property or assets that do not secure the New Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness.

New Senior Notes ..... The New Senior Notes:

- are general obligations of the Senior Notes Issuer;
- will be secured as set forth under “—Security”;
- rank pari passu in right of payment with any existing or future indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the New Senior Notes;
- rank senior in right of payment to any existing or future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the New Senior Notes; and
- will be effectively subordinated to any existing or future indebtedness of the Senior Notes Issuer that is secured by property or assets that do not secure the New Senior Notes, to the extent of the value of the property and assets securing such Indebtedness.

**Guarantees**

New Senior Secured Notes ..... The New Senior Secured Notes have not been guaranteed on the Issue Date. On the first release of the proceeds of the offering of the New Senior Secured Notes from the applicable escrow accounts, the New Senior Secured Notes will be guaranteed on a senior secured basis (the “Senior Secured Notes Guarantees”) by Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Cabovisão, Altice Bahamas (collectively, the “Existing Guarantors”), and within 90 days following the Tricom Acquisition and ODO Acquisition, as applicable, Tricom and ODO, (the “Acquired Guarantors” and, together with the Existing Guarantors, the “Senior Secured Notes Guarantors”). The guarantees of Altice Portugal and Cabovisão will be subject to the Aggregate Portuguese Guarantee Limit, the guarantees of ODO will be subject to the ODO Guarantee Limit and the guarantees of Tricom will be subject to the Tricom Guarantee Limit.

New Senior Notes ..... The New Senior Notes have not been guaranteed on the Issue Date. On the first release of the proceeds of the offering of the New Senior Notes from the applicable escrow accounts, the New Senior Notes will be guaranteed on a senior subordinated basis (the “Senior Notes Guarantees” and, together with the Senior Secured Notes Guarantees, the “Guarantees”) by the Senior Secured Notes Issuer and the Existing Guarantors and, within 90 days following the Tricom Acquisition and the ODO Acquisition, as applicable, the applicable Acquired Guarantors (such guarantors, collectively, the “Senior Notes Guarantors” and, together with the Senior Secured Notes Guarantors, the “Guarantors”). The guarantees of Altice Portugal and Cabovisão will be subject to the Aggregate Portuguese Guarantee Limit, the guarantees of ODO will be subject to the ODO Guarantee Limit and the guarantees of Tricom will be subject to the Tricom Guarantee Limit.

**Ranking of the Guarantees**

New Senior Secured Notes ..... Each Senior Secured Notes Guarantee of an Existing Guarantor will, on the first release of the proceeds of the offering of the New Senior Secured Notes from the applicable escrow accounts, and, within 90 days following the Tricom Acquisition and the ODO Acquisition, as applicable, the Senior Secured Notes Guarantee of the applicable Acquired Guarantor

- be a general obligation of the relevant Senior Secured Notes Guarantor;
- rank pari passu in right of payment with any existing and future indebtedness of the relevant Senior Secured Notes Guarantor that is not subordinated in right of payment to such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee;
- rank senior in right of payment to all existing and future indebtedness of the relevant Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness of the relevant Senior Secured Notes Guarantor that is secured by property or assets that do not secure such Senior Secured Notes Guarantor’s Senior Secured



Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and

- be effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the New Senior Secured Notes.

The Senior Secured Notes Guarantees will be subject to the terms of the Intercreditor Agreement. See “*Description of Other Indebtedness—The Intercreditor Agreement*”.

The Senior Secured Notes Guarantees will be subject to release under certain circumstances. See “*Description of Senior Secured Notes—The Note Guarantees*”.

New Senior Notes .....

Each Senior Notes Guarantee of an Existing Guarantor and the Senior Secured Notes Issuer will, on the first release of the proceeds of the offering of the New Senior Notes from the applicable escrow account and, within 90 days following the Tricom Acquisition and the ODO Acquisition, as applicable, the Senior Notes Guarantee of the applicable Acquired Guarantor:

- be a senior subordinated obligation of the relevant Senior Notes Guarantor;
- be 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 Senior Notes Guarantee, including the Senior Secured Notes Guarantees;
- rank pari passu in right of payment to all existing and future senior subordinated indebtedness of the relevant Senior Notes Guarantor;
- rank 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 Senior Notes Guarantee;
- be 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 Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- be effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the New Senior Notes.

The Senior Notes Guarantees will be subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. See “*Description of Other Indebtedness—The Intercreditor Agreement*”.

The Senior Notes Guarantees will be subject to release under certain circumstances. See “*Description of Senior Notes—The Note Guarantees*”.

**Security**

New Senior Secured Notes .....

As of the Issue Date, the New Senior Secured Notes were secured by a security interest over the rights of the Senior Secured Notes Issuer under the Senior Secured Notes Escrow Agreement and the assets in the Senior Secured Notes Escrow Accounts.

On the first release of the proceeds of the offering of the New Senior Secured Notes from the applicable escrow accounts and with respect to the Acquired Guarantors within 90 days following the Tricom Acquisition or the ODO Acquisition, as applicable, the New Senior Secured Notes will be secured by:

- first-ranking pledges over all of the share capital of the Senior Secured Notes all of the share capital of the Existing Guarantors (other than Altice VII, Green, Altice Portugal and Cabovisão), the capital stock of HOT and, following regulatory approval of such pledge, the applicable Acquired Guarantors being acquired with such released proceeds owned by a member of the Group;
- a first-ranking pledge over the bank accounts and all receivables of the Senior Secured Notes Issuer, including the Senior Secured Notes Issuer Pledged Proceeds Notes;
- subject to certain exceptions, first-ranking pledges over all of the material assets of each Existing Guarantor (other than Altice Portugal and Cabovisão)

and the applicable Acquired Guarantors being acquired with such released proceeds;

- a first-ranking pledge over the Senior Notes Proceeds Loans;
- a first-ranking pledge over the Cool Shareholder Loan; and
- a first-ranking pledge over the Covenant Party Pledged Proceeds Loans (collectively, the “Senior Secured Collateral”).

Pursuant to the Intercreditor Agreement, the holders of the New Senior Secured Notes will share in the proceeds of enforcement of the Cabovisão Security and the ONI Security up to an amount equal to the Aggregate Portuguese Guarantee Limit and the Aggregate ONI Security Limit, respectively.

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

New Senior Notes ..... As of the Issue Date, the New Senior Notes were secured by a security interest over the rights of the Senior Notes Issuer under the Senior Notes Escrow Agreement and the assets in the Senior Notes Escrow Account.

On the first release of the proceeds of the offering of the New Senior Notes from the applicable escrow account and with respect to the Acquired Guarantors, within 90 days following the Tricom Acquisition or the ODO Acquisition, as applicable, the New Senior Notes will be secured by:

- a first-ranking pledge over all of the share capital of the Senior Notes Issuer;
- second-ranking pledges over all of the share capital of the Senior Secured Notes Issuer, Cool Holding and Altice Holdings;
- second-ranking pledges over the Senior Notes Proceeds Loans; and
- a second-ranking pledge over the Cool Shareholder Loan (collectively, the “Senior Notes Collateral” and, together with the Senior Secured Collateral, the “Collateral”). The Senior Notes Collateral securing the New Senior Notes and the Senior Notes Guarantees also secure, on a first-ranking basis, the obligations of the Senior Secured Notes Issuer and the Existing Guarantors and, following the Tricom Acquisition (if it occurs) and the ODO Acquisition (if it occurs), as applicable, the applicable Acquired Guarantors under the New Senior Secured Notes and the Senior Secured Debt (other than the pledge over all of the share capital of the Senior Notes Issuer), and on a pari passu basis, the obligations of the Senior Notes Issuers and the Senior Notes Guarantors under the Existing Senior Notes.

**Escrow of Proceeds; Special Mandatory Redemption** ..... The Initial Purchasers, concurrently with the closing of the offering of the New Notes on the Issue Date, (i) deposited the gross proceeds of the New Senior Secured Notes into segregated escrow accounts (the “Senior Secured Notes Escrow Accounts”) pursuant to the terms of an escrow deed (the “Senior Secured Notes Escrow Agreement”) and (ii) deposited the proceeds of the New Senior Notes into an escrow account (the “Senior Notes Escrow Account”) pursuant to the terms of the terms of an escrow deed (the “Senior Notes Escrow Agreement”), pending satisfaction of the conditions to the release of the escrow proceeds as set forth in “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”. The Senior Secured Notes Escrow Accounts are controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the New Senior Secured Notes; provided that in the event the Orange Dominicana Acquisition Completion Date (as defined herein) occurs prior to the Tricom Acquisition Completion Date (as defined herein), the first ranking assignment over the remaining proceeds in the Senior Secured Notes Escrow Accounts and the rights of the Senior Secured Notes Issuer under the Senior Secured Notes Escrow Agreement will also secure all of the other senior secured indebtedness of the Senior Secured Notes Issuer on a pari passu basis. The Senior Notes Escrow Account is controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the New Senior Notes.

If the conditions to the release of the escrow proceeds as set forth in “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*” are not satisfied prior to August 31, 2014 or upon the occurrence of certain other events, the applicable New Notes will be subject to a special mandatory redemption at a price equal to 100% of the initial issue price of each such New Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. See “*The Transactions—The Financing*”, “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”.

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

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

**Redemption with Minority Shareholder Option Proceeds**..... Upon certain HOT Minority Shareholder Option Exercises (as defined in “*Description of Senior Secured Notes*” and “*Description of Senior Notes*”), the Senior Secured Notes Issuer must offer to repurchase the New Senior Secured Notes and the Senior Secured Debt (and other pari passu debt) at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such HOT Minority Shareholder Option Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, the Senior Notes Issuer must offer to repurchase the New Senior Notes and the Existing Senior Notes (and other pari passu debt) 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. See “*Description of Senior Secured Notes—Offer to Repurchase with Minority Shareholder Option Proceeds*” and “*Description of Senior Notes—Offer to Repurchase with Minority Shareholder Option Proceeds*”.

**Optional Redemption**

New Senior Secured Notes ..... Prior to December 15, 2016, the Senior Secured Notes Issuer may redeem all or a portion of the New Senior Secured Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Senior Secured Notes Issuer may redeem some or all of the New 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. See “*Description of Senior Secured Notes—Optional Redemption*”.

In addition, prior to December 15, 2016, the Senior Secured Notes Issuer may redeem up to 40% of each series of the aggregate principal amount of the New Senior Secured Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 106.500% of the principal amount of the Dollar Senior Secured Notes and 106.500% of the principal amount of the Euro Senior Secured Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the New Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. See “*Description of Senior Secured Notes—Optional Redemption*”.

New Senior Notes ..... Prior to December 15, 2018, the Senior Notes Issuer may redeem all or a portion of the New Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Senior Notes Issuer may redeem some or all of the New 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

<b>Additional Amounts; Tax Redemption</b> .....	<p>and additional amounts, if any. See “<i>Description of Senior Notes—Optional Redemption</i>”.</p> <p>In addition, prior to December 15, 2016, the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the New 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 New Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. See “<i>Description of Senior Notes—Optional Redemption</i>”.</p> <p>All payments made under or in respect of the New 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 relevant Issuer or the relevant Guarantor, as applicable, will pay additional amounts so that the net amount received by each holder is no less than that which it would have received in the absence of such withholding or deduction. See “<i>Description of Senior Secured Notes—Withholding Taxes</i>” and “<i>Description of Senior Notes—Withholding Taxes</i>”.</p> <p>In the event of certain developments affecting taxation or certain other circumstances, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, may redeem the relevant New 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 “<i>Description of Senior Secured Notes—Redemption for Changes in Withholding Taxes</i>” and “<i>Description of Senior Notes—Redemption for Changes in Withholding Taxes</i>.”</p>
<b>Certain Covenants</b> .....	<p>The Issuers has issued the New Notes under the New Indentures. The New Indentures limits, among other things, the ability of the Issuers and Altice VII and its restricted subsidiaries, as applicable, to:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness;</li> <li>• make investments or other restricted payments;</li> <li>• create liens;</li> <li>• sell assets and subsidiary stock;</li> <li>• pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt;</li> <li>• engage in certain transactions with affiliates;</li> <li>• enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and</li> <li>• engage in mergers or consolidations.</li> </ul> <p>These covenants are subject to a number of important exceptions and qualifications. For more details, see “<i>Description of Senior Secured Notes</i>” and “<i>Description of Senior Notes</i>.”</p>
<b>Transfer Restrictions</b> .....	<p>The New Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The New 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 “<i>Transfer Restrictions</i>” and “<i>Plan of Distribution</i>”.</p>
<b>Absence of a Public Market for the New Notes</b> .....	<p>The New Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuers that they intend to make a market in the New Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuers cannot assure you that a liquid market for the New Notes will develop or be maintained.</p>
<b>Use of Proceeds</b> .....	<p>The gross proceeds from the sale of the New Senior Secured Notes were deposited into the Senior Secured Notes Escrow Accounts for the benefit of the relevant holders of the New Senior Secured Notes and the gross proceeds from the sale of</p>

the New Senior Notes were deposited into the Senior Notes Escrow Account for the benefit of the holders of the New Senior Notes, in each case, pending satisfaction of the conditions to release such proceeds. The release of escrow proceeds may occur on one or more occasions. Upon release of the escrow proceeds, the Escrow Agents will transfer to the Senior Secured Notes Issuer and the Senior Notes Issuer, as applicable, the gross proceeds from the New Senior Secured Notes and the New Senior Notes, respectively. See “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*.” Subject to the conditions to the release of the escrow proceeds as set forth in “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”, the Senior Notes Issuer will use the proceeds of the New Senior Notes to make the New Senior Notes Proceeds Loan to the Senior Secured Notes Issuer which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of the New Senior Secured Notes to consummate the New Transactions, to pay certain fees and expenses incurred in connection with the New Transactions and to the extent more equity than currently expected is purchased by third party minority investors, up to a maximum of approximately € 40 million for general corporate purposes. See “*The Transactions*” and “*Use of Proceeds*”.

<b>Listing</b> .....	Application has been made for the New 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 “ <i>Description of Senior Secured Notes—Certain Covenants—Maintenance of Listing</i> ” and “ <i>Description of Senior Notes—Certain Covenants—Maintenance of Listing</i> .”
<b>Trustee</b> .....	Citibank, N.A., London Branch.
<b>Principal Paying Agent and Transfer Agent</b> .....	Citibank, N.A., London Branch.
<b>Registrar</b> .....	Citigroup Global Markets Deutschland AG.
<b>Governing Law</b> .....	The New Indentures and the New Notes are governed by the laws of the State of New York. The security documents governing the Collateral will be governed by and construed in accordance with the laws of Luxembourg, Israel, England, Portugal, Switzerland, France, the Dominican Republic and the Bahamas, as applicable. See “ <i>Description of Senior Secured Notes—Notes Security</i> ” and “ <i>Description of Senior Notes—Notes Security</i> .” 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.
<b>Risk Factors</b> .....	Please see “ <i>Risk Factors</i> ” for a description of certain of the risks you should carefully consider before investing in the New Notes.
<b>Certain U.S. Federal Income Tax Considerations</b> .....	The Dollar Senior Secured Notes, Euro Senior Secured Notes or the New Senior 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 New 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 “ <i>Tax Considerations—Certain U.S. Federal Income Tax Considerations</i> ”.
<b>Certain ERISA Considerations</b> ....	The New Notes and any interest therein may, subject to certain restrictions described herein under “ <i>Certain Employee Benefit Plan Considerations</i> ”, be sold and transferred to ERISA Plans (as defined in this Offering Memorandum). See “ <i>Certain Employee Benefit Plan Considerations</i> ”.

## SUMMARY FINANCIAL INFORMATION AND OTHER DATA

### Basis of Presentation

The following tables set forth summary selected Historical Consolidated Financial Information derived from the (i) the unaudited condensed consolidated financial statements of Altice VII as of September 30, 2012 and 2013 and for the nine months ended September 30, 2012 and 2013, prepared in accordance with IAS 34, which have been reviewed by Deloitte Audit S.à r.l. and (ii) the audited consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012 (including comparative numbers as of and for the year ended December 31, 2010), prepared in accordance with the IFRS, which have been audited by Deloitte Audit S.à r.l.

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

In the year ended December 31, 2010, Altice VII's most significant assets consisted of its ownership of (i) equity interests in HOT- Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT-Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical consolidated financial statements of Altice VII as of and for the year ended December 31, 2010 using the equity method); (ii) 100% of the equity interests in MIRS Communications Ltd., an Israeli mobile services provider that was subsequently renamed HOT Mobile Ltd.; (iii) substantially all of the equity interests in Martinique TV Câble S.A. ("Le Cable Martinique") a company with cable television operations in Martinique; (iv) substantially all of the equity interests in World Satellite Guadeloupe S.A. ("Le Cable Guadeloupe"), a company with cable television operations in Guadeloupe; (v) substantially all of the equity interests in green.ch AG ("Green"), a company providing B2B and B2C telecommunications solutions in Switzerland; (vi) substantially all of the equity interests in Green Datacenter AG ("Green Datacenter"), a company providing datacenter services in Switzerland; (vii) substantially all of the equity interests in Auberimmo S.A.S. ("Auberimmo"), a company providing datacenter services in Paris, France; and (viii) substantially all of the equity interests in Valvision S.A.S. ("Valvision"), a company with cable television operations in certain parts of France.

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

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

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

As a result of the series of these significant acquisitions that have been consummated by Altice VII since 2010, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group's results of operations and financial condition, the tables set forth below include:

- (i) summary Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (which does not aggregate the results of ODO or Tricom);
- (ii) summary selected Pre-Transaction Pro Forma Financial Information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition as described above but excluding the ODO Acquisition, the Mobius Acquisition and the Tricom Acquisition as if such acquisitions had occurred on January 1, 2012) as of and for the year ending December 31, 2012 and as of and for the nine months ended September 30, 2012 and 2013; and
- (iii) summary selected Post-Transaction Pro Forma Financial Information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition and the ODO Acquisition (but not the Mobius Acquisition or the Tricom Acquisition) as if such acquisitions had occurred on January 1, 2012) as of and for the year ending December 31, 2012 and as of and for the nine months ended September 30, 2012 and 2013.

For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information of Altice VII and the Post-Transaction Pro Forma Financial Information of Altice VII included elsewhere in this Offering Memorandum. The Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information include the results of operations of Valvision even though Altice VII disposed of its interests in Valvision in 2013. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.6 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII but which have been designated as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and € 10.3 million to aggregated and pro forma revenues and €3.5 million and € 9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.5 million to pro forma revenue and €0.5 million to pro forma EBITDA. On a standalone basis, Green Datacenter and Auberimmo had outstanding debt of €26.4 million and €5.1 million, respectively, as of September 30, 2013. The summary financial information presented below should be read together with Altice VII's historical financial statements as of and for the years ended December 31 2011 and 2012 and the nine months ended September 30, 2012 and 2013, the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012, the Pre-Transaction Pro Forma Financial Information as of and for the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013 and the Post-Transaction Pro Forma Financial Information as of and for the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, including the accompanying notes, included elsewhere in this Offering Memorandum.

## Income Statement Data

Statement of Income Items	Historical Consolidated Financial Information				
	For the year ended December 31,			For the nine months ended September 30,	
	2010	2011	2012	2012	2013
	€ in millions				
<b>Revenue</b>					
Cable based services .....	22.5	560.3	873.3	644.7	694.5
Mobile services .....	103.5	180.6	172.7	125.3	175.9
B2B and others .....	41.2	43.3	46.4	43.0	58.0
<b>Total revenue</b> .....	<b>167.2</b>	<b>784.2</b>	<b>1,092.4</b>	<b>813.0</b>	<b>928.4</b>
Purchasing and subcontracting services .....	(54.0)	(175.4)	(302.1)	(216.6)	(262.2)
<b>Gross profit</b> .....	<b>113.2</b>	<b>608.8</b>	<b>790.3</b>	<b>596.4</b>	<b>666.2</b>
Other operating expenses .....	(21.9)	(195.4)	(248.9)	(189.1)	(192.3)
General and administrative expenses <sup>(1)</sup> .....	(31.6)	(51.2)	(58.1)	(41.8)	(43.6)
Other sales and marketing expenses .....	(11.6)	(64.4)	(80.1)	(60.8)	(53.3)
<b>Operating income before depreciation and amortization</b> <sup>(2)</sup> .....	<b>48.1</b>	<b>297.8</b>	<b>403.2</b>	<b>304.7</b>	<b>377.1</b>
Depreciation and amortization .....	(26.5)	(176.4)	(266.3)	(290.9)	(277.6)
Goodwill impairment .....	—	—	(121.9)	—	—
Other expenses, net .....	(7.4)	(5.6)	(29.8)	(14.4)	(8.9)
Management fees .....	(0.8)	(3.1)	(6.2)	(2.6)	(0.7)
Restructuring and other non-recurring costs .....	(3.9)	(7.6)	(20.8)	(8.4)	(3.4)
<b>Operating profit/(loss)</b> .....	<b>9.5</b>	<b>105.1</b>	<b>(41.7)</b>	<b>(11.5)</b>	<b>86.5</b>
Gain arising on step acquisitions .....	1.0	134.8	—	—	—
Share of profit of associates .....	6.8	11.7	—	—	—
Finance income .....	43.2	16.6	30.5	4.3	36.2
Finance costs .....	(18.0)	(111.6)	(204.7)	(114.4)	(184.3)
<b>Profit/(loss) before taxes on revenue</b> .....	<b>42.5</b>	<b>156.6</b>	<b>(215.8)</b>	<b>(121.7)</b>	<b>(61.6)</b>
Income tax (expenses)/benefits .....	(2.2)	(32.5)	26.0	(1.0)	(27.5)
<b>Profit/(loss) for the year/period</b> .....	<b>40.3</b>	<b>123.9</b>	<b>(189.8)</b>	<b>(122.7)</b>	<b>(89.1)</b>

(1) Also includes “staff costs and employee benefits expenses” which is presented as a separate line item on the Group’s consolidated statement of income.

(2) Further referred to as EBITDA.



<u>Statement of Income Items</u>	Illustrative Aggregated Selected Financial Information <sup>(1)</sup>		Pre-Transaction Pro-Forma Financial Information <sup>(2)</sup>		
	For the year ended December 31,		For the year ended December 31,	For the nine months ended September 30,	
	2011	2012	2012	2012	2013
	€ in millions				
<b>Revenue</b>					
Cable based services .....	941.2	945.7	945.7	713.1	721.1
Mobile services .....	306.5	304.4	304.4	220.7	245.8
B2B and others .....	178.5	191.6	191.4	142.3	135.2
<b>Total revenue</b> .....	<b>1,426.2</b>	<b>1,441.8</b>	<b>1,441.8</b>	<b>1,076.1</b>	<b>1,102.3</b>
Purchasing and subcontracting services .....	(399.6)	(444.4)	(444.4)	(321.6)	(328.3)
<b>Gross profit</b> .....	<b>1,026.6</b>	<b>997.4</b>	<b>997.4</b>	<b>754.6</b>	<b>774.0</b>
Other operating expenses .....	(319.5)	(315.2)	(315.3)	(243.2)	(224.2)
General and administrative expenses <sup>(3)</sup> .....	(100.9)	(85.1)	(86.1)	(61.8)	(57.6)
Other sales and marketing expenses .....	(108.9)	(102.8)	(101.8)	(78.0)	(62.5)
<b>Operating income before depreciation and amortization</b> <sup>(4)</sup> .....	<b>497.2</b>	<b>494.2</b>	<b>494.2</b>	<b>371.5</b>	<b>429.6</b>
Depreciation and amortization .....			(319.8)	(329.6)	(304.7)
Goodwill impairment .....			(121.9)	—	—
Other expenses, net .....			(35.1)	(19.7)	(12.6)
Management fees .....			(6.9)	(3.2)	(1.6)
Restructuring and other non-recurring costs .....			(21.7)	(9.1)	(3.9)
<b>Operating (loss)/profit</b> .....			<b>(11.1)</b>	<b>(10.0)</b>	<b>106.9</b>
Finance income .....			31.3	4.5	36.4
Finance costs .....			(280.3)	(168.7)	(189.5)
<b>(Loss) before taxes on revenue</b> .....			<b>(260.1)</b>	<b>(154.3)</b>	<b>(46.2)</b>
Income tax benefits/(expenses) .....			31.0	2.9	(35.4)
<b>Profit for the year/period</b> .....			<b>(229.1)</b>	<b>(151.3)</b>	<b>(81.6)</b>

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

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see “*Pre-Transaction Pro Forma Financial Information of the Group*”.

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

(4) Further referred to as EBITDA.

<u>Statement of Income Items</u>	<b>Post-Transaction Pro Forma Financial Information<sup>(1)</sup></b>		
	<b>For the year ended December 31,</b>	<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2012</b>	<b>2013</b>
	<b>€ in millions</b>		
<b>Revenue</b>			
<b>Total revenue</b> .....	<b>1,899.5</b>	<b>1,419.4</b>	<b>1,435.8</b>
Purchasing and subcontracting services.....	(571.6)	(415.1)	(417.3)
<b>Gross profit</b> .....	<b>1,328.0</b>	<b>1,004.3</b>	<b>1,018.6</b>
Other operating expenses.....	(366.5)	(280.6)	(257.6)
General and administrative expenses <sup>(2)</sup> .....	(118.2)	(137.9)	(119.3)
Other sales and marketing expenses.....	(182.3)	(86.8)	(79.3)
<b>Operating income before depreciation and amortization<sup>(3)</sup></b> .....	<b>660.9</b>	<b>498.9</b>	<b>562.4</b>
Depreciation and amortization.....	(390.4)	(381.1)	(352.4)
Goodwill impairment.....	(121.9)	—	—
Management fees.....	(18.6)	(11.8)	(10.2)
Other expenses, net.....	(34.9)	(19.6)	(12.6)
Restructuring and other non-recurring costs.....	(21.7)	(9.1)	(3.9)
<b>Operating profit</b> .....	<b>73.4</b>	<b>77.3</b>	<b>183.3</b>
Gain arising on step acquisitions.....	—	—	—
Share of profit of associates.....	—	—	—
Finance income.....	32.7	5.1	36.7
Finance costs.....	(363.5)	(231.1)	(252.2)
<b>Loss before taxes on revenue</b> .....	<b>(257.4)</b>	<b>(148.8)</b>	<b>(32.2)</b>
Income tax benefits/(expenses).....	39.2	7.1	(38.8)
<b>Loss for the year/period</b> .....	<b>(218.2)</b>	<b>(141.6)</b>	<b>(71.0)</b>

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO. It does not give pro forma effect to the acquisition of Tricom. For details, see "Post-Transaction Pro Forma Financial Information of the Group".

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

(3) Further referred to as EBITDA.

### Revenue and EBITDA

	<b>Illustrative Aggregated Selected Financial Information<sup>(1)</sup></b>		<b>Pre-Transaction Pro Forma Financial Information<sup>(2)</sup></b>	
	<b>For the year ended December 31,</b>		<b>For the nine months ended September 30,</b>	
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	<b>€ in millions</b>			
<b>Revenue</b>				
Israel.....	845.5	850.4	634.9	669.4
Belgium and Luxembourg.....	67.3	71.3	52.8	53.1
Portugal.....	238.8	235.4	174.6	159.8
French Overseas Territories.....	217.9	219.6	163.3	166.3
Others <sup>(6)</sup> .....	56.7	65.2	50.5	53.4
<b>Total revenue</b> .....	<b>1,426.2</b>	<b>1,441.8</b>	<b>1,076.1</b>	<b>1,102.3</b>
<b>EBITDA<sup>(3)</sup></b>				
Israel.....	327.2	305.2	229.2	269.9
Belgium and Luxembourg.....	41.0	45.6	35.3	35.4
Portugal.....	39.0	48.0	31.9	45.1
French Overseas Territories.....	72.4	75.1	56.9	62.1
Others <sup>(6)</sup> .....	17.7	20.3	18.2	17.3
<b>Total EBITDA</b> .....	<b>497.2</b>	<b>494.2</b>	<b>371.5</b>	<b>429.6</b>
Equity based compensation <sup>(4)</sup> .....	6.0	3.8	3.8	—
<b>Adjusted EBITDA<sup>(5)</sup></b> .....	<b>503.2</b>	<b>498.0</b>	<b>375.3</b>	<b>429.6</b>

- (1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”. We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA.
- (2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see “*Pre-Transaction Pro Forma Financial Information of the Group*”.
- (3) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.
- (4) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.
- (5) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.
- (6) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.6 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.6 million and €9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2012 and 2013, Green Datacenter contributed €7.7 million and €8.8 million to pro forma revenue and €6.7 million and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.7 million and €0.5 million to pro forma revenue and €0.7 million and €0.5 million to pro forma EBITDA.

### Pro Forma Adjusted EBITDA

	<b>Post-Transaction Pro Forma Financial Information<sup>(1)</sup></b>			
	<b>For the year ended December 31,</b>	<b>For the nine months ended September 30,</b>		<b>L3QA<sup>(2)</sup></b>
	<b>2012</b>	<b>2012</b>	<b>2013</b>	
	<b>€ in millions</b>			
<b>Revenue</b>				
Israel .....	850.4	634.9	669.4	892.5
Belgium and Luxembourg .....	71.3	52.8	53.1	70.9
Portugal.....	235.3	174.6	159.8	213.1
French Overseas Territories.....	219.6	163.3	166.3	221.7
Dominican Republic <sup>(12)</sup> .....	457.7	343.3	333.6	444.8
Others <sup>(3)</sup> .....	65.2	50.5	53.4	71.2
<b>Total revenue</b> .....	<b>1,899.5</b>	<b>1,419.4</b>	<b>1,435.8</b>	<b>1914.4</b>
<b>EBITDA<sup>(4)</sup></b>				
Israel .....	305.2	229.2	269.9	359.9
Belgium and Luxembourg .....	45.6	35.3	35.4	47.2
Portugal.....	47.9	31.9	45.1	60.1
French Overseas Territories.....	75.2	56.9	62.1	82.8
Dominican Republic <sup>(12)</sup> .....	166.7	127.4	132.7	176.9
Others <sup>(3)</sup> .....	20.3	18.2	17.3	23.1
<b>Total EBITDA</b> .....	<b>660.9</b>	<b>498.9</b>	<b>562.4</b>	<b>749.9</b>
Equity based compensation <sup>(5)</sup> .....	3.8	3.8	—	—
<b>Adjusted EBITDA<sup>(6)</sup></b> .....	<b>664.7</b>	<b>502.7</b>	<b>562.4</b>	<b>749.9</b>
Green Datacenter and Auberimmo EBITDA <sup>(7)</sup> .....	(9.8)	(7.3)	(8.1)	(10.8)
<b>Total Adjusted EBITDA excluding Green Data Center and Auberimmo</b> .....	<b>654.9</b>	<b>495.4</b>	<b>554.3</b>	<b>739.1</b>
Pro Forma Synergies for 2013 Transactions <sup>(8)</sup> .....				12.5
HOT Mobile Network Sharing Savings <sup>(9)</sup> .....				41.0
Tricom EBITDA <sup>(10)</sup> .....				50.0
Pro Forma Synergies for ODO/Tricom <sup>(11)</sup> .....				20.0
<b>Pro Forma Adjusted EBITDA</b> .....				<b>862.6</b>

- (1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under “Dominican Republic”). It does not give pro forma effect to the acquisition of Tricom. For details, see “*Post-Transaction Pro Forma Financial Information of the Group*”.

- (2) Last Three Quarters Annualized (L3QA) is calculated by dividing the revenue, EBITDA or Adjusted EBITDA, as applicable, for the nine months ended September 30, 2013 by three and multiplying the result by four. There can be no assurance and you should not assume that this annualized presentation of our results for the nine months ended September 30, 2013 represents an accurate forecast of our actual results of operations.
- (3) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.6 million to aggregated and pro forma revenues and € 0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to aggregated and pro forma EBITDA. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.5 million and €9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.5 million to aggregated revenue and €0.5 million to aggregated EBITDA.
- (4) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.
- (5) Equity based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.
- (6) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.
- (7) Green Datacenter and Auberimmo were designated as unrestricted subsidiaries in accordance with the terms governing our indebtedness and as of such designation these entities are not subject to the covenants under the terms governing our indebtedness or the New Indentures.
- (8) Giving effect to certain synergies expected to result from the 2013 Transactions (including the Outremer Transaction and the ONI Transaction which were consummated in the third quarter of 2013), which is expected to include, amongst others, cost reductions related to network operations, customer service, backbone network as well as general support functions.
- (9) Annualized EBITDA impact (cost saving) of new network sharing agreement with Partner. See “*General Description of our Business and the Offering—Recent Developments*”.
- (10) Represents estimated EBITDA of Tricom presented on an annualized basis. The Tricom annualized EBITDA has been derived from the nine months ended September 30, 2013 management accounts of Tricom, which are prepared in accordance with US GAAP. US GAAP may not be directly comparable to IFRS.
- (11) Gives effect to certain synergies expected to result over time from the ODO Acquisition and the Tricom Acquisition in an amount of €20.0 million. See “*General Description of our Business and the Offering—Recent Developments—Dominican Republic Acquisitions—Potential Benefits from the acquisition of Tricom and ODO*”. We may not be able to achieve all such synergies for a number of reasons, including if we cannot consummate the ODO Acquisition or the Tricom Acquisition and we may incur significant costs in realizing the reorganization of ODO and Tricom. If we are unable to consummate the Tricom Acquisition, we do not expect to benefit from any synergies from the ODO Acquisition, and if we are unable to consummate the ODO Acquisition, we expect that synergies from the Tricom Acquisition will be limited to €5.0 million. 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.
- (12) Includes ODO but excludes Tricom.

#### Certain As Adjusted Information\*\*

	As of and for the nine months ended September 30, 2013
	€ in millions
As adjusted total net debt <sup>(1)</sup> .....	3,502.4
As adjusted senior net debt <sup>(2)</sup> .....	2,645.0
L3QA Pro Forma Adjusted EBITDA <sup>(3)</sup> .....	862.6
As adjusted cash interest expense <sup>(4)</sup> .....	255.3
Ratio of as adjusted total net debt to L3QA Pro Forma Adjusted EBITDA .....	4.1x
Ratio of as adjusted senior net debt to L3QA Pro Forma Adjusted EBITDA .....	3.1x
Ratio of L3QA Pro Forma Adjusted EBITDA to as adjusted cash interest expense .....	3.4x

\*\* Assumes that the Tricom Acquisition and the ODO Acquisition are consummated. The completion of the ODO Acquisition and the Tricom Acquisition are subject to certain conditions, including the separate approval by the competent regulatory authorities in the Dominican Republic. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. For further details, see “*Capitalization*”.

- (1) As adjusted total net debt reflects the aggregate principal amount of our debt minus cash and cash equivalents, in each case on an as adjusted basis after giving effect to the New Transactions (assuming full draw down of the 2013 Term Loan and excluding Green Datacenter debt of €24 million).
- (2) As adjusted senior net debt reflects the aggregate principal amount of our debt that is outstanding under the 2012 Senior Secured Notes, the 2013 Term Loan, the Existing Coditel Mezzanine Facility, the Existing HOT Unsecured Notes, the New Senior Secured Notes and finance leases minus cash and cash equivalents, in each case, as adjusted after giving effect to the New Transactions (assuming full draw down of the 2013 Term Loan and excluding Green Datacenter debt of €24 million).
- (3) Last Three Quarters Annualized Pro Forma Adjusted EBITDA is calculated by dividing the Pro Forma EBITDA for the nine months ended September 30, 2013 by three and multiplying the result by four. There can be no assurance and you should not assume that this annualized presentation of our results for the nine months ended September 30, 2013 represents an accurate forecast of our actual results of operations.
- (4) As adjusted cash interest expense represents the gross interest expense, which is calculated using the cash interest expense in connection with the debt incurred in connection with the New Transactions, the 2013 Term Loan, (excluding any hedging expenses), the Existing HOT Unsecured Notes, the Existing Coditel Mezzanine Facility, the 2012 Notes, the 2013 Notes and the New Notes. As adjusted cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the New Transactions occurred nor does it purport to project our interest rate for any future period or financial condition at any future. Interest expense excludes (a) other financing costs relating to (i) foreign exchange transactions, collection costs and embedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

## Capital Expenditures

Illustrative Aggregated Selected Financial Information <sup>(1)</sup>												
	For the year ended December 31, 2011					For the year ended December 31, 2012						
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
<b>Capital expenditures</b>												
CPEs and installations .....	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions .....	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable .....	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
<b>Cable based services .....</b>	<b>126.8</b>	<b>10.6</b>	<b>19.4</b>	<b>28.1</b>	<b>—</b>	<b>185.0</b>	<b>211.6</b>	<b>17.0</b>	<b>18.1</b>	<b>16.1</b>	<b>—</b>	<b>262.8</b>
Mobile services .....	47.1	—	—	17.2	—	64.4	83.8	—	—	9.2	—	93.0
B2B and others .....	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
<b>Total capital expenditures .....</b>	<b>173.9</b>	<b>10.6</b>	<b>34.4</b>	<b>53.5</b>	<b>21.5</b>	<b>293.8</b>	<b>295.4</b>	<b>17.0</b>	<b>30.8</b>	<b>35.7</b>	<b>18.7</b>	<b>397.8</b>
<b>EBITDA—total capital expenditures .....</b>	<b>153.1</b>	<b>30.4</b>	<b>4.6</b>	<b>19.0</b>	<b>(3.8)</b>	<b>203.2</b>	<b>9.8</b>	<b>28.6</b>	<b>17.2</b>	<b>39.4</b>	<b>1.6</b>	<b>96.4</b>

- (1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.

Pre-Transaction Pro Forma Financial Information <sup>(1)</sup>												
	For the nine months ended September 30, 2012					For the nine months ended September 30, 2013						
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
<b>Capital expenditures</b>												
Cable based services .....	164.0	10.9	12.0	8.8	—	195.7	100.0	13.5	14.7	8.4	—	136.6
Mobile services .....	66.0	0.7	—	7.9	—	74.6	36.0	1.2	—	8.9	—	46.1
B2B and others .....	—	—	5.8	4.9	13.5	24.2	—	—	3.6	9.8	13.4	26.8
<b>Total capital expenditures .....</b>	<b>230.0</b>	<b>11.6</b>	<b>17.9</b>	<b>21.6</b>	<b>13.5</b>	<b>294.6</b>	<b>136.0</b>	<b>14.7</b>	<b>18.3</b>	<b>27.1</b>	<b>13.4</b>	<b>209.5</b>
<b>EBITDA—total capital expenditures .....</b>	<b>(0.8)</b>	<b>23.7</b>	<b>14.0</b>	<b>35.3</b>	<b>4.7</b>	<b>76.9</b>	<b>133.9</b>	<b>20.7</b>	<b>26.8</b>	<b>35.0</b>	<b>4.3</b>	<b>220.6</b>

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

## Cash Flow Data

	Historical Consolidated Financial Information				
	For the year ended December 31,			For the nine months ended September 30,	
	2010	2011	2012	2012	2013
	€ in millions				
Cash and cash equivalents at beginning of year/period .....	6.8	18.2	19.8	19.8	129.7
Net cash provided by/(used in) operating activities .....	(43.4)	306.4	464.5	323.5	289.0
Net cash provided by/(used in) investing activities .....	(35.3)	(576.2)	(574.2)	(300.6)	(502.3)
Net cash provided by/(used in) financing activities .....	87.7	272.4	219.3	(10.2)	145.4
Effects of exchange rate changes on the balance of cash held in foreign currencies .....	2.4	(0.9)	0.2	0.2	—
<b>Cash and cash equivalents at end of year/period .....</b>	<b>18.2</b>	<b>19.8</b>	<b>129.7</b>	<b>32.6</b>	<b>61.9</b>

## Balance Sheet Data

	<b>Historical Consolidated Financial Information</b>		
	<b>As of December 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	€ in millions		
Total current assets .....	95.8	150.8	324.5
Total non-current assets .....	545.7	2,352.9	2,395.5
<b>Total assets</b> .....	<b>641.5</b>	<b>2,503.7</b>	<b>2,720.0</b>
Total current liabilities .....	183.5	558.5	546.0
Total non-current liabilities .....	168.4	1,211.6	1,888.3
<b>Total liabilities</b> .....	<b>351.9</b>	<b>1,770.1</b>	<b>2,434.3</b>
<b>Total equity</b> .....	<b>289.6</b>	<b>733.6</b>	<b>285.7</b>
	<b>Pre-Transaction Pro Forma Financial Information<sup>(1)</sup></b>	<b>Post-Transaction Pro Forma Financial Information<sup>(2)</sup></b>	
	<b>As of September 30,</b>		<b>As of</b>
	<b>2013</b>	<b>September 30,</b>	
	€ in millions		
Total current assets .....	374.6	494.9	
Total non-current assets .....	2,951.5	3,976.0	
<b>Total assets</b> .....	<b>3,326.1</b>	<b>4,471.0</b>	
Total current liabilities .....	566.9	676.5	
Total non-current liabilities .....	2,881.2	3,993.1	
<b>Total liabilities</b> .....	<b>3,448.1</b>	<b>4,669.8</b>	
<b>Total equity</b> .....	<b>(123.0)</b>	<b>(198.8)</b>	

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see “Pre-Transaction Pro Forma Financial Information of the Group”

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO. It does not give pro forma effect to the acquisition of Tricom. For details, see “Post-Transaction Pro Forma Financial Information of the Group”.

## Key Operating Measures\*\*

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated					As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated					As of 2012
	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portug al	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>	Israel <sup>(6)</sup>
<b>CABLE-BASED SERVICES</b>											
<b>Market and Network</b>											
Homes Passed .....	2,204	213	906	154	<b>3,477</b>	2,243	233	906	154	<b>3,536</b>	2,272
Docsis 3.0 Upgraded (%) .....	100%	100%	85%	17%	<b>92%</b>	100%	100%	94%	37%	<b>95%</b>	100%
<b>Unique Customers</b>											
Cable Customer Relationships <sup>(1)</sup> .....	1,245	117	264	41	<b>1,667</b>	1,198	120	255	39	<b>1,612</b>	1,145
Triple-Play Cable Customer Relationships .....	348	49	154	9	<b>560</b>	413	50	147	12	<b>626</b>	448
<b>RGUs &amp; Penetration<sup>(2)(3)</sup></b>											
Total RGUs .....	2,294	241	669	59	<b>3,263</b>	2,343	244	648	63	<b>3,298</b>	2,316
Pay Television RGUs .....	891	135	256	41	<b>1,323</b>	896	136	245	39	<b>1,316</b>	881
Pay Television Penetration (%) .....	40%	63%	28%	27%	<b>38%</b>	40%	58%	27%	25%	<b>37%</b>	39%
Broadband Internet RGUs .....	768	54	162	9	<b>993</b>	771	55	159	12	<b>997</b>	755
Broadband Internet Penetration (%) .....	35%	25%	18%	6%	<b>29%</b>	34%	24%	18%	8%	<b>28%</b>	33%
Fixed-Line Telephony RGUs ...	635	52	251	9	<b>947</b>	676	53	243	12	<b>984</b>	680
Fixed-Line Telephony Penetration (%) .....	29%	24%	28%	6%	<b>27%</b>	30%	23%	27%	8%	<b>28%</b>	30%
RGUs Per Cable Customer Relationship .....	1.8x	2.1x	2.5x	1.4x	<b>2.0x</b>	2.0x	2.0x	2.5x	1.6x	<b>2.0x</b>	2.0x
<b>ARPU<sup>(4)</sup></b>											
Cable ARPU (€) .....	42.4	36.7	36.9	43.1	—	44.4	39.5	34.9	48.3	—	47.6
<b>MOBILE-BASED SERVICES</b>											
<b>Market and Network</b>											
UMTS Mobile Coverage of Territory (%) .....	—	—	—	88% <sup>(9)</sup>	—	41%	—	—	89% <sup>(9)</sup>	—	50%
<b>Subscribers</b>											
Total Mobile Subscribers <sup>(5)</sup> .....	444	—	—	355	<b>799</b>	766	2	—	385	<b>1,153</b>	773
Postpaid .....	389	—	—	158	<b>547</b>	738	2	—	183	<b>923</b>	762
Prepaid .....	55	—	—	197	<b>252</b>	28	—	—	203	<b>231</b>	11
<b>ARPU<sup>(4)</sup></b>											
Mobile ARPU (€) .....	25.5	—	—	28.9	—	19.4	14.7	—	26.7	—	16.9
<b>xDSL-BASED SERVICES</b>											
<b>RGUs</b>											
Total RGUs .....	—	—	—	147	<b>147</b>	—	—	—	140	<b>140</b>	—
Broadband Internet RGUs .....	—	—	—	58	<b>58</b>	—	—	—	57	<b>57</b>	—
Fixed-Line Telephony RGUs ...	—	—	—	89	<b>89</b>	—	—	—	83	<b>83</b>	—

\*\* Excludes Tricom and ODO.

(1)

Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television) without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers who have not been activated.

(2)

RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, then two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

(3)

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

(4)

ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue from subscribers (excluding 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 divided by two. For Israel, cable based ARPU 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 in the respective period, divided by two. For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) average rate for the nine months ended September 30, 2012, €0.2023 = NIS 1.00 and (iv) average rate for the nine months ended September 30, 2013, €0.2023 = NIS 1.00.

(5)

Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our mobile network is equal to the net number of lines or SIM cards that have been activated on our mobile network.

#### Mobile Subscribers

iDEN.....

UMTS.....

**Total**.....

(6)

In Israel, Homes Passed is the number of total Israeli Homes. Our cable network passes a vast majority of Israel's 2.2 million households.

(7)

Only relates to the cable based services (pay television, broadband Internet and fixed-line telephony) we provide in Guadeloupe and Martinique and excludes the xDSL and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte following our acquisition of a controlling interest in Outremer.

(8)

Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Luxembourg (in which we acquired a controlling interest in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in June 2011); French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in June 2011).

(9)

Excludes French Guiana.



**Dominican Republic Acquisitions Key Operating Measures**

Tricom

	As of and for the year ended December 31,		As of and for the nine months ended September 30,
	2011	2012	2013
<b>CABLE-BASED SERVICES</b>			
<b>Market and Network</b>			
Homes Passed <sup>(1)</sup> .....	257,702	371,380	439,662 <sup>(6)</sup>
Docsis 3.0 Upgraded (%).....	N/A	33%	78%
<b>Unique Customers</b>			
Cable Customer Relationships <sup>(2)</sup> .....	116,845	135,616	137,596
Triple-Play Cable Customer Relationships.....	—	—	—
<b>RGUs &amp; Penetration</b>			
Total RGUs.....	132,446	169,398	185,735
Pay Television RGUs <sup>(3)</sup> .....	116,845	135,616	137,596
Pay Television Penetration (%) .....	42.4%	36.5%	31.3%
Broadband Internet RGUs .....	11,691	21,701	27,484
Broadband Internet Penetration (%) .....	4.2%	5.8%	6.3%
Fixed-Line Telephony RGUs.....	3,910	12,081	20,655
Fixed-Line Telephony Penetration (%).....	1.4%	3.3%	4.7%
RGUs Per Cable Customer Relationship .....	1.1	1.2	1.3
<b>ARPU</b>			
Cable ARPU (€) <sup>(4)</sup> .....	22.0	21.5	20.0
<b>MOBILE-BASED SERVICES</b>			
<b>Market and Network</b>			
UMTS Mobile Coverage of Territory (%) .....	—	—	—
<b>Subscribers<sup>(5)</sup></b>			
Total Mobile Subscribers.....	299,484	279,365	302,130
Postpaid .....	22,895	19,319	17,309
Prepaid .....	276,589	260,046	284,821
<b>ARPU</b>			
Mobile ARPU (€) .....	3.4	3.5	3.3
<b>xDSL-BASED SERVICES</b>			
<b>RGUs</b>			
Total RGUs.....	332,157	351,017	347,719
Broadband Internet RGUs .....	87,007	96,134	96,472
Fixed-Line Telephony RGUs.....	245,150	254,883	251,247

(1) Includes one and two ways homes passed by Tricom's HFC network. Due to the re-build of the former light design network and continuous audit revisions, current homes passed figures might not be comparable year over year.

(2) Includes non-residential customers. Pay television Cable Customer Relationships only. Does not include Cable Customer Relationships not subscribing to pay television services.

(3) Represents "Equivalent Billing Units" of Tricom.

(4) ARPU includes only revenues related to pay television services and also revenues from additional set-top boxes and other value added and premium services. Does not include ARPU related to cable broadband Internet and fixed telephony services.

(5) Does not include wireless data subscribers.

ODO

	<u>As of December 31,</u>		<u>As of</u>
	<u>2011</u>	<u>2012</u>	<u>September 30,</u>
	<u>2013</u>		
	<b>In thousands except percentages and as otherwise indicated</b>		
<b>MOBILE-BASED SERVICES</b>			
<b>Market and Network</b>			
<b>Subscribers<sup>(5)</sup></b>			
Total Mobile Subscribers at end of period <sup>(1)</sup> .....	3,047	3,093	3,178
Postpaid <sup>(1)(2)(4)(5)</sup> .....	565	589	591
Prepaid residential <sup>(1)(3)(4)</sup> .....	2,482	2,504	2,587
<b>ARPU</b>			
Mobile ARPU (€) .....	10.1	10.7	9.8

(1) Includes subscribers through reseller as ODO enters into direct contractual arrangements with customers of resellers.

(2) All postpaid subscribers are considered as active.

(3) Active prepaid subscribers exclusively. Prepaid subscribers are considered as inactive when connected on the home network more than three months without any outgoing traffic events or with fewer than four incoming traffic events.

(4) Includes exclusively mobile subscribers. Mobile broadband/Internet subscribers excluded.

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

## RISK FACTORS

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

*This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. See “Forward-Looking Statements”.*

### **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 obligations under the New Notes.***

We have significant debt and debt service requirements and may incur additional debt in the future. As of September 30, 2013, as adjusted to give effect to the New Transactions and the 2013 Coditel Acquisition, including the issuance of the New Notes, the full drawdown of the 2013 Term Loan and the application of the proceeds thereof, the Group had total third-party debt (excluding other long-term and short-term liabilities, other than finance leases) of €3,574 million. Of this as adjusted indebtedness, €2,717 million represents third party senior indebtedness and €857 million represents the New Senior Notes and the Existing Senior Notes. See “*Capitalization*”. In addition, the Senior Secured Notes Issuer will also have the ability to borrow up to \$80 million under the 2012 Revolving Credit Facility Agreement, up to €60 million under the 2013 Revolving Credit Facility Agreement and up to €75 million under the 2013 Guarantee Facility. See “*Description of Other Indebtedness*”.

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 New 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 pay television, broadband Internet services, fixed-line telephony services, mobile services and B2B services in the regions in which we operate;
- restricting us from exploiting business opportunities or making acquisitions or investments;
- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- adversely affecting public perception of us and our brands.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations under the New Notes.

The terms of the New Indentures, the Existing Indentures, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facility Agreements, the Existing Coditel Mezzanine Facility Agreement and the trust deeds governing

the Existing HOT Unsecured Notes 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 for general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

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

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

- our future operating performance;
- the demand and price levels for our current and planned products and services;
- our ability to maintain the required level of technical capability in our networks and in the subscriber equipment and other relevant equipment connected to our networks;
- our ability to successfully introduce new products and services;
- our ability to reduce churn;
- general economic conditions and other conditions affecting customer spending;
- competition;
- sufficient distributable reserves, as required under applicable law;
- the outcome of certain litigation in which we are involved; and
- legal, tax and regulatory developments affecting our business.

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

We expect that a significant amount of our cash flow will consist of payments of dividends or interest by Israeli companies in our Group. In general, payments of dividends or interest by companies that are Israeli residents for tax purposes are subject to withholding tax. With respect to payments to Luxembourg tax residents or residents of other countries who have a tax treaty with Israel, such withholding tax may be reduced from the rates generally applicable under Israeli law to the rates applicable under the tax treaty between Israel and Luxembourg or the other applicable treaty. In order to enjoy the reduced rate of withholding tax, it is necessary to file with the Israel Tax Authority a request for relief from withholding prior to payment of the dividend and/or interest. If a withholding tax exemption or relief certificate is received from the Israel Tax Authority prior to the payment of the dividend and/or interest, the payer will be able to make the dividend/interest payment at such reduced withholding tax rate. However, if such request is denied or delayed and such certificate is not available at the time of payment, withholding will be made at the full statutory rates. Any changes in the tax rates on dividends or interest could significantly affect our ability to meet our debt service obligations under the New 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 New Indentures, the Existing Indentures, the Revolving Credit Facility Agreements, the 2013 Term Loan, the Existing Coditel Mezzanine Facility Agreement, the 2013 Guarantee Facility and the trust deeds governing the Existing HOT Unsecured Notes 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 the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility which require us to maintain specified financial ratios. 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 New Notes, and we may not be able to repay this indebtedness or refinance this indebtedness at maturity on favorable terms, or at all.***

Of the €3,547 million of total borrowings we would have had outstanding as of September 30, 2013 (excluding finance leases), as adjusted to give effect to the New Transactions and the 2013 Coditel Transaction, including the offering of the New Notes and borrowings under the 2013 Term Loan and the application of the proceeds thereof, (i) €2,295 million of our borrowings, including the Existing Senior Secured Notes, the Existing Senior Notes, the 2013 Term Loan, the Revolving Credit Facilities, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility, will mature prior to the maturity dates of the New Senior Secured Notes and (ii) €3,254 million of our borrowings, including the New Senior Secured Notes, will mature prior to the maturity date of the New Senior 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 New Notes. We cannot assure you that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our

debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

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

As of September 30, 2013, our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to €714.0 million comprising of the 2013 Term Loan. Since September 30, 2013, the Group has incurred an additional €80.6 million of floating rate debt. In addition, any amounts we borrow under the Revolving Credit Facilities or the 2013 Guarantee Facility will bear interest at a floating rate. Further, as of September 30, 2013 we had an amount equivalent to €159.0 million outstanding under Series A of the HOT Unsecured Notes which is linked to the consumer price index in Israel. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

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

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

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

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

### **Risks Relating to Our Business, Technology and Competition**

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

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

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

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

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

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

The following is a summary of the competitive landscape in Israel, Belgium and Luxembourg, Portugal and the French Overseas Territories:

### ***Israel***

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

*Broadband Internet Infrastructure Access.* Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband access over DSL, holds the highest market share in broadband Internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL-based broadband Internet infrastructure access service to very high bitrate DSL ("VDSL") and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations which it has announced could have a negative impact on our competitive position in the broadband Internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. Further, the Israeli Ministry of Communications has issued regulatory instructions in an attempt to create a wholesale market for broadband Internet infrastructure access which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. See "*Regulatory—Israel—Broadband Internet Infrastructure Access and Fixed-line*".

*Telephony—Decision Regarding the Creation of a Wholesale Market\**. Competition may also increase following the creation of a public private joint venture in June 2013 between the government owned Israeli Electric Corporation (“IEC”) and a private company, which proposes to use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers via optical fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers.

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

*Mobile Services.* The mobile market in Israel is characterized by saturation and a very high penetration level in excess of 100%, as a result of which competition is focused primarily on customers moving from one mobile operator to another. Our mobile service competes with three principal mobile network operators in Israel, who between them are currently estimated to directly represent over 92% of the total market for mobile services in Israel as of June 30, 2013, by number of mobile customers, and with an additional new mobile network operator (as well as several MVNOs). As such, the brand names of the three principal mobile network operators in Israel are better recognized as mobile service providers than our brand, they have better established sales, marketing and distribution capabilities, and are more experienced in the provision of mobile services. While we acquired HOT Mobile in November 2011, which had an existing iDEN-based mobile network and service offering, we only began offering our 3G based mobile services under the HOT brand in May 2012 and expect that we will continue to face the challenge that the brand names of our competitors are better recognized as mobile service providers and that these competing providers are part of larger, more established companies than us. We may be required to invest significantly in marketing, other promotional activities and our infrastructure to overcome this challenge. We may also face increased competition in the future from Golan Telecom, which launched its services at the same time as HOT Mobile, and MVNOs that provide mobile services under their own brand using the network infrastructure of another service provider. In addition, the Israeli Ministry of Communications has granted a special license to a few of the new operators to conduct a marketing experiment that will examine the provision of domestic telephony services using VoC (VoIP over Mobile) technology. VoC services may provide an alternative to traditional mobile services or virtual mobile networks, offering an easier and more cost efficient service. In addition, a licensed VoC service improves user experience, since it has a standard phone number and can be ported in and out with number portability. If the VoC marketing experiment is successful and the Israeli Ministry of Communications grants licenses to offer VoC service, demand for our mobile services may be reduced, which would negatively impact revenues and profits from that segment. In the future, the Israeli Ministry of Communications may auction additional spectrum for LTE services at prices or on terms which we do not consider attractive. We may be unsuccessful in acquiring spectrum for LTE services or a successful bid may strain our financial resources. In the event that we successfully bid for such additional spectrum and decide to accept the terms on which it is offered to us, we would need to deploy 4G LTE infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) in order to commercialize such services. It is unclear whether the regulator would allow us to deploy an LTE network before we complete the roll-out of our UMTS network. If we are not granted such permission, we could incur significant delay in rolling out our 4G LTE network compared to our competitors which have already completed the roll-out of their UMTS 3G network. A delay in the introduction of 4G LTE services or a failure on our part to provide such services at all could negatively affect our ability to compete with mobile operators who can provide such services to Israeli subscribers.

*Multiple-play offerings.* We are currently the only provider of triple-play services combining pay television, broadband Internet infrastructure access and fixed-line telephony services at a bundled price below what a subscriber would pay for each service individually. Bezeq, our principal competitor, is currently limited under its license from providing, although it can apply for approval to the Israeli Ministry of Communications to provide, triple-play services. However, with approval of the Israeli Ministry of Communications, Bezeq has the capability to offer such triple-play services to its customers through an associate which provides pay television services under the brand “YES” on a stand alone basis. Bezeq can also currently provide double-play services including broadband Internet infrastructure access and ISP services at a bundled price. The ability of our competitors to provide multiple-play services in the future as a result of regulatory changes, consolidation in the industry, advances in technology or other factors, or regulatory changes that



might require us to provide, on a stand alone basis, the services that currently form our triple-play bundle at the bundled rates, could have a material effect on our business, financial condition and results of operations.

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

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

In the pay television market within our footprint in Belgium, we compete with Belgacom, which has a DSL-based network and is the only operator that offers national coverage. Generally, competition has been limited due to a lack of overlap among cable operators with Telenet operating predominantly in Flanders, VOO in the French speaking part of Belgium and us predominately in Brussels (with Telenet and VOO also present in the capital). Due to changes in the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013, we may face competition in the pay television market from new providers who will be given access to use our cable infrastructure. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content which is likely to increase competition in the pay television market. Also, we do not currently offer television on mobile devices, such as mobile handsets and iPods, while both Belgacom and Mobistar are starting to do so. We are currently in the process of rolling out a mobile television application. If we fail to provide more attractive service offerings or to successfully roll out our mobile television applications we may experience an increased churn of our customer base to our competitors which may have an adverse effect on our business. Although smaller compared to cable, satellite television and DTT also constitute a competitive presence in Belgium. In the broadband Internet market in Belgium, we compete primarily with the incumbent DSL provider Belgacom. DSL remains the leading technology by which broadband Internet access services are being provided in Belgium and despite cable overtaking DSL in Flanders and certain other regions, DSL retains a higher market share in Belgium. Although current trends indicate that cable technology has become an attractive and sought after alternative to DSL due to the speed and higher reliability it can offer, we may not be able to take advantage of this trend due to the competitive nature of the broadband Internet market, which may adversely affect our business. Furthermore high speed package access and LTE technology have presented a viable alternative to DSL and cable due to their ability to provide higher speeds. In the fixed-line telephony market in Belgium, we compete primarily with the incumbent DSL provider Belgacom and the saturated market has led to intensive price reductions over the years. Telephony is also increasingly bundled together with other fixed-line products rather than being sold as a standalone service. Belgacom has invested significantly in upgrading its technology, for example, by investing in VDSL and adding other services such as Wifi hotspots. Although we have seen an increase in our fixed-line telephony RGUs due to the increase in uptake of our triple-play bundles, we may not be able to uphold this increase if Belgacom is successful in realizing growth in the triple play service offerings. The mobile telephony market in Belgium, which we entered in September 2012 as a mobile virtual network operator, has three major operators: the incumbent Belgacom, Mobistar and BASE. Although operators accessing the market through MVNOs, like us, have in recent years contributed to the intensification of competition in the mobile telephony market, our ability to build and increase our market share is subject to strong competition from the incumbent operators who, amongst other things, benefit from greater brand name recognition. With respect to our multiple-play products in Belgium, we compete primarily with the incumbent Belgacom. We may face aggressive pricing from Belgacom which we may not be able to compete with. If we consider price reductions for our multiple-play packages, we may have to reduce costs and investments in other areas of our business. If we fail to attract customers despite our aggressive pricing or are unable to materialize any gains, this may have a material adverse effect on our results of operation.

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

### ***Portugal***

In our footprint in Portugal, a significant portion of our cable network overlaps with our key competitor Zon Multimedia (“ZON”) and Portugal Telecom. In the Portuguese pay television market, our competitors primarily include ZON, the largest operator by number of subscribers, and Portugal Telecom. The intense competition in this segment has led certain of our competitors to offer aggressively priced packages in the market. During 2012, we took the strategic decision to cease offering certain aggressively priced packages which resulted in a high churn rate for our pay television services. If the packages offered by our competitors continue to be offered at aggressive prices or if our competitors decide to further

reduce the prices we may be subject to lower sales and even higher churn rates which may have a material adverse effect on our results of operations. Furthermore, if we decide to offer aggressively priced packages as a result of the high competition in the pay television market, we may have to reduce costs in other areas of our business. With respect to broadband Internet access, fixed-line telephony and B2B services, our most important competitor is the incumbent Portugal Telecom, which historically had a monopoly in fixed-line telephony and broadband Internet access. Triple-play is increasingly becoming the norm in Portugal where we compete primarily with ZON and Portugal Telecom. Competition is intensified by mobile operators Sonaecom and Vodafone with large mobile operations but a limited (although growing) fixed line network. In December 2012, Sonaecom and ZON announced their intentions to combine some of their operations, allowing ZON to offer quadruple-play bundles combining cable based triple-play and mobile. Certain of our competitors have begun offering quadruple play bundles, which may increase competitive pressures, although the impact such market trends may have on our business in the future cannot be predicted.

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

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

In the mobile market, we compete against large telecommunications conglomerates such as Orange, SRR (the local affiliate of SFR in the Indian Ocean), area and Digicel (only located in the Caribbean). We expect to face additional pricing pressure in future periods as competitors respond to our attractively priced offers.

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

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

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

### ***Dominican Republic***

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

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

Key competitors of Tricom's pay television business are Claro (38% market share), cable operator Aster (12% market share) and Wind Telecom (10% market share). While the market remains relatively fragmented, significant consolidation

opportunities exist, in particular between some of the smaller cable operators and we therefore expect increased competition going forward.

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

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

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

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

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

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

A significant portion of our operations, our networks and some of our suppliers are located in Israel and are affected by political and military conditions. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its 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 Defence Forces Law, 1987, the Israel Defence Forces may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances and have a negative impact on our revenue and results of operations.

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

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

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

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

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

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

Upon the consummation of the ODO Acquisition and/or Tricom Acquisition, we will have operations in the Dominican Republic. We have no prior history of operating in the Dominican Republic. The Dominican Republic is an emerging market economy and as such is more vulnerable to market volatility, as well as political and economic instability, than developed markets. These risks include, but are not limited to:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- changes in governmental economic, tax or other policies;
- the potential re-introduction of exchange controls;

- scarcity of available foreign exchange
- significant oil price increases
- economic and political instability; and
- expropriation and political violence or disturbance.

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

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

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

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

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

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

The pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. In Israel, we recently completed an upgrade to our cable network that made our entire network Docsis 3.0- enabled, which enables us to expand the transfer volume on the network to improve the provision of services that require substantial bandwidth like VoD and increase the number of channels that we can offer our subscribers. We are also in the process of selectively rolling out "FTTx" improvements to our last mile fixed-line network and may need to make similar capital expenditures in the future to keep up with technological advancements. In addition, we are continuing to invest in the expansion of our UMTS mobile network to provide 3G mobile services, which we launched on May 15, 2012 and which offers subscribers faster network capabilities and better roaming coverage as compared to our iDEN platform and the ability to use 3G phones. It is expected that the relevant authorities in Israel will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the short to medium term. In case of a successful award, we will need to upgrade our mobile network and roll out an LTE network, which could involve a significant amount of capital expenditure or investment in the newly formed limited partnership to be set up pursuant to the Network Sharing Agreement between HOT Mobile and Partner. We have, in recent years, also made significant investments in cable and mobile networks in Belgium and Luxembourg, the French Overseas Territories and Portugal. No assurance can be given that our recent or future capital expenditures will generate a positive return or that we will have adequate capital available to finance future upgrades or acquire additional licenses. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned capital expenditures, our growth and our competitive position may be materially adversely affected.

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

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

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

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

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

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

We believe that one of our core competitive advantages in the majority of our geographies is the strength and speed of our fiber/cable networks. On a blended basis, 98% of the Group’s networks is Docsis 3.0-enabled as of September 30, 2013. The parts of our networks that have been upgraded to FTTH and use Docsis 3.0 technology allow for speed levels that cannot currently be matched by xDSL networks that have not been upgraded to fiber, which is the technology deployed by most of our competitors, and allows for the connection of several devices without impairing the quality of the television signal.

Our competitors may deploy fiber and/or VDSL2 networks allowing for download speeds and bandwidths which may rival those achieved by our network.

Bezeq, through its DSL network, is the leading broadband Internet infrastructure access provider in Israel with 1.2 million subscriptions as of June 30, 2013 including business and residential customers. Based on Bezeq’s public filings, Bezeq is currently rolling out a Fiber-to-the-Cabinet (“FTTC”) infrastructure. Bezeq has reported that, as of June 30, 2013, approximately 98% of its 1.2 million broadband customers have been migrated to its next generation network. On August 29, 2012, Bezeq announced its decision to broaden the deployment of optical fibers to reach as close as possible to its customers through FTTH or FTTB, in an effort to form the basis of the future supply of advanced communications services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had already deployed FTTH to 200,000 households and businesses in Israel and that it was planning to have covered 400,000 homes and businesses with fiber by the end of 2013.

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

fiber/VDSL2 deployment, such deployment could have a material adverse effect on our business, financial condition and results of operations.

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

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

Indotel launched a public auction in October 2011 to allocate the frequencies made available in the modified radio spectrum, including the 900MHz (downlink). ODO qualified as a bidder and prepared documentation to present its offer. However, Arcoiris de Television, Colorvision, Supercanal and Satel filed oppositions claiming that they owned the frequencies that were for sale. In response, Indotel postponed the public auction and has so far only ruled on Arcoiris Television's claim. Indotel has recently announced to resume it no later than December 2013. ODO's options to acquire the desired frequencies are to (i) wait for Indotel to resume the public auction or (ii) consider purchasing the frequencies directly from the alleged owners, subject to Indotel's grant of clearance.

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

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

ODO currently only offers limited 4G/LTE services in the Dominican Republic due to certain restrictions imposed on it by Indotel following a claim by Claro, the incumbent operator in the Dominican Republic, which alleged ODO's 4G/LTE services amounted to an improper use of spectrum, violated public auction terms and constituted anti-competitive practices. These restrictions limit ODO's right to offer 4G LTE services through a USB device for wireless Internet access in five original areas of sale in Santo Domingo. Following Indotel's subsequent declaration that ODO had not committed the violations alleged by Claro, it elected to allow ODO to re-launch its offer subject to the limitations mentioned above. ODO's further deployment of 4G/LTE remains conditional on its successful acquisition of additional frequencies that support 4G/LTE services. Indotel has announced its intention to resume the public auction of additional frequencies no later than December 2013. In addition, Tricom has sufficient bandwidth in the relevant spectrum band and currently offers 4G/LTE services nationwide. Following the consummation of the ODO Acquisition and the Tricom Acquisition, ODO expects to be able to leverage Tricom's spectrum entitlement to extend the reach of its 4G/LTE services. However, in the event the restrictions imposed by Indotel continue in place or ODO is unable to acquire additional frequencies for any reason (within the context of the public auction process or otherwise), its ability to provide 4G/LTE services will be significantly limited, which may have a material adverse effect on its results of operations.

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

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

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

Furthermore, we only own mobile networks in Israel and the French Overseas Territories and our mobile network sites comply with the International Council on Non-Ionizing Radiation Protection standard, a part of the World Health Organization.

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

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

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

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

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

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

In Israel, we rely on agreements to provide roaming capability to our subscribers in many areas inside and outside Israel, including with Pelephone for roaming services to our 3G mobile customers within areas in Israel not covered by our UMTS network while we build-out our UMTS network and with Vodafone for roaming services outside Israel. In November 2013 we entered into the Network Sharing Agreement with Partner Communications Company Ltd. (“Partner”) pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner’s mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. In addition, in the French Overseas Territories we rely on third party operators to provide international roaming services for our mobile subscribers. In Belgium, we do not own a mobile network and we rely on a mobile virtual network operator agreement with Mobistar to provide mobile services. We cannot control the quality of the service that any such operators provide and it may be inferior to the quality of service that we provide. Equally, our subscribers may not be able to use some of the advanced features that they enjoy when making calls on our mobile network. Some of our competitors may be able to obtain lower roaming or MVNO rates than we do because they may have larger call volumes. If our competitors’ providers can deliver a higher quality or a more cost effective service, then subscribers may migrate to those competitors and our results of operation could be adversely affected. Further, we may not be able to compel providers to participate in



our technology migration and enhancement strategies. As a result, our ability to implement technological innovations could be adversely affected if these providers are unable or unwilling to cooperate with the further development of our mobile networks or if they cease to provide services comparable to those we offer on our networks.

In Israel, our agreement with Pelephone is scheduled to expire in December 2014 and we intend to enter into negotiations with Pelephone to transition the roaming arrangements with Pelephone to Partner prior to such date. There can be no assurance that we will be able to achieve such transition in a timely or cost effective manner. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028, may be terminated in the event of a material breach and certain other specific events and is subject to certain regulatory approvals. There can be no assurance that we will receive such regulatory approval in a timely manner or at all. The RoU Agreement with Partner is valid until January 4, 2017. There can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner. In Israel, our agreement with Vodafone automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason. If we are unable to obtain the required regulatory approvals for the Network Sharing Agreement or otherwise implement the arrangements we have entered into with Partner in a timely or cost effective manner we may be unable to achieve some or all of the anticipated benefits of these arrangement and our business and results of operations may be negatively affected. If we are unable to renew or replace the services provided by Vodafone with respect to roaming services outside Israel or similar agreements with other mobile operators with respect to our businesses in other jurisdictions (including Mobistar in Belgium) on favorable terms, our business and results of operations may be negatively affected.

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

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

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

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

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

We are generally dependent on access to sites and land belonging to, and network infrastructure owned by, third parties, including for cable duct space and antennas used for our networks and facility space (colocation). In this respect, we have generally obtained leases, rights and licenses from network operators, including incumbent operators, governmental authorities and individuals. Our ability to offer our services to customers depends on the performance of these third parties of their obligations under such leases, licenses and rights. If we are not able to renew our current lease agreements for these sites and/or to enter into new lease agreements for suitable alternate sites, this could have a negative impact on the coverage of our network. In certain cases we are reliant on such third parties to provide installation and maintenance services, such as in Israel where we rely on our competitor and incumbent operator Bezeq to provide installation and

maintenance services on certain parts of our cable network. Following the implementation of the Network Sharing Agreement with Partner, we will rely on the newly formed limited partnership (in which HOT Mobile and Partner shall each hold an equal share), which will hold, develop and operate an advanced shared mobile network for both companies. With respect to our operations in Belgium and Luxembourg, our subsidiary Coditel Holding has also entered into an arrangement with Numericable France, valid for an initial term until 2017, pursuant to which it permitted to deliver television channels' signal and existing data flows over Numericable France's backbone.

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

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

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

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

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

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

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

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

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

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

We have important relationships with several suppliers of hardware, software and related services that we use to operate our pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, while we continue to promote a rapid take up of our premium triple-play services, which combines premium television services including, VOD functionality, HD technology and recording capabilities, very high-speed Internet and fixed-line telephony, using a single set-top box in several of our geographies including Portugal, Belgium and Luxembourg (and which we plan to roll out in Israel in 2014), we face potential risks in securing the required customer set-top box equipment to maintain this roll out as we currently rely on a single provider to provide us with such equipment. Currently, we have a sufficient supply of these boxes available, but a future shortage may involve significant delays in seeking an alternative supply, may constrain our ability to meet customer demand and may result in increased customer churn. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry-wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfill the accounts of other customers first. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors, as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

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

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

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

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

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

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

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

As the number of our customers and the services that we offer our customers increases, the complexity of our product offerings and network architecture also increases, as does network congestion. A failure to manage the growth and complexity of our networks could lead to a degradation of service and network disruptions that could harm our reputation and result in a loss of subscribers. In Israel, any delays or technical difficulties in establishing our UMTS network may affect our results of operations.

Further, although many of our products and services are built on standardized platforms, they have been adapted or tailored to our networks and the offerings we have designed, as a result of which we face the risk of any newly implemented technology that there may be unexpected operational issues that arise. If we were to experience a breakdown of equipment or technology that we cannot timely repair, we might lose subscribers.

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

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

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

Many of our products and services, including LaBox which we have rolled out in Belgium, Luxembourg and Portugal and plan to roll out in Israel in early 2014, are manufactured and maintained through complex and precise technological processes. These complex products may contain defects or experience failures when first introduced or when new versions or enhancements to existing products are released. We cannot guarantee that, despite testing procedures, errors will not be found in new products, including LaBox, after launch. Such errors could result in a loss of, or a delay in market acceptance of our products, increased costs associated with customer support, delay in revenue recognition or loss of revenues, writing down the inventory of defective products, replacement costs, or damage to our reputation with our customers and in the industry. Any such error could also require a software solution that would cure the defect but impede performance of the product. In addition, any loss of confidence by customers in us may cause sales of our other products to drop significantly. Furthermore, we may have difficulty identifying customers whose products are defective. As a result, we could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect our results of operations.

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

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

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

Historically, our business has grown, in part, through a significant number of selective acquisitions, that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired the HOT telecommunications group in Israel and Cabovisão and ONI in Portugal as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg and Outremer in the French Overseas Territories. In addition, on October 31, 2013, we entered into agreements to acquire Tricom S.A. and Global Interlinks Ltd. and on November 26, 2013, we entered into an agreement to acquire ODO. See "*The Transactions*". Tricom and ODO are telecommunications services providers in the Dominican Republic and both the Tricom Acquisition and ODO Acquisition are subject to certain conditions including the approval of governmental authorities. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A and Wirefree Services Denmark A/S. We expect to continue growing our business through acquisitions of cable and telecommunications businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and not realize all the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition or results of operations. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. If we use available cash on hand to finance acquisitions pursuant to our acquisition strategy, our ability to make dividend payments may be limited or we may not be able to make such dividend payments at all. We cannot assure you that we will be successful in completing business acquisitions or integrating previously acquired companies.

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

may impose fines and, if in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations.

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

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

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

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

***Pressure on customer service could adversely affect our business.***

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

In the B2B market, 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 this segment, 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. Improvements to customer service functions may be necessary to achieve desired growth levels, and, if we fail to manage such improvements effectively and achieve such growth, we may in the future experience customer service problems and damage our reputation, contribute to increased churn and/or limit or slow our future growth.

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

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

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

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

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

The brands under which we sell our products and services, including HOT, Numericable, Cabovisão, ONI and Only are well-recognized brands in Israel, Belgium and Luxembourg, Portugal and the French Overseas Territories, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Upon completion of the Tricom Acquisition and ODO Acquisition, brands including Tricom and Orange Dominicana will be added to our portfolio.

Our brands represent a material and valuable asset to us. Although we try to manage our brands, we cannot guarantee that our brands will not be damaged by circumstances that are outside our control or by third parties such as hackers, 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 we source from a third-party supplier.

In addition, we market our products and services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand pursuant to trademark licensing agreements between our subsidiaries and Numericable France. These agreements contain usual termination clauses for breach of contract or insolvency, but also a termination right for Numericable France in case of a change of control of our subsidiaries. There is no assurance that the agreements will be renewed at the end of their terms, or that they could not be terminated earlier by Numericable France. In such a case we would probably not be able to find similar advantageous arrangements with other parties. If we were to lose the benefits that these agreements provide, it may have a material adverse effect on our business and results of operations.

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

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

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

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

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

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

Even though we require our conditional access system providers to provide state-of-the-art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our set top boxes require smart cards before subscribers can receive programming and our smart cards have

been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to reduce the effect of piracy, we cannot assure you that we will be able to successfully eliminate the piracy we currently face. In addition, we cannot assure you that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased basic cable subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

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

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

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

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil proceedings related to our cable and mobile services, which may result in civil liabilities against us or our officers and directors. These include, amongst other, consumer claims regarding, for example, our tariff plans and billing methods and claims by competitors, which may result in significant monetary damages and civil penalties. The costs that may result from these lawsuits are only accrued when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded in our historical consolidated financial statements as of December 31, 2012 in respect of each lawsuit, which in the aggregate amounted to €15.8 million, is based on a case-by-case assessment of the risk level of each individual lawsuit, and events arising during the course of legal proceedings may require a reassessment of this risk. Our assessment of risk is based both on the advice of legal counsel and on our estimate of the probable settlement amounts that are expected to be incurred, if such a settlement will be agreed by both parties.

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

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

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



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

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

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

***Our Historical Consolidated Financial Information, Pro Forma Financial Information and Illustrative Aggregated Selected Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance.***

Altice VII 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 Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum for any period for which our historical consolidated financial information has been presented herein. As a result, the Historical Consolidated Financial Information included in this Offering Memorandum may not accurately represent the results of operations and financial condition of the entire business undertaking of the Group as it exists as of the date of this Offering Memorandum and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Accordingly, the Historical Consolidated Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

In order to aid the comparability of the financial condition and results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum, we have presented the Illustrative Aggregated Selected Financial Information, which represents the arithmetical sum, of selected financial information extracted from (i) the audited historical consolidated financial statements of Altice VII and (ii) the audited historical financial information of each of the business undertakings the acquisitions of which have been consummated by Altice VII prior to date of the Offering Memorandum (to the extent the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of the Group for the relevant period). The Illustrative Aggregated Selected Financial Information is subject to significant limitations. The Illustrative Aggregated Selected Financial Information does not contain any adjustments to the resulting aggregation other than adjustments to align the accounting framework of the acquired business undertaking in instances where the audited historical financial information of such acquired business undertaking included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union, or where such acquired business undertaking was utilising accounting policy elections that differ substantially to those adopted by Altice VII for the purposes of its Historical Consolidated Financial Information. Therefore, among other things, the Illustrative Aggregated Selected Financial Information does not reflect several effects of the relevant acquisitions prior to the dates on which the financial information of the relevant acquired business undertakings were consolidated with the financial information of Altice VII. The Illustrative Aggregated Selected Financial Information neither represents financial information prepared in accordance with IFRS nor pro forma financial information. The Illustrative Aggregated Selected Financial Information is provided with respect to certain limited items of Altice VII'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. The Illustrative Aggregated Selected Financial Information has not been audited in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information does not purport to present the operations of the Group as they actually would have been had the relevant acquisitions occurred with effect from any relevant dates indicated or to project the operating results or financial condition of the Group for any future period. The Illustrative

Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by the Group for any other periods for which Historical Financial Information or Pro Forma Financial Information has been included in this Offering Memorandum.

We have also included the Pre-Transaction Pro Forma Financial Information which gives effect to each of the significant acquisitions prior to the date of the Offering Memorandum (without giving effect to the ODO Acquisition or the Tricom Acquisition) and the Post-Transaction Pro Forma Financial Information in this Offering Memorandum, which also gives pro forma effect to the ODO Acquisition. The Pro Forma Financial Information does not give pro forma effect to the Tricom Acquisition and therefore does not include any financial information of Tricom. The Pro Forma Financial Information has not been audited in accordance with any generally accepted auditing standards. The Pro Forma Financial Information is based on certain assumptions that we believe are reasonable. Our assumptions may prove to be inaccurate over time. Accordingly, the Pro Forma Financial Information may not reflect what our results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future. The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations and financial condition of the acquired businesses and in the case of the Post-Transaction Pro Forma Financial Information, the results of ODO also) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Consolidated Financial Information and the Pro Forma Financial Information are reflected in the line item profit or loss attributable to non-controlling interests in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the non-controlling owners' interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests may be very significant and in the year ended December 31, 2012 and the nine months ended September 30, 2013 amounted to negative €1.0 million and €1.3 million respectively based on the Pre-Transaction Pro Forma Financial Information. The Illustrative Aggregated Selected Financial Information is also subject to the limitations generally attributable to non-IFRS measures. For further details, please see "*Presentation of Financial and Other Information*".

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

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

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

We conduct our business in multiple jurisdictions, including in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal and Switzerland. We have also entered into definitive agreements relating to the Tricom Acquisition and the ODO Acquisition pursuant to which we expect to extend our business operations to the Dominican Republic, subject to certain closing conditions including obtaining regulatory approval. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. In addition, we may expand into additional markets in the future by entering into acquisitions or other strategic transactions. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets. These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability;
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment;

- varying tax regimes;
- fluctuations in currency exchange rates;
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;
- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force; and
- challenges caused by distance, language and cultural differences.

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

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

Certain of our operations including our operations in Israel, Belgium and Luxembourg and the French Overseas Territories are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. In addition, following the Tricom Acquisition and the ODO Acquisition, we expect that third parties will hold minority equity interests in Tricom and ODO. Our equity interests in these subsidiaries are subject to shareholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. Most of these agreements subject the transfer of such equity interests to consent rights, pre-emptive rights or rights of first refusal of the other shareholders or partners. 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 minority 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. For further details, see “*Description of Our Business—Material Contracts*.”

#### **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. We cannot assure you that the provision of our services will not be subject to greater regulation in the future.

In addition to regulation specific to the telecommunications industry, we are from time to time subject to review by competition authorities concerning whether we exhibit significant market power. Regulatory authorities may also require

us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute their own services or resell our services to end customers.

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

### ***Israel***

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

- price regulation for certain services that we provide, specifically analog television;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- regulations requiring us to maintain structural separation between our cable television, broadband Internet infrastructure access and fixed-line telephony, ISP and mobile subsidiaries;
- regulations governing the prohibition of exit-fees or cancellation charges;
- regulations requiring us to grant third party ISPs access to our cable network;
- regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions;
- regulations governing roaming charges and other billing and customer service matters;
- requirements that, under specified circumstances, a cable system carry certain television stations or obtain consent to carry certain television stations according to telecommunication laws;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- requirements that we extend our cable television, broadband Internet infrastructure access and fixed-line telephony services to areas of Israel even where it is not economically profitable to do so;
- rules and regulations relating to subscriber privacy;
- laws requiring levels of responsiveness to customer service calls;
- anti-trust law and regulations and specific terms within the anti-trust authority’s approval for the Israeli cable consolidation;
- requirements that we provide or contribute to the provision of certain universal services; and
- other requirements covering a variety of operational areas such as land use, health and safety and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards and subscriber service requirements.

The Israeli Ministry of Communications has recently taken active steps to increase competition in the fixed-line and mobile telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and prohibiting the linkage of the price and terms of handsets to the services or benefits of the mobile contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations. For further information see “*Regulatory—Israel—Copyright/Trademark Law—Structural Separation*”.

## *European Union*

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

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

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

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

For an overview of such regulation, please see “*Regulatory—Belgium*” and “*Regulatory—Luxembourg*”.

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

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

- rules regarding authorizations, information duties and specific rights of use for number assignments;
- price regulation with respect to fixed call termination charges;
- number portability obligations;
- rules regarding the interconnection of our network with those of other network operators (capacity interconnection);

- requirements that a network operator carry certain channels (the must carry obligation);
- rules and regulations relating to subscriber privacy;
- regulations governing the limitation of exit-fees or cancellation charges;
- obligation to contribute to the universal service fund; and
- sector specific charges (e.g. annual charge and investment obligations created by Law 55/2012 of Portugal).

For further information see “*Regulatory—Portugal*”.

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

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

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

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

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

*Dominican Republic.* Following the Tricom Acquisition and the ODO Acquisition, we will also be subject to significant regulations in the Dominican Republic. For further details, see “*Regulatory*”.

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

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

For example, in Israel, we conduct our operations pursuant to licenses granted to us by the Israeli Ministry of Communications and by the Council for Cable and Satellite Broadcasting for specified periods, which may be extended for additional periods upon our request to the Israeli Ministry of Communications and confirmation that we have met certain performance requirements. Our broadcast license is valid until 2017, our domestic operator license for fixed-line telephony and broadband Internet infrastructure access is valid until 2023, our UMTS-based mobile license is valid until 2031 and our general international telecommunications service provider license is valid until 2032. There is no certainty, however, that the licenses will be renewed or extended in the future or that they will not be cancelled or changed by the

Israeli Ministry of Communications. Any cancellation or change in the terms of our licenses may materially affect our business and results of operations. Furthermore, although we believe that we are currently in compliance with all material requirements of our licenses, the interpretation and application of the technical standards used to measure these requirements, including the requirements regarding population coverage and minimum quality standards and other license provisions, disagreements have arisen and may arise in the future between the Israeli Ministry of Communications and us. We have provided significant bank guarantees to the Israeli Ministry of Communications to guarantee our performance under our licenses. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked. In addition, the Israeli Ministry of Communications is authorized to levy significant fines on us for breaches of our licenses.

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

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

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

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

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

We are subject to planning laws when we upgrade or expand our networks. In particular, our current installation of the UMTS network in Israel is subject to compliance with the National Zoning Plan 36 (TAMA 36) and the directives issued thereunder, which are aimed at reducing the danger of radiation and the damage to the environment. The cost of complying with TAMA 36 can be substantial and there is currently a regulatory process underway to amend TAMA 36 which would place substantial limitations and further increase the cost of erecting our UMTS network. See "*Regulatory—Israel—Mobile—Construction of Network Sites—National Zoning Plan 36*".

In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and not subsidized by such municipal government, and may require us to incur significant costs in the future.

***We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our mobile network sites in Israel, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our mobile***

***network. Operating mobile network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.***

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

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

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

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

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

In September 2010, adopting the position of the Israeli Attorney General, the Israeli Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until September 30, 2013, provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot. On August 28, 2013 we submitted a formal request with the Israeli Supreme Court, requesting a renewal of the exemption. On September 30, we received a response from the Supreme Court stating that they had requested a formal reply from the state on this subject matter. Until a final decision has been passed by the Supreme Court, HOT Mobile will be allowed to continue the deployment of its UMTS network. If this exemption is not extended, we will have to seek permits, which could result in substantial delays and costs and as a result, we may be unable to meet our license requirements.

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



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

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

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

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

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

As of September 15, 2013, we had approximately 335 indemnification letters outstanding to local planning and building committees although no claims have been filed against us under such letters. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

#### **Risks Relating to Our Employees, Management, Principal Shareholders and Related Parties**

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

We depend on the continued contributions of our senior management and other key personnel and in particular, Patrick Drahi, who is our Principal Shareholder. We cannot assure you that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of our key executives and employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organized unions and works councils, and we cannot assure you that more employees will not form or join unions in the future. An increase in the number of our unionized 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 Next L.P., our parent company, may conflict with our interests or your interests as holders of the New Notes.***

Next L.P. owns 100% of the voting interests in Altice VII. When business opportunities, or risks and risk allocation arise, the interests of Next L.P. (or its affiliates) may be different from, or in conflict with, our interests on a stand alone basis. Because we are controlled by Next L.P., Next L.P. may allocate certain or all of its risks to us and we cannot assure you that Next L.P. will permit us to pursue certain business opportunities. In particular, Next L.P. owns or controls and has an interest in other cable and telecommunication businesses, including 30% of the shares in Numericable (including certain call options) and, pursuant to certain shareholders arrangements relating to Numericable, will have the ability to appoint a majority of the members of the board of directors of Numericable, subject to regulatory approval.

In addition, the interests of Next L.P. may conflict with your interests as holders of the New Notes. Next L.P. will be able to appoint a majority of Altice VII's and each other group entity's board of directors and to determine our corporate strategy, management and policies. In addition, Next L.P. 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 New 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 the Senior Notes, the Senior Secured Debt, our other debt instruments and Intercreditor Agreement 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 New Notes.

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

***The Issuers are special purpose vehicle companies with limited assets other than their respective interests in the Existing Senior Notes Proceeds Loans, New Senior Notes Proceeds Loan, AH Proceeds Loan, New AH Proceeds Loan, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Note and escrowed funds and are dependent upon cash from Altice VII and its subsidiaries to meet its obligations.***

Each Issuer is a special purpose vehicle company with no business or revenue generating operations other than the issuance of the relevant Existing Notes and New Notes. The only significant assets of each Issuer as of the Issue Date consisted of cash in its bank accounts and its interest in the respective Escrow Agreements and Escrow Accounts and, in the case of the Senior Notes Issuer, the Existing Senior Notes Proceeds Loans and the shares it holds in the Senior Secured Notes Issuer and, in the case of the Senior Secured Notes Issuer, the AH Proceeds Loan, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Note. Following any release of funds from the Escrow Accounts, the assets of the Senior Notes Issuer also will consist of its interest in the New Senior Notes Proceeds Loan and the assets of the Senior Secured Notes Issuer also will consist of its interest in the New AH Proceeds Loan. As such, the Senior Secured Notes Issuer will be wholly dependent upon payments under the New AH Proceeds Loan, the other proceeds loans referred to above and other payment from members of the Group in order to service its debt obligations under the New Senior Secured Notes and the New Senior Notes Proceeds Loans, and the Senior Notes Issuer will be wholly dependent upon payments from the Senior Secured Notes Issuer under the New Senior Notes Proceeds Loan and other payments from the Group to service its debt obligations under the New Senior Notes to the extent it does not have cash to meet those obligations. Furthermore, the New Indentures and the Existing Indentures prohibit the Issuers from engaging in any activities other than certain limited activities. See “*Description of Senior Secured Notes—Certain Covenants—Limitation on Issuer Activities*”, “*Description of Senior Notes—Certain Covenants—Limitation on Issuer and Senior Secured Notes 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*” and “*Description of Other Indebtedness—The 2013 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 this Offering Memorandum. Furthermore, the payment of dividends and the making, or repayment, of loans and advances to the Issuers by Altice VII’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 Issuers or its parent entities. In addition, the ability of any of Altice VII’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 New Indentures, the Existing Indentures, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facility Agreements, the Existing Coditel Mezzanine Facility Agreement and the trust deeds governing the Existing HOT Unsecured Notes limit, or will limit, the ability of Altice VII’s subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuers, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with Altice VII’s subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of Altice VII’s subsidiaries will provide the Senior Secured Notes Issuer or Altice Holding, Cool Holding, SPV1 and HOT with sufficient dividends, distributions or loans to fund payments on the New Senior Notes Proceeds Loan and AH Proceeds Loan, respectively, when due. See “*Description of Other Indebtedness*”, “*Description of Senior Secured Notes*” and “*Description of Senior Notes*”.

***Altice VII 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 VII, Cool Holding, SPV1, 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 Note Guarantees and*

*security interests under the Collateral by Cool Holding, SPV1 and HOT may be considered a “distribution” under Israeli law”.*

Each of Cool Holding and SPV1 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 SPV1 and in turn impact the ability of the Issuers to make payments of principal and interest on the New 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. As of September 30, 2013, HOT had limited 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 VII’s, Cool Holding’s, SPV1’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 VII, Cool Holding, SPV1, 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 Issuers under the New Notes, when due.

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

The New 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 New 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*”.

***Your right to receive payments under the New Senior Secured Notes or the New Senior Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of Altice VII’s subsidiaries that do not guarantee the New Senior Secured Notes or the New Senior Notes upon the release of the proceeds thereof from the relevant escrow accounts.***

As of the Issue Date, none of our subsidiaries guaranteed the New Notes, and on the first release of the proceeds of the offering of the New Senior Secured Notes and the New Senior Notes (as applicable) from the applicable escrow accounts, not all of our subsidiaries will guarantee the New 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 New 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 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 New 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 New Senior Secured Notes will have the indirect benefit of the security granted by under the HOT Refinancing Note, the HOT Refinancing Note Guarantees and the Coditel Senior Facility which will be pledged by the Senior Secured Notes Issuer for the benefit of holders of the New Senior Secured Notes. The obligations under the HOT Refinancing Note and the HOT Refinancing Note Guarantees will rank senior in right of payment to all other obligations of HOT and the HOT Refinancing Note Guarantors up to the lesser of the value of the assets securing the HOT Refinancing Note and the amount of obligations outstanding thereunder. To the extent the amounts outstanding under the HOT Refinancing Note 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 Note 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 Note, the New Senior Secured Notes and the Senior Secured Note 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 New Senior Notes and the Senior Notes Guarantees will be structurally subordinated to the subsidiaries of Cool Holding that do not guarantee the New Senior Notes, including HOT and its subsidiaries. The New Senior Notes will not benefit from any security interest over the HOT Refinancing Note. In addition, the obligations under the Coditel Senior Facility 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 Facility and the amount of obligations outstanding thereunder. To the extent the amounts outstanding under the Coditel Senior Facility 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 Facility, the New Senior Secured Notes

and the Senior Secured Note Guarantees will be structurally subordinated to the obligations of the obligors under the Coditel Senior Facility, including with respect to claims of any trade creditors. In addition, the New Senior Secured Notes will be structurally subordinated to the Existing Coditel Mezzanine Facility to the extent the assets of Coditel Luxembourg and its subsidiaries exceed the amount outstanding under the Coditel Senior Facility. The New Senior Notes will not benefit from any security interest over the Coditel Senior Facility.

HOT Mobile and its subsidiary will not be guarantors of the HOT Refinancing Note or the New Notes and, as a result, the New Notes will be 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 Note or the New Notes.

In the event of an insolvency, liquidation or other reorganization of any of Altice VII's subsidiaries that are not Guarantors of the New Notes, holders of their debt (including the Senior Secured Notes 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 VII or the other Guarantors.

***The Senior Note Guarantees will be subordinated to certain of our existing and future senior debt.***

Each of the Senior Note Guarantees will be a senior subordinated obligation of the relevant Senior Notes Guarantor. In addition, no enforcement action with respect to the Senior Note Guarantees (or any future guarantee of the New Senior Notes) may be taken unless (subject to certain limited exceptions): (i) there is an acceleration of the 2012 Revolving Credit Facility, the Existing Senior Secured Notes, the New Senior Secured Notes, the 2013 Term Loan, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility or any of our other senior secured debt; (ii) there is a default outstanding under the New Senior Notes for a period of 179 days and the agent under the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility and the 2013 Term Loan, the Trustee of the Existing Senior Secured Notes, the Trustee of the New Senior Secured Notes or the creditor representative for holders of other senior secured debt has received written notice of such default from the Trustee of the New Senior Notes; (iii) an enforcement action has been taken with respect to certain secured liabilities; provided that the New Senior Notes Trustee and holders of the New Senior Notes will be limited to taking the same action; or (iv) with respect to any enforcement action in relation to a particular Senior Notes Guarantor, an insolvency event has occurred with respect to such Senior Notes Guarantor. Please see "*Description of Other Indebtedness—The Intercreditor Agreement*".

Upon any distribution to the creditors of a Senior Notes Guarantor in liquidation, administration, bankruptcy moratorium of payments, dissolution or other winding up of such Senior Notes Guarantor, the holders of senior debt of such Senior Notes Guarantor that are party to the Intercreditor Agreement will be entitled to be paid in full before any payment may be made with respect to the relevant Senior Note Guarantee. As a result, holders of Senior Notes may receive less, ratably, than the holders of such senior debt of the Senior Notes Guarantors, including the lenders under the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the 2013 Term Loan, certain hedging counterparties and holders of the Existing Senior Secured Notes and the New Senior Secured Notes.

***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.***

In the event of foreclosure on the Collateral, the proceeds from the sale of the Collateral that secures the New Senior Secured Notes and/or the New Senior Notes may not be sufficient to satisfy our obligations under the New Senior Secured Notes or the New Senior Notes, as applicable. 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. In addition, the Senior Notes Collateral may be illiquid and may have no readily ascertainable market value. Although the New Senior Secured Notes will indirectly benefit from collateral securing certain intercompany debt (including collateral security the HOT Refinancing Note and the Coditel Senior Facility) through the assignment of such intercompany debt, the New Senior Secured Notes will 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 New Senior Secured Notes*" and *guarantees thereof, will not directly secure the New Senior Secured Notes*. In addition, the New Senior Notes will be secured by the Senior Notes Collateral, which does not include the shares of any of Altice VII's subsidiaries, other than the Senior Notes Issuer, Cool and Altice Holdings, or any Pledged Proceeds Note.

Certain Collateral and Guarantees will be limited to an agreed maximum amount. The maximum liability of ODO and Tricom under the Senior Secured Guarantees and the Senior Notes Guarantees collectively will be limited to \$856 million and \$260 million, respectively. In addition, the maximum aggregate amount of obligations (i) guaranteed by Altice Portugal and Cabovisão under the Portuguese Guarantees and (ii) secured by the Cabovisão Security, which applies to all indebtedness guaranteed and/or secured on an aggregate basis, is €95 million. As a result, these entities will not have a direct obligation to the holders of the New 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 New 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 New 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 New 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 New Notes. If the proceeds of Collateral were not sufficient to repay amounts outstanding under the New Notes, then holders of the New 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 New Notes.”*

The New Indentures permit the granting of certain liens other than those in favor of the holders of the New Notes on the relevant Collateral securing the New 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 New Indentures 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 New Notes, to the extent such New Notes are secured by such Collateral. Moreover, if the Issuers issue additional Notes under the New Indentures 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 will provide 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 New 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 will secure our obligations under the New Notes (other than the Portuguese Law Collateral deemed to have been granted directly in favor of the secured creditors) and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the New Notes but will be granted only in favor of the Security Agent. 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 Note, the HOT Refinancing Note Guarantees and the Coditel Senior Facility) will not be granted directly to the Senior Secured Notes Issuer but 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 New Senior Secured Notes and guarantees thereof, will not directly secure the New Senior Secured Notes.”* The New Indentures provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the New Notes will not have direct security interests (other than the Portuguese Law Collateral deemed to have been granted directly in favor of the secured creditors) and will not be entitled to take enforcement action in respect of the Collateral securing such series of New Notes, except through the Trustee, who will (subject to the provisions of the New Indentures and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral securing such series of New 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, 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 will be governed by the laws of a number of jurisdictions. Bankruptcy laws could prevent the Security Agent on behalf of the holders of the New 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 New Notes or under the Guarantees or security across may prove difficult or provide less protection than U.S. bankruptcy law.*”

***The holders of the New Senior Secured Notes’ ability to recover under the Senior Secured Collateral and the Senior Secured Notes Guarantees may be limited. Before any amounts are available to repay the New Senior Secured Notes, lenders under our 2012 Revolving Credit Facility and our 2013 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 Senior Secured Collateral.***

The obligations under the New Senior Secured Notes and the Senior Secured Notes Guarantees are secured by security interests over the Senior Secured 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 and such hedging arrangements will have priority over the holders of the New Senior Secured Notes with respect to the proceeds from the enforcement of the Senior Secured Collateral. As a result, the claims of the holders of the New Senior Secured Notes will be effectively 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 Senior Secured Collateral to the extent of the value of such assets. In addition, the creditors under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility and such hedging arrangements will have priority over any amounts received from the sale of any assets of the Senior Secured Notes Issuer or a Senior Secured Guarantor pursuant to an insolvency event or certain other distressed disposals of the Senior Secured Collateral pursuant to the provisions on the Intercreditor Agreement. As such, you may not be able to recover on the Senior Secured Collateral if the claims of the lenders under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility and such hedging obligations are greater than the proceeds realized from any enforcement of the security interests over the Senior Secured Collateral.

In addition, the Senior Secured Collateral may also secure certain future indebtedness, including certain hedging obligations, that are permitted to be incurred under the New Senior Secured Notes 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 Senior Secured Collateral. Any proceeds from an enforcement sale of the Senior Secured Collateral by any creditor will, after all obligations under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility and such priority hedging obligations have been paid from such recoveries, be applied pro rata in repayment of the New Senior Secured Notes and other senior indebtedness secured on such Senior Secured Collateral, including the Existing Senior Secured Notes. Our ability to incur additional debt in the future secured on the Senior Secured Collateral may have the effect of diluting the ratio of the value of such Senior Secured Collateral to the aggregate amount of the obligations secured by the Senior Secured Collateral. In addition, claims of any secured creditors which are secured by assets that do not also secure the New Senior Secured Notes will have priority with respect to such assets over the claims of holders of the New Senior Secured Notes. As such, the claims of the holders of the New Senior Secured Notes will be 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 Senior Secured 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 New Senior Secured Notes and the holders of the New Senior Secured Notes will have no claims in relation to such entity and its direct and indirect subsidiaries under the New Senior Secured Notes or any Senior Secured Notes Guarantee. See “*Description of Other Indebtedness—The Intercreditor Agreement*” for further information.

***The claims of the holders of the New Senior Notes will be effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets constituting Senior Secured Collateral.***

The New Senior Notes and the Senior Note Guarantees will be secured by the Senior Notes Collateral, which will be substantially less than the Senior Secured Collateral. The Senior Secured Debt and the related guarantees will also be secured by senior pledges over all of the Senior Notes Collateral (other than the share pledge over the shares of the Senior Notes Issuer). The value of the Senior Secured Collateral and Senior Notes Collateral will not be available to pay

the obligations under the New Senior Notes until the obligations under the Senior Secured Debt and the related guarantees of the foregoing have been satisfied.

The New Senior Notes Indenture allows us and our subsidiaries to incur a limited amount of secured indebtedness which will be effectively senior to the New Senior Notes. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, holders of such secured indebtedness will have a priority claim to our assets that constitute their collateral. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the New Senior Notes. As a result, holders of New Senior Notes may receive less, ratably, than holders of other secured indebtedness.

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

On the first release of the proceeds of the offering of the New Senior Secured Notes and the New Senior Notes (as applicable) from the applicable escrow accounts, the holders of the New Notes will benefit from security interests in the Collateral that secures the applicable series of New Notes, which in the case of the New Senior Secured Notes, includes the Senior Secured Notes Issuer's rights under certain secured intercompany debt (including the HOT Refinancing Note, and the Coditel Senior Facility).

The Collateral will be subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the New Indentures and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the New Notes from time to time, whether on or after the date the New 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-priority 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 ODO will secure the New Senior Secured 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, even if Indotel approves the ODO Acquisition.

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, France, 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. 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 New 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 SPV1 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 ODO 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 New 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 Senior Notes—The Note Guarantees*” and “*Description of Senior Secured Notes—The Note Guarantees*”.

In addition, under various circumstances, the Issuers and the Guarantors will be entitled to release the security interests in respect of the Collateral securing the New Notes and the Guarantees.

In addition, we will be permitted to release and/or re-take any lien on any Collateral to the extent otherwise permitted by the terms of the New Indentures, 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 New Notes.

See “*Description of Senior Notes—Notes Security*” and “*Description of Senior Secured Notes—Notes Security*”.

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

The security documents governing the Collateral will 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 New Indentures 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 New Senior Secured Notes and guarantees thereof, will not directly secure the New Senior Secured Notes.***

The guarantees of, and the collateral security, certain intercompany debt (including the HOT Refinancing Note and the Coditel Senior Facility) that is pledged to secure our senior secured debt, including the New Senior Secured Notes and guarantees thereof, will not directly secure the New Senior Secured 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 Senior Secured Collateral securing the obligations of the Senior Secured Notes Issuer under the New Senior Secured Notes. Holders of the New Senior Notes will not benefit from any interest in such pledged intercompany debt. 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 New Senior Secured Notes, the New Senior Secured Notes Trustee and the holders of the New Senior Secured Notes may not have the right to enforce such security interests in the collateral securing such such intercompany indebtedness (including the HOT Refinancing Note Collateral and the collateral securing the Coditel Senior Facility) and will only have the right to enforce the first ranking pledge over such intercompany indebtedness. The holders of the New Senior Secured Notes must then rely on the ability of the Senior Secured Notes 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 New Senior Secured Notes or the New Senior 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 New Notes in an event of default under the New Indentures, 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 New Senior Secured Notes will indirectly benefit to the extent of the Senior Secured Notes 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 New Indentures and the New 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 New Senior Secured Notes Indenture does not result in a corresponding breach under certain of our secured intercompany indebtedness that is pledged to secure the New Senior Secured Notes. In such circumstances, the holders of the New Senior Secured 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 New Indentures. In such circumstances, the holders of the New Senior Secured 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 Note—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 Note Guarantees and security interests under the Collateral by Cool Holding, SPV1 and HOT may be considered a “distribution” under Israeli law.***

The granting of the Guarantees and the HOT Refinancing Note Guarantees and security interests under the Collateral to secure obligations under the New Notes, to the extent that no valuable consideration has been paid to the respective guarantor against the granting of the Guarantees, the HOT Refinancing Note 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, SPV1 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, SPV1 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 New Notes or under the Guarantees or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law.***

The New Notes were issued by the Issuers, each of which is incorporated under the laws of the Grand Duchy of Luxembourg. The New Notes will be guaranteed by the Guarantors, which are incorporated under the laws of Portugal, Luxembourg, Israel, Switzerland, the Bahamas, the Dominican Republic and the United Kingdom. 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 New 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 Issuers, 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 Issuers 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 New 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 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.***

Each Guarantee provides the holders of the New Notes with a direct claim against the relevant Guarantor. However, the New Indentures provide that each Guarantee will be 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 New 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 New Indentures. 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 New 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 Issuers 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 New Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the New 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 New 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 New Notes upon the occurrence of certain events constituting a change of control (as defined in the New Indentures) as required by the New Indentures.***

Upon the occurrence of certain events constituting a change of control, each Issuer is required to offer to repurchase all outstanding New Senior Secured Notes or New Senior Notes, as applicable, 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 were to occur, we cannot assure you that the Issuers would have sufficient funds available at such time to pay the purchase price of the outstanding New Notes or that the restrictions in our credit facilities or other then existing contractual obligations of us or the Issuers would allow the Issuers to make such required repurchases. The repurchase of the New Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The Issuers’ ability to pay cash to the holders of the New Notes following the occurrence of a change of control 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 occurs at a time when the Issuers are prohibited from repurchasing New Notes or we are prohibited from satisfying our obligations under the New AH Proceeds Loans or the Senior Secured Notes Issuer is prohibited from satisfying its obligations under the New Senior Notes Proceeds Loans, we may seek the consent of the lenders under such indebtedness to the purchase of New Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, the Issuers will remain prohibited from repurchasing any tendered New Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the New Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuers to offer to purchase New Senior Secured Notes or New Senior Notes, as applicable, would constitute a default under the applicable New Indenture, which could, in turn, constitute a default under other agreements governing our debt. See *“Description of Senior Secured Notes—Change of Control”* and *“Description of Senior Notes—Change of Control.”*

The change of control provisions contained in the New Indentures 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” as defined in the New Indentures. Except as described under *“Description of Senior Secured Notes—Change of Control”* and *“Description of Senior Notes—Change of Control”*, the New Indentures do not contain provisions that require us to offer to repurchase or redeem the New Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “change of control” contained in the New Indentures includes a disposition of all or substantially all of the assets of Altice VII 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 VII 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 Issuers are required to make an offer to repurchase the New Notes.

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

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

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

Future trading prices of the New 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 New Notes. The liquidity of a trading market for the New 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 New Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the New Notes, regardless of our prospects and financial performance. The Initial Purchasers of the New Notes have advised the Issuers that they currently intend to make a market in the New 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 New Notes. If no active trading market develops, you may not be able to resell your New Notes at a fair value, if at all.

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

Although the Issuers agree in the New Indentures to use commercially reasonable efforts to have the New Notes listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the respective issue date of the New Notes and to maintain such listing as long as the New Notes are outstanding, the Issuers cannot assure you that the New Notes will become or remain listed. If the Issuers are 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 Issuers prepare their financial statements shall be deemed unduly burdensome), the Issuers may cease to make or maintain such listing on the Luxembourg Stock Exchange, provided that they will use reasonable best efforts to obtain and maintain the listing of the New Notes on another stock exchange, although there can be no assurance that the Issuers will be able to do so. Although no assurance is made as to the liquidity of the New Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the New Indentures, failure to be approved for listing or the delisting of the New Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the New Indentures may have a material adverse effect on a holder's ability to resell New Notes in the secondary market.

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

The credit ratings assigned to the New Notes are an assessment by the relevant rating agencies of the relevant Issuer's ability to pay its debts when due, which is, in respect of payment obligations under the New Notes, dependent upon the ability of the obligors under the New AH Proceeds Loans and the New Senior Notes Proceeds Loan to make payments to pay their debts when due. Consequently, real or anticipated changes in our or the New Notes' credit ratings may generally affect the market value of the New Notes. Ratings may not reflect the potential impact of all risks relating to structure, market and additional factors discussed in this Offering Memorandum, and other factors not discussed herein may affect the value of the New 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 New 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 New Notes.

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

The New Indentures provide that, if at any time following the date of the New Indentures, the New 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 New Indentures will not apply to the New 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 VII." Notwithstanding the foregoing, if the rating assigned by any such rating agency to such New 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 New Notes. There can be no assurance that the New Notes will ever achieve an investment grade rating or that any such rating will be maintained.

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

Each 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 an Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The rights of holders of New Notes and the responsibilities of the Issuers to the holders of New Notes under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the New Notes are offered. Additionally, the insolvency laws of Luxembourg may not be as favorable to holders of New 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 Issuers 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 New Notes to receive payment on the New 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.

An Issuer's liabilities in respect of the New Notes, as applicable will, in the event of a liquidation of an 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 concerned 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 Issuers' 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 Issuers 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 New 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 New 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 New Notes would be made, whether or when the holders of New Notes, the Trustee or the Security Agent could exercise their respective rights under the New Indentures and the documents governing the Collateral or whether and to what extent holders of New 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 New 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, S. A. and Orange Dominicana, S. A. (“ODO”) 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 ODO.

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 the judicial decision is validated, the Court of First Instance will issue an exequatur declaring the judgment issued by the foreign court enforceable in the Dominican Republic, as provided under Article 2123 of the Dominican Republic Civil Code and Article 122 of the 834 Law, enacted on July 15, 1978, which substituted Article 546 of the Dominican Republic Civil Procedure Code. In principle, a judicial process seeking the validation of a foreign judgment should limit the Court of First Instance to an examination of procedural issues, such as jurisdiction, due service of process, adherence to public policy rules and enforcement matters. In practice, however, the Court of First Instance has substantial discretion and may revisit the merits of the case, if it deems it necessary. Such an examination would initiate an independent judicial process before the Dominican courts which 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 only through an annulment claim based on the grounds specifically provided in the law (which are the same grounds as those established in the New York Convention). An annulment claim will not be admitted if the parties have previously waived any right to appeal or to file any remedy against the arbitral award or any decision related to the same (such as an exequatur’s decision). There are recent 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 the Court of First Instance frequently validates 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. However, based on precedents set during the years 2011 and 2012, the present tendency of the Dominican courts is to recognize the agreement to arbitrate and to grant exequatur to foreign arbitral awards.

On the other hand, as a matter of public policy, the property of the Dominican Republic 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 Republic. 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 Telecommunication’s 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.

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

The New 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 New 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 New 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 New Notes for an indefinite period of time. The New Notes and the New Indentures will contain provisions that restrict the New 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 New Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the New Notes that it shall not transfer the New Notes, as applicable, in an aggregate principal amount of less than \$200,000, in the case of the dollar-denominated New Notes, or €100,000, in the case of the euro-denominated New Notes. Furthermore, the Issuers have not registered the New Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the New 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.***

Each of the Issuers is incorporated under the laws of Luxembourg and the Guarantors are organized under the laws of Portugal, Luxembourg, Israel, Switzerland and the United Kingdom. It is anticipated that some or all of the directors and executive officers of the Issuers 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 Issuers, 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 this Offering Memorandum 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 New Notes denominated in currencies other than your reference currency.***

The New Notes are denominated and payable in U.S. dollar and euro. If you are a sterling or other non-U.S. dollar or non-euro investor, an investment in the New Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar or euro relative to sterling or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar or euro against sterling or other relevant currencies could cause a decrease in the effective yield of the New Notes below their stated coupon rates and could result in a loss to you when the return on the New Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the New Notes by U.S. investors may also have important tax consequences as a result of foreign currency exchange gains or losses, if any. See *"Tax considerations—Certain U.S. federal income tax considerations"*.

***The New Notes will initially be 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 New Notes unless and until New 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 New Notes.

Payments of principal, interest and other amounts owing on or in respect of the New Notes in global form will be made to the 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 New 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 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 New Notes, including enforcement of security for the New Notes. Instead, if you own a book entry interest, you will be reliant on the common depository (as registered holder of New Notes, as applicable) to act on your instructions and/or 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*”.

### **Risks Relating to the Transactions**

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

The consummation of the Tricom Acquisition and the ODO Acquisition are subject to the conditions set out in the Tricom Purchase Agreements and the ODO Acquisition Agreement respectively, including regulatory approval from Indotel. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. Furthermore, in the case that the regulator requires any concessions from us to approve both the Tricom Acquisition and the ODO Acquisition the Tricom Purchase Agreements and the ODO Acquisition Agreement do not allow for a reduction in the purchase price. There can be no assurance that such approvals will be obtained in a timely manner if at all. In addition, the Tricom Acquisition and the ODO Acquisition are also subject to litigation risk that is customary for transactions of this type and may be challenged by shareholders or creditors, which may result in a delay or prevent us from closing or require us to pay significant amounts to claimants. See “*The Transactions*”.

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

Upon completion of the Tricom Acquisition and the ODO Acquisition, we expect to achieve certain synergies discussed elsewhere in this Offering Memorandum relating to the operations of Tricom and ODO as they will become part of the Group and become consolidated subsidiaries of Altice VII. We may not realize any or all of the anticipated synergies of the Tricom Acquisition and the ODO Acquisition that we currently anticipate, including if we are unable to consummate either the Tricom Acquisition or the ODO Acquisition or both. Among the synergies that we currently expect are cross-selling opportunities to existing customers of Tricom and ODO, network synergies and other operational synergies. See “*General Description of our Business and the Offering—Recent Developments—Potential Benefits from the acquisition of Tricom and ODO*”. We also expect to achieve certain synergies from the 2013 Transactions. Among the synergies that we currently expect are operational synergies in the French Overseas Territories and Portugal as a result of the Outremer Transaction and ONI Transaction, respectively, increased scale, access to global credit markets, more efficient employment of capital, harmonization of accounting policies and computation of key operating measures and harmonization of best practices across our footprint. Our estimated synergies from the ODO Acquisition, the Tricom Acquisition and the 2013 Transactions are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize over time may differ significantly from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of ODO and Tricom. We may not be successful in integrating some or all of these businesses as currently anticipated which may have a material adverse effect on our business and operations.

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

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

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

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

Further, ODO has entered into various agreements with a variety of service and outsourcing suppliers, which may terminate upon the ODO Acquisition as a result of a change in control in ODO’s corporate structure. These services include the supply of software licenses, call center support, data management and human resources consulting, among

others. Some of the supply agreements cannot be assigned to any third party outside of Orange S.A. affiliated companies. In addition, Orange S.A. has, on ODO's behalf, entered into agreements with various suppliers for the supply of handset devices. Following the ODO Acquisition, ODO will no longer benefit from such agreements. These handset supply agreements contemplate a three to six month grace period after a change of control during which we could enter into a new agreement with these suppliers; however there is no guarantee that such grace period would avoid disruptions to service or that we would be able to attain similar terms in any new agreements. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these will be successful.

Moreover, the Tricom Acquisition and the ODO Acquisition have required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business.

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

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

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

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

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

***If the conditions to the escrow releases are not satisfied, the Issuers will be required to redeem some or all of the New Notes, which means that you may not obtain the return you expect on the New Notes.***

The gross proceeds from the offering are being held in escrow pending the satisfaction of certain conditions, some of which are outside of our control. If any of these conditions is not satisfied, the escrow will not be released or only released in part. Accordingly, there can be no assurance that all or any part of the escrow will be released. Upon the satisfaction of the conditions to the release of the escrow proceeds as described in "Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption" and "Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption", the escrowed funds will be released on one or more occasions to the Issuers and utilized as described in "Use of Proceeds".

Pending satisfaction of the conditions to release of the escrow proceeds, the gross proceeds of the offering of the New Senior Secured Notes are being held in the Senior Secured Notes Escrow Accounts and the gross proceeds of the offering of the New Senior Notes are being held in the Senior Notes Escrow Account on behalf of the holders of the respective New Notes. If the conditions to the release of the escrow proceeds as described in "Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption" and/or "Description of Senior Notes—Escrow of Proceeds;

*Special Mandatory Redemption*” are not satisfied by August 31, 2014 or in the event of certain other events that trigger escrow termination occur, the applicable New Notes will be subject to a special mandatory redemption and you may not obtain the return you expect to receive on such New Notes. See “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*.”

The escrow funds will be limited to the gross proceeds of the offering of the New Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the initial issue price of each of the New Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption.

Your decision to invest in the New Notes is made at the time of purchase. Changes in our business or financial condition or the terms of the Tricom Acquisition or the ODO Acquisition or the financing thereof, between the closing of this offering and the release of the escrow proceeds, will have no effect on your rights as a purchaser of the New Notes.

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

We currently do not own Tricom or ODO. We will not acquire Tricom or ODO until completion of the Tricom Acquisition and the ODO Acquisition, respectively. Both the Tricom Acquisition and the ODO Acquisition are expected to be consummated in the first quarter of 2014, subject to regulatory approval. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. We cannot assure you that during the interim period the business of Tricom or ODO will be operated in the same way that we would operate them.

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

## THE TRANSACTIONS

### ODO Acquisition

On November 26, 2013, Altice Bahamas (a wholly-owned indirect subsidiary of Altice VII) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), entered into a share purchase agreement (the “ODO Acquisition Agreement”) pursuant to which Altice Bahamas has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the “ODO Sellers”), and the ODO Sellers have agreed to sell to Altice Bahamas, on completion of the ODO Acquisition, all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is \$1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel and the approval of the board of Orange S.A. and Wirefree Services Denmark A/S and is expected to occur in the first quarter of 2014.

The ODO Acquisition Agreement provides that Wirefree Services Denmark A/S and Altice Bahamas shall cooperate in order to obtain as soon as practicable the authorizations or clearances needed to fulfil the conditions to closing and to consummate the ODO Acquisition, provided however that each party may terminate the ODO Acquisition Agreement if such clearances or authorizations have not been obtained at the latest on May 31, 2014, which long stop date may be extended, provided that Altice Bahamas has confirmed to Wirefree Services Denmark A/S that it has obtained a corresponding extension of its financing commitments relating to the ODO Acquisition. The ODO Acquisition Agreement also provides that Altice VII guarantees the fulfillment by Altice Bahamas of its obligations under the ODO Acquisition Agreement.

Under the ODO Acquisition Agreement, Wirefree Services Denmark A/S has agreed to cause ODO to (i) operate its business in the ordinary course and materially consistent with past practice and take certain other actions. In addition, Wirefree Services Denmark A/S has undertaken covenants to place certain restrictions on ODO’s ability, until the earlier of the termination of the ODO Acquisition Agreement or the consummation of the ODO Acquisition to take certain extraordinary action. Failure by ODO to comply with these conditions would entitle Altice Bahamas to seek indemnification from Wirefree Services Denmark A/S under the terms of the ODO Acquisition Agreement.

Further agreements to be entered into between Altice Bahamas, ODO and the Orange group, as the case may be, include (i) a transitional services agreement which will, in particular, identify services to be provided to ODO following closing of the ODO Acquisition by the Orange group for up to twelve months following the completion of the ODO Acquisition (the “Transitional Agreement”), and (ii) a brand license agreement (the “Brand Licence Agreement”) providing for the right for ODO to continue to use the “Orange” brand for several years after the closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO.

While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in ODO. However, if the minority investors in ODO and Tricom, purchase equity interests in the common holding company of ODO and Tricom (expected to be Altice Bahamas), Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interests of each of ODO and Tricom. In the event that we will be required to fund the purchase of more than 75% of the equity interests in ODO and are unable to finance such purchase within the Restricted Group, an affiliate of Altice VII will fund the additional amount required in the form of an equity contribution to the Restricted Group and has obtained committed financing to fund such equity contribution. To the extent more equity than the percentages shown above are purchased by third party minority investors (up to 30% in ODO or the holding company) the decrease in Altice VII financing required for the acquisitions will be a maximum of up to approximately €40 million and accordingly such amount will be used for general corporate purposes within the Restricted Group. We expect to enter into a shareholders’ agreement with the minority investors in ODO on terms similar to the shareholders’ agreement entered into with the Tricom Seller in connection with the Tricom Acquisition.

### Tricom Acquisition

On October 31, 2013, Altice Caribbean (a wholly-owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the “Tricom Sellers”), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the “Tricom Purchase Agreements”) pursuant to which Altice Caribbean or one of its subsidiaries (the “Tricom Purchaser”) is expected to purchase all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, “Tricom”) from the Tricom Sellers (the “Tricom Acquisition”). The Tricom Sellers will reinvest an approximate amount of \$20 million taken from the proceeds of the Tricom Acquisition in the Tricom Purchaser (which is expected to merge with Tricom), through the subscription of subordinated preferred equity certificates. Upon completion of the Tricom Acquisition, the Tricom Sellers will enter into a shareholders’

agreement with the parent of the Tricom Purchaser providing, in particular, that the Tricom Sellers will have the right, under certain conditions, to convert all or part of their subordinated preferred equity certificates into shares representing up to 12.12% of the total outstanding shares of the Tricom Purchaser. This ownership structure is subject to change, including in the event we agree with the Tricom Sellers that its minority investment will be held in a common holding company of Tricom and ODO. See “General Description of our Business and the Offering—Recent Developments—ODO Acquisition”. The shareholders’ agreement shall also include certain restrictions on the transfer of Tricom Purchaser’s securities, as well as put and call options on all of the securities in Tricom Purchaser held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders’ agreement. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican regulatory authority Indotel.

Under the Tricom Purchase Agreements, the Tricom Sellers have agreed to use their commercially reasonable efforts to cause Tricom to carry on Tricom’s business in the ordinary course consistent with past practice and preserve intact its business organization and commercial goodwill from the date of the Tricom Purchase Agreements until the earlier of the termination of the Tricom Purchase Agreements and the consummation of the Tricom Acquisition. In addition, the Tricom Sellers have undertaken covenants to place certain restrictions on Tricom’s ability, until the earlier of the termination of the Tricom Purchase Agreements and the consummation of the Tricom Acquisition, to, among other things, dispose of properties or assets, make unbudgeted capital expenditures, acquire substantial assets, make substantial investments, increase the salary of its employees or directors, pay certain bonuses or incentive compensation, grant new equity or non equity based compensation awards, redeem common stock or other equity interests, declare or pay dividends or make other distributions in respect of its capital stock, incur or otherwise become liable for material indebtedness, enter into certain transactions with related parties or enter into new material contracts, in each case, other than in the ordinary course of business, and subject to certain exceptions set forth in the Tricom Purchase Agreements unless Altice Caribbean consents in writing to the taking of any such action, which consent cannot be unreasonably withheld. Failure by the Tricom Sellers to comply with these restrictions in all material respects, unless waived by Altice Caribbean, could result in the Tricom Purchase Agreements being terminated or in the Tricom Acquisition not being consummated. For a description of Tricom’s business, see “Business, Industry and Market Overview of ODO and Tricom and Management’s Discussion and Analysis of Financial Condition and Results of Operations of ODO”.

The Tricom Purchase Agreements provide that the Tricom Sellers and Altice Caribbean shall cooperate in order to obtain as soon as practicable the authorizations and clearances needed to fulfill the conditions to closing and to consummate the Tricom Acquisition, provided that, in the event such authorizations and clearances have not been obtained at the latest on the date that is 180 days from October 31, 2013 (not taking into account the period from December 23, 2013 to January 6, 2014), and unless the parties mutually agree to extend this long stop date (i) the Tricom Purchase Agreements shall automatically terminate, and (ii) unless the authorizations and clearances concerned are impeded or suspended for reasons attributable to the Tricom Sellers, Altice Caribbean shall be liable to pay to the Tricom Sellers a termination fee of US\$8,000,000.

### **The Financing**

Our contribution to the consideration for the ODO Acquisition and the Tricom Acquisition together with related fees and expenses are being financed as follows:

- the Senior Notes Issuer has issued the New Senior Notes; and
- the Senior Secured Notes Issuer has issued the New Senior Secured Notes.

While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in ODO. We also expect to hold 88% of the equity interests in Tricom. However, if the minority investors in ODO and Tricom, purchase equity interests in the common holding company of ODO and Tricom (expected to be Altice Bahamas), Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interest of each of ODO and Tricom. In the event that we will be required to fund the purchase of more than 75% of the equity interests in ODO and are unable to finance such purchase within the Restricted Group, an affiliate of Altice VII will fund the additional amount required in the form of an equity contribution to the Restricted Group and has obtained committed financing to fund such equity contribution. To the extent more equity than the percentages show above are purchased by third party minority investors (up to 30% in ODO or the holding company) the decrease in Altice VII financing required for the acquisitions will be a maximum of up to approximately €40 million and accordingly such amount will be used for general corporate purposes within the Restricted Group.

Pending satisfaction of the conditions to the release of the escrow proceeds as described in “Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption” and “Description of Senior Notes—Escrow of

Proceeds; Special Mandatory Redemption”, the Initial Purchasers (i) deposited the gross proceeds from the offering of the New Senior Notes into a segregated escrow account for the benefit of the holders of the New Senior Notes and (ii) deposited the gross proceeds from the offering of the New Senior Secured Notes into segregated escrow accounts for the benefit of the holders of the New Senior Secured Notes.

The Senior Secured Notes Escrow Accounts are controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the Senior Secured Notes; provided that in the event the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, the first ranking assignment over the remaining proceeds in the Senior Secured Notes Escrow Accounts and the rights of the Senior Secured Notes Issuer under the Senior Secured Notes Escrow Agreement will also secure all of the other senior secured indebtedness of the Senior Secured Notes Issuer on a pari passu basis. The Senior Notes Escrow Account is controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the Senior Notes. See “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”.



## USE OF PROCEEDS

### Sources and Uses for the New Transactions

The expected estimated sources and uses of the funds necessary to consummate the New Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) differences in the amount of indebtedness outstanding and (ii) differences from our estimates of fees and expenses and the actual fees and expenses, as of the completion of either or both of the New Transactions. The following table also assumes that the Tricom Acquisition and the ODO Acquisition occur on the same date. The completion of the ODO Acquisition and the Tricom Acquisition are subject to certain conditions, including the separate approval by the competent regulatory authorities in the Dominican Republic. The completion of the ODO Acquisition is also subject to the approval of the board of directors of Orange S.A. and Wirefree Services Denmark A/S.

The amounts set forth below are based on an exchange rate as of December 5, 2013 of €0.7327 = \$1.00.

Sources of Funds			Uses of Funds		
	\$ in millions	€ in millions		\$ in millions	€ in millions
Dollar Senior Secured Notes offered hereby <sup>(1)(5)</sup> .....	900	659	Acquisition Consideration for 88% of Tricom <sup>(2)</sup> .....	405	297
Euro Senior Secured Notes offered hereby <sup>(1)(5)</sup> .....	409	300	Expected Total Cash Acquisition Consideration for ODO <sup>(2)(3)</sup> .....	1,374	1,007
New Senior Notes offered hereby <sup>(1)(5)</sup> .....	400	293	Transaction Fees and Expenses <sup>(4)(5)</sup> .....	45	33
Third Party Minority Equity for ODO <sup>(2)</sup> .....	129	95	Cash on Balance Sheet.....	15	11
<b>Total Sources</b> .....	<b>1,839</b>	<b>1,347</b>	<b>Total Uses</b> .....	<b>1,839</b>	<b>1,347</b>

- (1) The gross proceeds from the sale of the Dollar Senior Secured Notes and the Euro Senior Secured Notes have been deposited in segregated escrow accounts in the name of the Trustee on behalf of the respective holders of the New Senior Secured Notes and the New Senior Notes have been deposited in a segregated escrow account in the name of the Trustee on behalf of the holders of the New Senior Notes, pending satisfaction of the conditions to the release of the escrow proceeds as described in “*Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*”. See “*The Transactions—The Financing*” for further details.
- (2) Assumes completion of the Tricom Acquisition and the ODO Acquisition on the same date and includes the funds required to refinance Tricom’s existing indebtedness. The Tricom Acquisition and the ODO Acquisition are subject to regulatory approval. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. See “*The Transactions—Tricom Acquisition*” and “*The Transactions—ODO Acquisition*” for further details. Pursuant to the ODO Acquisition Agreement, we have agreed to acquire 100% of the share capital of ODO. While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in ODO. Pursuant to the Tricom Purchase Agreement, we also expect to hold 88% of the equity interests in Tricom. However, if the minority investors in ODO and Tricom, purchase equity interests in the common holding company of ODO and Tricom (expected to be Altice Bahamas), Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interest of each of ODO and Tricom. In the event that we will be required to fund the purchase of more than 75% of the equity interests in ODO and are unable to finance such purchase within the Restricted Group, an affiliate of Altice VII will fund the additional amount required in the form of an equity contribution to the Restricted Group and has obtained committed financing to fund such equity contribution. To the extent more equity than the percentages show above are purchased by third party minority investors (up to 30% in ODO or the holding company) the decrease in Altice VII’s financing required for the acquisitions will be a maximum of up to approximately €40 million and accordingly such amount will be used for general corporate purposes within the Restricted Group.
- (3) Reflects total consideration of \$1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date.
- (4) This amount reflects our estimate of the fees and expenses we will pay in connection with the New 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 New Transactions.
- (5) The total net proceeds from the sale of the New Senior Secured Notes and the New Senior Notes will be €1,219 million and will consist of the gross proceeds from the sale of the New Senior Secured Notes and the New Senior Notes less the Transaction Fees and Expenses.

## CAPITALIZATION

The following table presents, in each case, the cash and cash equivalents and debt capitalization as of September 30, 2013 of the Group (i) on a historical combined basis and (ii) on an as adjusted combined basis after giving effect to the New Transactions and the 2013 Coditel Transaction, including the offering of the New Notes hereby and funding of the 2013 Term Loan in full 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 New Transactions and the 2013 Coditel Transaction. This table should be read in conjunction with “Use of Proceeds”, “Unaudited Illustrative Aggregated Financial Data of the Combined Entities”, “Description of Other Indebtedness” and the financial statements and notes thereto included elsewhere in this Offering Memorandum. The following table assumes that the Tricom Acquisition and the ODO Acquisition occur on the same date. The completion of the ODO Acquisition and the Tricom Acquisition are subject to certain conditions, including the separate approval by the competent regulatory authorities in the Dominican Republic. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S.

The impact of any derivative instruments that we have or may enter into to manage foreign currency risk associated with the New Notes has not been reflected in the as adjusted data presented in the table.

	September 30, 2013	
	Actual	As Adjusted
	€ in millions	
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	<b>62</b>	<b>73</b>
<b>Third-party debt:</b>		
<b>Third-party senior debt</b>		
Existing HOT Unsecured Notes <sup>(2)</sup> .....	280	280
Existing Coditel Mezzanine Facility <sup>(3)</sup> .....	106	106
Finance leases .....	27	27
New Senior Secured Notes offered hereby <sup>(4)</sup> .....	—	959
Existing Senior Secured Notes <sup>(5)</sup> .....	550	550
2013 Term Loan <sup>(6)</sup> .....	795	795
Revolving Credit Facilities <sup>(7)</sup> .....	—	—
<b>Total third-party senior debt (excluding other liabilities)<sup>(8)</sup></b> .....	<b>1,758</b>	<b>2,717</b>
Existing Senior Notes <sup>(9)</sup> .....	564	564
New Senior Notes offered hereby <sup>(10)</sup> .....	—	293
<b>Total third-party debt (excluding other liabilities)<sup>(8)</sup></b> .....	<b>2,322</b>	<b>3,574</b>

(1) Reflects cash and cash equivalents of the Group. This excludes restricted cash. Restricted cash amounted to €10.2 million as of September 30, 2013.

(2) The amount is based on the exchange rate as of September 30, 2013 of €0.2094 = NIS1.00.

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

(4) Reflects the issuance of the New Senior Secured Notes offered hereby. The amount is based on an exchange rate as of December 5, 2013 of €0.7327 = \$1.00. See “The Transactions—The Financing” and “Use of Proceeds”. These amounts are subject to the following: (a) If the ODO Acquisition is consummated prior to the consummation of the Tricom Acquisition, \$900 million equivalent of the proceeds of the New Senior Secured Notes will be released from the Senior Secured Escrow Account on a pro rata basis on the date the ODO Acquisition is consummated and the remaining proceeds of the New Senior Secured Notes will be released on the date of completion of the Tricom Acquisition, if it occurs, and if the Tricom Acquisition does not occur on or prior to the Escrow Longstop Date, we will redeem \$405 million equivalent aggregate principal amount of the Dollar Senior Secured Notes and Euro Senior Secured Notes on a pro rata basis; (b) if the Tricom Acquisition is terminated prior to the date of completion of the ODO Acquisition, we will redeem \$405 million equivalent aggregate principal amount of the Dollar Senior Secured Notes and Euro Senior Secured Notes on a pro rata basis and \$405 million equivalent of the proceeds of offering of the New Senior Secured Notes held in the Senior Secured Escrow Accounts will be released for that purpose and the remaining proceeds from the offering of the New Senior Secured Notes will be released on the date of completion of the ODO Acquisition; and (c) if the ODO Acquisition Agreement is terminated prior to the date of completion of the Tricom Acquisition, we will redeem all of the Euro Senior Secured Notes and a portion of the Dollar Senior Secured Notes such that \$845 million equivalent aggregate principal amount of the New Senior Secured Notes is redeemed and \$845 million equivalent of the proceeds of the New Senior Secured Notes held in the Senior Secured Escrow Account will be released for that purpose and the remaining proceeds from the offering of the Dollar Senior Secured Notes will be released on the date of completion of the Tricom Acquisition. See “Description of Senior Secured Notes” and “Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption”.

(5) Reflects the aggregate \$460 million and €210 million Existing Senior Secured Notes outstanding. The amount is based on the exchange rate as of September 30, 2013 of \$1.3531 = €1.00.

(6) As of September 30, 2013, the Senior Secured Notes Issuer had drawn a total amount of €714.3 million under the 2013 Term Loan, which is recorded using a fixed exchange rate of \$1.301 = €1.00. On November 29, 2013, the Senior Secured Issuer utilized the remaining amount of the 2013 Term Loan to complete the 2013 Coditel Transaction, which is reflected in the as-adjusted amount.

- (7) The Senior Secured Notes Issuer may draw on the Revolving Credit Facilities to support our working capital purposes. The Revolving Credit Facilities are made up of (i) an \$80 million 2012 Revolving Credit Facility and (ii) a €60 million 2013 Revolving Credit Facility. In addition, as of the date hereof, Altice Financing has made a request for a guarantee of up to a maximum amount of approximately €1.7 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group.
- (8) Excludes Green Datacenter debt of €24 million. Excludes 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.
- (9) Reflects the aggregate \$425 million and €250 million Existing Senior Notes outstanding. The amount is based on the exchange rate as of September 30, 2013 of \$1.3531 = €1.00.
- (10) Reflects the issuance of the New Senior Notes offered hereby. The amount is based on an exchange rate as of December 5, 2013 of €0.7327 = \$1.00. See "*The Transactions—The Financing*" and "*Use of Proceeds*". If the ODO Acquisition terminates prior to the completion of the Tricom Acquisition, we will redeem all of the New Senior Notes and all of the proceeds of the New Senior Notes held in the Senior Escrow Account will be released for that purpose and no New Senior Notes will remain outstanding. See "*Description of Senior Notes*" and "*Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*".

### **Shareholder Funding**

As of September 30, 2013, Altice VII had approximately € 415.6 million of shareholder funding outstanding, made up of approximately €4.5 million of shareholder loans and advances from shareholders and approximately €411.1 million of preferred equity certificates. See "*Description of Other Indebtedness—Shareholder Funding*".

### **I**

## ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION OF THE GROUP

The following unaudited illustrative aggregated statements of income as of and for the years ended December 31, 2011 and 2012 (collectively, the “Illustrative Aggregated Selected Financial Information”) present an aggregation of the amounts as derived from the audited historical consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012 (the “Historical Financial Statements”), the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 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 the 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 Mobius Group Tricom or ODO. 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 VII 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, 2012**

<u>For the year ended December 31, 2012</u>	Note	Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
<b>Revenues</b> .....	3b	<b>1,092.4</b>	<b>349.4</b>	<b>1,441.8</b>
Purchases and subcontracting services .....		(302.1)	(142.3)	(444.4)
<b>Gross profit</b> .....	<b>3c</b>	<b>790.3</b>	<b>207.1</b>	<b>997.4</b>
Other operating expenses .....	3d	(248.9)	(66.4)	(315.3)
Other sales and marketing expenses .....	3d	(80.1)	(22.7)	(102.8)
General and administrative expenses .....	3d	(58.1)	(27.0)	(85.1)
<b>Operating income before depreciation &amp; amortization</b> .....	<b>3e</b>	<b>403.2</b>	<b>91.0</b>	<b>494.2</b>
<b>Capital expenditures</b> .....	<b>3f</b>	<b>347.0</b>	<b>50.8</b>	<b>397.8</b>

**For the year ended December 31, 2011**

<u>For the year ended December 31, 2011</u>		Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
<b>Revenues</b> .....	3b	784.2	642.0	1,426.2
Purchases and subcontracting services .....		(175.4)	(224.2)	(399.6)
<b>Gross profit</b> .....	<b>3c</b>	<b>608.8</b>	<b>417.8</b>	<b>1,026.6</b>
Other operating expenses .....	3d	(195.4)	(124.1)	(319.5)
Other sales and marketing expenses .....	3d	(64.4)	(44.5)	(108.9)
General and administrative expenses .....	3d	(51.2)	(49.7)	(100.9)
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>3e</b>	<b>297.8</b>	<b>199.4</b>	<b>497.2</b>
<b>Capital expenditures</b> .....	<b>3f</b>	<b>189.8</b>	<b>104.0</b>	<b>293.8</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 years ended December 31, 2011 and 2012 has been compiled under the responsibility of the Board of Managers of Altice VII 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 each of the years ended December 31, 2011 and 2012 (collectively 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 of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 (the “Acquired Businesses”) for the periods during which such amounts are not included within the Historical Financial Statements (collectively the “the Pre-Acquisition Financial Information”); and
- the amounts relating to adjustments that have been identified for the purposes of aligning the Pre-Acquisition Financial Information with the measurement and recognition criteria of IFRS and the accounting policies adopted by the Company for the purposes of the Historical Financial Statements (the “Alignment Adjustments”).

#### (b) The Pre-Acquisition Financial Information

The Pre-Acquisition Financial Information has been derived from the following financial information pertaining to the Acquired Businesses:

### ***Year ended December 31, 2011***

- the financial statements of Outremer Telecom S.A. (“OMT”) as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on March 23, 2012;
- the financial statements of Coditel Brabant S.p.r.l. (“CodiBe”) as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Belgium (“Belgian GAAP”). Such financial statements have been audited by Deloitte Réviseurs d’entreprises S.c r.l. who have issued an unmodified audit opinion thereon on October 1, 2011;
- the annual accounts of Coditel S.à r.l. (“CodiLu”) as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Luxembourg (“Lux GAAP”). Such annual accounts have been audited by Deloitte S.A. who have issued an unmodified audit opinion thereon on May 31, 2012;
- the special-purpose financial statements of Cabovisao S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IASB IFRS. Such financial statements have been audited by Baker Tilly, PG & Associados, SROC S.A. have issued a modified review opinion thereon on November 21, 2013; and
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013; and
- the financial statements of Ma Chaine Sport S.A.S. (“MCS”) as of and for the year ended December 31, 2011 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 31, 2012.

### ***Year ended December 31, 2012***

- the financial statements of Outremer Telecom S.A. (“OMT”) as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on April 18, 2013;
- the special-purpose financial statements of Cabovisao S.A. as of and for the period ended February 29, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been reviewed by Baker Tilly, PG & Associados, SROC, S.A. who have issued a modified audit opinion thereon on October 14, 2013;
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013;
- the financial statements of Ma Chaine Sport S.A.S. (“MCS”) as of and for the year ended December 31, 2012 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 23, 2013; and
- the unaudited financial statements of Sportv as of and for the year ended December 31, 2012 drawn up in accordance with IFRS.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired Businesses have been modified in order to align with the presentation and classification criteria that have been retained for the purposes of the Historical Financial Statements of the Company. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the Acquired Businesses to present the 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-Acquisition Financial Information have been drawn up in accordance with an accounting framework the measurement and recognition criteria of which differs substantially

from the corresponding criteria applicable under IFRS, alignment adjustments have been prepared by the Board of 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. The key adjustments and any exceptions thereto are described in note 2.

- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with accounting policy elections that differ substantially from the accounting policies retained by the Company for the purposes of the Historical Financial Statements no alignment adjustments have been prepared by the Board of 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.

**(d) Translation of historical financial information denominated in currencies other than the Euro**

The historical financial statements of HOT, from which amounts have been derived in preparing the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2011, have been drawn up in Israeli Shekel (“NIS”). The relevant amounts have been translated into Euro (“EUR”), for the purposes of their inclusion within the Illustrative Aggregated Selected Financial Information, using the average daily exchange rates over the relevant period as described below:

Period from January 1, 2011 to March 16, 2011 ..... 1 NIS = 0.201 EUR

**(e) Key limitations to the basis of preparation**

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 do not purport to represent the performance, cash flows or financial position that the Company would have reported had the Acquired Businesses been subsidiaries of the Company during the entire length of the periods presented. They also do not purport to represent the performance and cash flows of the Company for any future period or its financial position at any future date. The Illustrative Aggregated Selected Financial Information do not reflect the effect of any anticipated synergies and efficiencies associated with combining the ONI group, the OMT Group and the other subsidiaries of the Altice VII Group.

In addition, only a complete set of consolidated financial statements as defined in IAS 1 can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS. The 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 the Historical Financial Statements with the Pre-Acquisition 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. ACCOUNTING FRAMEWORK ALIGNMENT ADJUSTMENTS**

**(a) Revenues and expenses**

IFRS requires discounts to be recognized as a reduction of revenues over the length of the contractual arrangement with the customer. In addition, certain expenses may be restated as capital expenditure based on the nature of the expense.

*Alignment adjustment in relation to Coditel S.à r.l.*

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. is drawn up in accordance with the measurement and recognition criteria of Lux GAAP, which does not require mandatory accounting for disconnection fees. Had Coditel S.à r.l. adopted the aforementioned measurement and recognition criteria of IFRS, illustrative adjustments result in an increase in other operating expenses of 0.1 million EUR for the year ended December 31, 2011.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 1.4 million EUR; (ii) other operating expenses decreased by 0.1 million EUR; (iii) general and administrative expenses decreased by 0.1 million EUR.

*Alignment adjustment in relation to Coditel Brabant S.p.r.l.*

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l. is drawn up in accordance with the measurement and recognition criteria of Belgian GAAP, which permits such discounts to be recognized immediately as a reduction to revenues at inception of the contract. Alignment adjustments have been made to record the changes that would result to revenues had Coditel S.p.r.l. adopted the aforementioned measurement and recognition criteria of IFRS. Such illustrative adjustments result in increase to revenue of 0.2 thousand EUR for the year ended December 31, 2011. In addition, Coditel Brabant also applied IFRS adjustments related to the accounting for employee pension benefits and disconnection fees, which resulted in an increase in other operating expenses of 0.3 million EUR.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 4.0 million EUR; (ii) purchases and subcontracting services decreased by 0.6 million EUR; (iii) other operating expenses decreased by 0.4 million EUR; (iv) other sales and marketing expenses decreased by 0.2 million EUR; and (v) general and administrative expenses decreased by 0.2 million EUR.

*Alignment adjustment in relation to Ma Chaine Sport SAS.*

The Pre-Acquisition Financial Information relating to Ma Chaine Sport S.A.S. is drawn up in accordance with the measurement and recognition criteria of French GAAP, which permits no capitalisation of costs related to the acquisition of content for delivery to final customers. Given the exclusive nature of such content, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting costs of 3.4 million EUR and in other operating expenses of 1.1 million EUR for the year ended December 31, 2011 and 4.7 million EUR and 1.6 million EUR for the year ended December 31, 2012.



### 3. SUPPLEMENTS NOTES TO THE ILLUSTRATIVE STATEMENT OF SELECTED AGGREGATED FINANCIAL STATEMENT

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has been compiled, under the responsibility of Altice VII S.à r.l. (the "Company"), as follows:

#### (a) Selected Aggregated Statement of Income Items and Selected Aggregated Statement of Cash Flow Items

<u>For the year ended December 31, 2012</u>	Altice VII S.à r.l.	Cabovisao 2m- 2012	OMT 12m- 2012	ONI 12m- 2012	Ma Chaîne Sport 12m- 2012	SportV 12m- 2012
	(in € millions)					
<b>Revenues</b> .....	<b>1,092.4</b>	<b>19.8</b>	<b>195.1</b>	<b>117.4</b>	<b>15.9</b>	
Purchases and subcontracting services .....	(302.1)	(8.8)	(63.9)	(66.8)	(7.3)	
<b>Gross profit</b> .....	<b>790.3</b>	<b>11.0</b>	<b>131.2</b>	<b>50.6</b>	<b>8.6</b>	
Other operating expenses .....	(248.9)	(4.6)	(41.2)	(21.1)	(2.8)	
Other sales and marketing expenses .....	(80.1)	(2.4)	(17.0)	(2.6)	(.6)	
General and administrative expenses .....	(58.1)	(1.4)	(9.9)	(13.1)	(2.6)	
<b>Operating income before depreciation &amp; amortization</b> .....	<b>403.2</b>	<b>2.6</b>	<b>63.1</b>	<b>13.8</b>	<b>2.6</b>	
<b>Capital expenditures</b> .....	<b>347.0</b>	<b>2.8</b>	<b>28.3</b>	<b>12.7</b>	<b>7.0</b>	

<u>For the year ended December 31, 2011</u>	Altice VII S.à r.l.	Hot 3m- 2011	Coditel Bel-7m- 2011	Coditel Lux-7m- 2011	Cabovisao 12m- 2011	OMT 12m- 2011	ONI 12m- 2011	Ma Sp
	(in € millions)							
<b>Revenues</b> .....	<b>784.2</b>	<b>165.1</b>	<b>28.2</b>	<b>9.5</b>	<b>123.4</b>	<b>194.3</b>	<b>115.4</b>	
Purchases and subcontracting services .....	(175.4)	(48.0)	(4.5)	(1.7)	(54.7)	(64.7)	(58.8)	
<b>Gross profit</b> .....	<b>608.8</b>	<b>117.1</b>	<b>23.7</b>	<b>7.8</b>	<b>68.7</b>	<b>129.6</b>	<b>56.6</b>	
Other operating expenses .....	(195.4)	(38.6)	(2.9)	(.6)	(20.7)	(39.7)	(21.0)	
Other sales and marketing expenses .....	(64.4)	(9.8)	(1.3)	(.3)	(12.8)	(17.3)	(2.9)	
General and administrative expenses .....	(51.2)	(5.4)	(1.6)	(.7)	(17.7)	(11.9)	(11.1)	
<b>Operating income before depreciation &amp; amortization</b> .....	<b>297.8</b>	<b>63.3</b>	<b>18.0</b>	<b>6.2</b>	<b>17.5</b>	<b>60.7</b>	<b>21.5</b>	
<b>Capital expenditures</b> .....	<b>189.8</b>	<b>23.8</b>	<b>4.0</b>	<b>.9</b>	<b>19.4</b>	<b>36.0</b>	<b>15.0</b>	

(b) Revenue

The revenue account balance per segments is as follows:

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
For the year ended December 31, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	677.9	59.7	—	19.8	98.2	118.0	24.4	63.4
Mobile services .....	172.5	.2	—	—	—	—	—	131.7
B2B Others .....	—	11.5	117.4	—	—	117.4	—	—
<b>Total .....</b>	<b>850.4</b>	<b>71.3</b>	<b>117.4</b>	<b>19.8</b>	<b>98.2</b>	<b>235.4</b>	<b>24.4</b>	<b>195.1</b>

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
For the year ended, December 31, 2011	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	664.9	58.5	—	123.4	123.4	23.6	68.5
Mobile services .....	180.6	—	—	—	—	—	125.8
B2B Others .....	—	8.8	115.4	—	115.4	—	—
<b>Total .....</b>	<b>845.5</b>	<b>67.3</b>	<b>115.4</b>	<b>123.4</b>	<b>238.8</b>	<b>23.6</b>	<b>194.3</b>

(c) **Gross profit**

The gross profit per segments is as follows:

	<u>Total Israel</u>	<u>Total BeLux</u>	<u>Oni</u>	<u>Cabovisao S.A.</u>	<u>Cabovisao S.A. (Altice VII)</u>	<u>Total Portugal</u>	<u>French Overseas Territories (Altice VII)</u>	<u>OMT</u>
<b>For the year ended December 31, 2012</b>	<u>Jan 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Feb 29, 2012</u>	<u>Mar 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Dec 31, 2012</u>	<u>Jan 1, 2012 to Dec 31, 2012</u>
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	518.9	49.6	—	11.0	59.1	70.1	20.4	41.0
Mobile services .....	102.7	.1	—	—	—	—	—	90.2
B2B Others .....	—	10.6	50.6	—	—	50.6	—	—
<b>Total .....</b>	<b>621.7</b>	<b>60.3</b>	<b>50.6</b>	<b>11.0</b>	<b>59.1</b>	<b>120.7</b>	<b>20.4</b>	<b>131.2</b>

	<u>Total Israel</u>	<u>Total BeLux</u>	<u>Oni</u>	<u>Cabovisao S.A.</u>	<u>Total Portugal</u>	<u>French Overseas Territories (Altice VII)</u>	<u>OMT</u>
<b>For the year ended December 31, 2011</b>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>	<u>Jan 1, 2011 to Dec 31, 2011</u>
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	510.5	46.8	—	68.7	68.7	19.8	44.0
Mobile services .....	149.7	—	—	—	—	—	85.0
B2B Others .....	—	7.8	56.6	—	56.6	—	—
<b>Total .....</b>	<b>660.2</b>	<b>54.7</b>	<b>56.6</b>	<b>68.7</b>	<b>125.3</b>	<b>19.8</b>	<b>129.0</b>

(d) Operating expenses

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
For the year ended December 31, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses .....	(223.4)	(6.2)	(21.1)	(4.6)	(8.0)	(38.3)	(3.8)	(4.1)
Other sales and marketing expenses .....	(63.7)	(4.4)	(2.6)	(2.4)	(8.7)	(12.6)	(2.5)	(17.3)
General and administrative expenses .....	(29.3)	(4.1)	(13.1)	(1.4)	(10.8)	(21.8)	(2.0)	(9.5)
<b>Total .....</b>	<b>(316.5)</b>	<b>(14.7)</b>	<b>(36.8)</b>	<b>(8.4)</b>	<b>(29.2)</b>	<b>(72.7)</b>	<b>(8.3)</b>	<b>(68.9)</b>

	Total Israel	Total BeLux	Oni	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
For the year ended December 31, 2011	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses .....	(225.8)	(6.4)	(21.0)	(20.7)	(41.7)	(3.9)	(39.7)
Other sales and marketing expenses .....	(67.5)	(3.4)	(2.9)	(12.8)	(15.7)	(2.7)	(17.3)
General and administrative expenses .....	(39.7)	(3.9)	(11.1)	(17.7)	(28.8)	(1.6)	(11.9)
<b>Total .....</b>	<b>(333.0)</b>	<b>(13.7)</b>	<b>(35.0)</b>	<b>(51.2)</b>	<b>(86.3)</b>	<b>(8.1)</b>	<b>(68.9)</b>

(e) Operating income before depreciation & amortisation

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
For the year ended December 31, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation....	305.2	45.6	13.8	2.6	31.6	48.0	12.1	63.0

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
For the year ended December 31, 2011	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation.....	327.2	41.0	21.5	17.5	39.0	11.7	60.7

(f) Capital Expenditures

	Israel	BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
For the year ended December 31, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable.....	211.6	17.0	—	2.8	15.3	18.1	7.4	8.7
Mobile.....	83.8	—	—	—	—	—	—	9.2
B2B/Other.....	—	—	12.7	—	—	12.7	—	10.5
<b>Total.....</b>	<b>295.4</b>	<b>17.0</b>	<b>12.7</b>	<b>2.8</b>	<b>15.3</b>	<b>30.8</b>	<b>7.4</b>	<b>28.3</b>

	Israel	BeLux	Oni	Cabovisao S.A.	Portugal	French Overseas Territories (Altice VII)	OMT
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
For the year ended December 31, 2011	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable.....	126.8	10.6	—	19.4	19.4	17.5	10.7
Mobile.....	47.1	—	—	—	—	—	17.2
B2B/Other.....	—	—	15.0	—	15.0	—	8.1
<b>Total.....</b>	<b>173.9</b>	<b>10.6</b>	<b>15.0</b>	<b>19.4</b>	<b>34.4</b>	<b>17.5</b>	<b>36.0</b>

## **PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

The following unaudited pro forma consolidated statements of income as of and for the year ended December 31, 2012, as of September 30, 2013 and for the nine months ended September 30, 2012 and 2013 and statement of financial position as of September 30, 2013 (the “Pre-Transaction Pro Forma Financial Information”) present the pro forma financial information of the Group, giving effect to each of the acquisitions and other transactions described in the basis of preparation below. The Pre- Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, Tricom Acquisition or the ODO Acquisition and therefore does not include any financial information of the Mobius Group, Tricom or ODO. This financial information has not been audited nor reviewed.

The Pre-Transaction 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 Group would have obtained if the significant acquisitions and disposals described in the basis of preparation below occurred with effect from the dates indicated. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

The unaudited Pre-Transaction Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Offering Memorandum. See “*Presentation of Financial and Other Information—Financial Data*”.

**UNAUDITED PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF ALTICE VI**

**PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>For the year ended December 31, 2012</b>	<b>Altice VII S.à r.l.</b>	<b>Cabovisao 2m (note a and b)– 2012</b>	<b>OMT 12m– 2012 (note c)</b>	<b>ONI 12m– 2012 (note d)</b>	<b>Ma Chaîne Sport 12m– 2012 (note e)</b>	<b>SportV 12m– 2012 (note f)</b>	<b>Issuance of new debt (note i)</b>	<b>Obtention of RCFs (note i)</b>	<b>Buy-out of minority stakes (note b and g)</b>
						<b>(in € millions)</b>			
<b>Revenue</b> .....	1,092.4	19.8	195.1	117.4	15.9	1.2	—	—	—
Purchases and subcontracting services.....	(302.1)	(8.8)	(63.9)	(66.8)	(7.3)	(.3)	—	—	—
<b>Gross Profit</b> .....	<b>790.3</b>	<b>11.0</b>	<b>131.2</b>	<b>50.6</b>	<b>8.6</b>	<b>1.0</b>	—	—	—
Other operating expenses.....	(248.9)	(4.6)	(41.2)	(21.1)	(2.8)	—	—	—	—
Other sales and marketing expenses ..	(80.1)	(2.4)	(17.0)	(2.6)	(.6)	(.1)	—	—	—
General and administrative expenses.	(58.1)	(1.4)	(9.9)	(13.1)	(2.6)	(.1)	—	—	—
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>403.2</b>	<b>2.6</b>	<b>63.1</b>	<b>13.8</b>	<b>2.6</b>	<b>.8</b>	—	—	—
Depreciation and amortization.....	(266.3)	(.8)	(27.3)	(18.9)	(.1)	(.3)	—	—	—
Goodwill impairment.....	(121.9)	—	—	—	—	—	—	—	—
Management fees.....	(6.2)	—	—	—	(.7)	—	—	—	—
Other expenses net.....	(29.8)	(.3)	(1.2)	(3.8)	—	—	—	—	—
Reorganization and non-recurring costs.....	(20.8)	—	—	(.8)	—	—	—	—	—
<b>Operating Profit/(loss)</b> .....	<b>(41.8)</b>	<b>1.5</b>	<b>34.6</b>	<b>(9.7)</b>	<b>1.9</b>	<b>.5</b>	—	—	—
Financial income.....	30.5	—	.8	.1	—	—	—	—	—
Other financial expense .....	(204.7)	—	(5.2)	(9.5)	—	—	(54.4)	(4.8)	—
<b>(Loss)/Profit before income tax expenses</b> .....	<b>(216.0)</b>	<b>1.5</b>	<b>30.1</b>	<b>(19.1)</b>	<b>1.8</b>	<b>.5</b>	<b>(54.4)</b>	<b>(4.8)</b>	—
Income tax expense .....	26.0	(.1)	(11.2)	(.4)	(.4)	(.1)	15.8	1.4	—
<b>(Loss)/Profit for the year</b> .....	<b>(190.0)</b>	<b>1.4</b>	<b>18.9</b>	<b>(19.5)</b>	<b>1.4</b>	<b>.4</b>	<b>(38.6)</b>	<b>(3.4)</b>	—
<i>Attributable to owners of the entity....</i>	<i>(148.9)</i>	<i>1.4</i>	<i>14.6</i>	<i>(19.5)</i>	<i>1.4</i>	<i>.4</i>	<i>(38.6)</i>	<i>(3.4)</i>	<i>(37.6)</i>
<i>Attributable to non-controlling interests</i> .....	<i>(40.9)</i>	—	<i>4.3</i>	—	—	—	—	—	<i>37.6</i>



**PRO FORMA INCOME STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2013**

For the nine months ended September 30, 2013	Altice VII S.à r.l.	OMT 6m– 2013 (note c)	ONI 7m– 2013 (note d)	Ma Chaîne Sport 9m– 2013 (note e)	SportV 9m– 2013 (note f)	Issuance of new debt (note i)	Obtention of RCFs (note i)	Buy-out of minority stakes (note g)	O
(in € millions)									
<b>Revenue (Note 1)</b> .....	<b>928.4</b>	<b>96.5</b>	<b>59.0</b>	<b>13.8</b>	<b>4.5</b>	—	—	—	—
Purchases and subcontracting services (Note 2).....	(262.2)	(30.1)	(31.2)	(7.7)	(1.1)	—	—	—	—
<b>Gross Profit (Note 3)</b> .....	<b>666.2</b>	<b>66.4</b>	<b>27.7</b>	<b>6.1</b>	<b>3.4</b>	—	—	—	—
Other operating expenses (Note 4) ....	(192.3)	(19.8)	(11.2)	(2.3)	—	—	—	—	—
Other sales and marketing expenses (Note 4).....	(53.3)	(7.3)	(1.3)	(2)	(2)	—	—	—	—
General and administrative expenses (Note 4).....	(43.6)	(6.1)	(5.9)	(2.0)	(1)	—	—	—	—
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>377.0</b>	<b>33.2</b>	<b>9.2</b>	<b>1.6</b>	<b>3.0</b>	—	—	—	—
Depreciation and amortization.....	(277.6)	(11.4)	(9.9)	(3)	(1.1)	—	—	—	—
Management fees.....	(.7)	(.4)	—	(.5)	—	—	—	—	—
Other expenses net.....	(8.9)	(2.0)	(1.7)	—	—	—	—	—	—
Reorganization and non-recurring costs.....	(3.4)	—	(.5)	—	—	—	—	—	—
<b>Operating profit/(loss)</b> .....	<b>86.4</b>	<b>19.4</b>	<b>(2.8)</b>	<b>.8</b>	<b>1.9</b>	—	—	—	—
Financial income.....	36.2	.2	—	—	—	—	—	—	—
Finance costs.....	(184.3)	(2.2)	(5.7)	—	—	6.3	(3.6)	—	—
<b>(Loss)/Profit before income tax expenses</b> .....	<b>(61.7)</b>	<b>17.4</b>	<b>(8.5)</b>	<b>.8</b>	<b>1.9</b>	<b>6.3</b>	<b>(3.6)</b>	—	—
Income tax expense.....	(27.5)	(6.5)	(.3)	(.3)	—	(1.9)	1.1	—	—
<b>(Loss)/Profit for the period</b> .....	<b>(89.2)</b>	<b>10.9</b>	<b>(8.8)</b>	<b>.5</b>	<b>1.9</b>	<b>4.5</b>	<b>(2.6)</b>	—	—
Attributable to owners of the entity....	(83.1)	8.4	(8.8)	.5	1.9	4.5	(2.6)	(4.8)	—
Attributable to non-controlling interests.....	(6.0)	2.5	—	—	—	—	—	—	4.8

**PRO FORMA INCOME STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

For the nine months ended September 30, 2012	Altice VII S.à r.l.	Cabovisao 2m- 2012 (note a and b)	OMT 9m- 2012 (note c)	ONI 9m- 2012 (note d)	Ma Chaine Sport 9m- 2012 (note e)	Issuance of new debt (note i)	Obtention of RCFs (note i)	Buy-out of minority stakes (note b, h and g)
						(in € millions)		
<b>Revenue (Note 1)</b> .....	<b>813.0</b>	<b>19.8</b>	<b>144.1</b>	<b>85.9</b>	<b>13.3</b>	—	—	—
Purchases and subcontracting services (Note 2).....	(216.6)	(8.8)	(45.7)	(47.9)	(5.5)	—	—	—
<b>Gross margin (Note 3)</b> .....	<b>596.4</b>	<b>11.0</b>	<b>98.4</b>	<b>38.0</b>	<b>7.8</b>	—	—	—
Other operating expenses (Note 4) .....	(189.1)	(4.6)	(31.3)	(16.4)	(1.9)	—	—	—
Other sales and marketing expenses (Note 4).....	(60.8)	(2.4)	(12.5)	(2.0)	(3)	—	—	—
General and administrative expenses (Note 4).....	(41.8)	(1.4)	(7.9)	(10.1)	(1.7)	—	—	—
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>304.7</b>	<b>2.6</b>	<b>46.8</b>	<b>9.5</b>	<b>3.9</b>	—	—	—
Depreciation and amortization.....	(290.9)	(.8)	(19.5)	(14.5)	.0	—	—	—
Management fees.....	(2.6)	—	—	—	(6)	—	—	—
Other expenses net.....	(14.4)	(.3)	(2.1)	(2.9)	—	—	—	—
Reorganization and non-recurring costs.....	(8.4)	—	—	(.6)	(.0)	—	—	—
<b>Operating Profit/(loss)</b> .....	<b>(11.6)</b>	<b>1.5</b>	<b>25.2</b>	<b>(8.4)</b>	<b>3.3</b>	—	—	—
Financial income.....	4.3	.0	.2	—	—	—	—	—
Finance costs .....	(114.4)	—	(3.4)	(7.6)	—	(39.6)	(3.6)	—
<b>(Loss)/Profit before income tax expenses</b> .....	<b>(121.7)</b>	<b>1.5</b>	<b>21.9</b>	<b>(16.1)</b>	<b>3.3</b>	<b>(39.6)</b>	<b>(3.6)</b>	—
Income tax expense .....	(1.0)	(.1)	(8.2)	(.4)	—	11.5	1.0	—
<b>(Loss)/Profit for the period</b>	<b>(122.7)</b>	<b>1.5</b>	<b>13.7</b>	<b>(16.5)</b>	<b>3.3</b>	<b>(28.1)</b>	<b>(2.6)</b>	—
<i>Attributable to owners of the entity</i> .....	(92.4)	1.5	10.6	(16.5)	3.3	(28.1)	(2.6)	(28.3)
<i>Attributable to non-controlling interests ..</i>	(30.3)	—	3.1	—	—	—	—	28.3

PRO FORMA STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2013

<u>As of September 30, 2013</u>	<u>Altice VII S.à r.l.</u>	<u>MCS (note e)</u>	<u>SportV (note f)</u>	<u>Acquisition of Coditel Non controlling interests (note g)</u>	<u>Total Pro-forma</u>
	(In € millions)				
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents .....	61.9	.3	1.7	—	63.9
Trade & other receivables .....	279.7	6.5	2.5	—	288.8
Inventories .....	11.1	—	—	—	11.1
Current tax assets .....	10.8	—	—	—	10.8
<b>Total current assets</b> .....	<b>363.5</b>	<b>6.8</b>	<b>4.2</b>	<b>—</b>	<b>374.6</b>
<b>Non-current assets</b>					
Restricted cash .....	10.2	—	—	—	10.2
Deferred tax assets .....	38.9	—	.1	—	39.0
Investments in financial assets held as available for sale .....	39.2	—	—	—	39.2
Trade & other receivables .....	37.8	—	—	—	37.8
Property, Plant & Equipment .....	1,141.2	.9	—	—	1,142.2
Other Intangible assets .....	555.1	1.2	.2	—	556.5
Goodwill .....	1,126.7	—	—	—	1,126.7
<b>Total non-current assets</b> .....	<b>2,949.1</b>	<b>2.1</b>	<b>.3</b>	<b>—</b>	<b>2,951.5</b>
<b>Total assets</b> .....	<b>3,312.6</b>	<b>8.9</b>	<b>4.5</b>	<b>—</b>	<b>3,326.1</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings from banking corporations and debentures .....	47.6	—	.1	—	47.7
Trade and other payables .....	482.6	6.7	1.9	—	491.2
Current loans from related parties .....	5.7	—	—	—	5.7
Current tax liabilities .....	19.9	—	.1	—	20.0
Provisions .....	2.2	—	—	—	2.2
<b>Total current liabilities</b> .....	<b>558.0</b>	<b>6.7</b>	<b>2.2</b>	<b>—</b>	<b>566.9</b>
<b>Non-current liabilities</b>					
Borrowings from banking corporations and debentures .....	2,232.0	—	—	80.6	2,312.6
Non-current loans from related parties .....	101.2	—	—	—	101.2
Other financial liabilities .....	203.8	—	—	(42.0)	161.8
Provisions .....	27.2	—	—	—	27.2
Other non-current liabilities .....	49.8	—	—	—	49.8
Retirement benefit obligations .....	9.0	—	—	—	9.0
Deferred tax liabilities .....	219.6	—	—	—	219.6
<b>Total non-current liabilities</b> .....	<b>2,842.6</b>	<b>—</b>	<b>—</b>	<b>38.6</b>	<b>2,881.2</b>
<b>Equity</b>					
Issued capital .....	7.4	—	—	—	7.5
Share premium .....	5.4	—	—	—	5.4
Other reserves .....	(3.5)	—	—	(38.6)	(42.1)
(Accumulated losses)/retained earnings .....	(4.4)	.7	2.3	(9.7)	(11.1)
Profit/(Loss) for the period .....	(83.1)	1.5	—	(4.8)	(86.4)
<b>Equity attributable to shareholders of the parent</b> .....	<b>(78.2)</b>	<b>2.2</b>	<b>2.4</b>	<b>(53.1)</b>	<b>(126.8)</b>
<b>Non-controlling interests</b> .....	<b>(9.8)</b>	<b>—</b>	<b>—</b>	<b>14.6</b>	<b>4.8</b>
<b>Total equity</b> .....	<b>(88.0)</b>	<b>2.2</b>	<b>2.4</b>	<b>(38.6)</b>	<b>(122.0)</b>
<b>Total equity and liabilities</b> .....	<b>3,312.6</b>	<b>8.9</b>	<b>4.5</b>	<b>—</b>	<b>3,326.1</b>

## NOTES TO UNAUDITED PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION

### Basis of preparation

The accompanying unaudited pro forma statements of income for the year ended December 31, 2012 and the nine month periods ended September 30, 2013 and 2012 and the accompanying unaudited pro forma statement of financial position as of September 30, 2013 (the “Pre-Transaction Pro Forma Financial Information”) of Altice VII (the “Company”) have been prepared to give effect to the following transactions as if they occurred on January 1, 2012 for the purposes of the unaudited pro forma income statements and, if applicable, on September 30, 2013 for the purposes of the unaudited pro forma statement of financial position:

- The acquisition by Altice VII of:
  - 77% of the share capital of OMT Invest S.A.S.,
  - 100% of the share capital of Cabovisao S.A. in two tranches of 60% and 40% respectively, and
  - 100% of the share capital of Winreason S.A.
  - A supplementary 34% of the share capital of Hot Telecommunications Limited
  - 100% of the share capital of Sportv S.A.
  - 100% of the share capital of Ma Chaîne Sport S.A.S.
- The planned acquisition by Altice VII of:
  - A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.
- The following Refinancing Transactions
  - The issuance by subsidiaries of the Company of:
    - 9% €250 million Senior Notes falling due in 2023,
    - 8% €210 million Senior Secured Notes falling due in 2019,
    - 9<sup>7</sup>/<sub>8</sub>% \$425 million Senior Notes falling due in 2020, and
    - 7<sup>7</sup>/<sub>8</sub>% \$460 million Senior Secured Notes due in 2019.
  - The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR 795 million
  - The repayment of the Coditel Senior Facility amounting to €138 million
  - The repayment of the Cool loan amounting to NIS 879 million
  - The repayment of the HOT bank facility amounting to NIS 1,902 million
  - The repayment of the ABO credit facility amounting to €65.6 million
  - The repayment of the Cabovisao facility amounting to €202,6 million
  - The repayment of the ONI facility amounting to €47,3 million
  - The conversion of some shareholder loans at the level of Altice VII

On February 29, 2012, the Company acquired 60% of the share capital of Cabovisao S.A. (“Cabovisao”). On April 23, 2013, the Company acquired the remaining 40% of the share capital of Cabovisao. The Company acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets

acquired and liabilities assumed of Cabovisao are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The Cabovisao historical income statement for the period from January 1, 2012 through February 27, 2012 has been included in unaudited pro forma income statement for the period ended December 31, 2012. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company's shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On December 12, 2012 and December 20, 2012, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of 7<sup>7</sup>/<sub>8</sub>% Senior Secured Notes for an aggregate principal of \$460 million maturing in 2019. Such liabilities are reflected in the historical statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 12, 2012 have been included in the unaudited pro forma income statement for the year ended December 31, 2012.

On December 27, 2012, the Company acquired an additional 34% of the share capital of Hot Telecommunications Limited ("HOT"), which resulted in the Company owning 100% of HOT's share capital. The assets acquired and liabilities assumed of HOT are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company's shareholding from 66% to 100% have been included in the unaudited pro forma income statement for the year ending on December 31, 2012 and the nine months ended September 30, 2012.

On December 12, 2012 and December 20, 2012, Altice Finco S.A., a direct subsidiary of the Company, proceeded with the issuance of 9<sup>7</sup>/<sub>8</sub>% Senior Notes for an aggregate principal of \$425 million maturing in 2020. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 20, 2012 have been included in the unaudited pro forma condensed combined income statement for the year ended December 31, 2012 and the nine months ended September 30, 2012.

On December 12, 2012 and December 20, 20, 2012, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of 8% Senior Secured Notes for an aggregate principal of €210 million maturing in 2019. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 31, 2012 have been included in the unaudited pro forma income statement for the year ended December 31, 2012 and the nine months ended September 30, 2012.

On December 27, 2012, HOT repaid its bank loans for an amount of NIS 1,902 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and December 27, 2012 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2012, respectively.

On December 27, 2012, Cool Holdings Limited, a subsidiary of the Company, repaid its credit facility for an amount of NIS 879 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and December 27, 2012 have been included in the unaudited pro forma condensed combined income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2012, respectively.

On June 14, 2013, Altice Finco S.A., a direct subsidiary of the Company; proceeded with the issuance of 9% Senior Secured Notes for an aggregate principal of €250 million maturing in 2023. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and June 14, 2013 have been included in the unaudited pro forma condensed combined income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR 795 million. As of September 30, 2013, an amount of €714.2 million has been drawn under this facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and June 24, 2013 have been included in the unaudited pro forma condensed combined income statements for the year and nine month period ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, Altice Holdings S.à. r.l., and indirect subsidiary of the Company purchased substantially all of the interests (other than €7 million that was prepaid by Coditel Holding S.A.) of the lenders under the Coditel Senior Facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, a subsidiary of the Company purchased all of the outstanding loans owed by Coditel Holding S.A. under its Senior Facility for an amount of €138 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202.6 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 4, 2013, the Company acquired 77% of the share capital of Outremer Telecom S.A. (“OMT”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated income statement of the Company since the date of acquisition, July 4, 2013. The OMT historical consolidated income statements for the period from January 1, 2012 through July 3, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On August 8, 2013, the Company acquired 100% of the share capital of Winreason S.A. (“ONI”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the historical consolidated statement of financial position as of September 30, 2013. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for ONI have been included in the consolidated income statement of the Company since the date of acquisition, August 8, 2013. The ONI historical consolidated income statements for the period from January 1, 2012 through August 7, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On August 8, 2013, ONI repaid its credit facility for an amount of €47.4 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and August 8, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On October 1, 2013, the Company acquired 100% of the share capital of Ma Chaîne Sport SAS (“MCS”). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of

acquisition. Given that such acquisitions have occurred after September 30, 2013, the assets acquired and liabilities assumed of MCS are not included in the historical statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The MCS historical income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On October 1, 2013, the Company acquired 100% of the share capital of Sportv S.A. (“Sportv”). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. Given that such acquisitions have occurred after September 30, 2013, the assets acquired and liabilities assumed of Sportv are not included in the historical statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The Sportv historical income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On November 29, 2013, the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. (“Coditel”) and repaid some Preferred Equity Certificates held by the non-controlling interests in this entity. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this contemplated transaction as if it had occurred on September 30, 2013. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company’s shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively and the unaudited pro forma consolidated statement of financial position as of September 30, 2013.

Other referenced divestitures as disclosed in “Presentation of Financial and Other Information” have not been reflected in the pro forma adjustments as they were not individually or in the aggregate deemed significant to Altice VII.

The unaudited Pre-Transaction Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of 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 Company. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The unaudited Pre-Transaction Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition or the ODO Acquisition.

The unaudited Pre-Transaction 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.

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2012, were prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”). The unaudited interim financial information of the Company as of and for the nine-month period ended September 30, 2013, were prepared in accordance with IAS 34—Interim Financial Reporting (“IAS 34”).

Intercompany transactions between the entities included in the unaudited Pre-Transaction Pro Forma Financial Information have not been excluded or eliminated from the unaudited Pre-Transaction Pro Forma Financial Information as the amounts were not considered material by the Board of Managers.

### **Historical financial statements**

The following represent the historical consolidated financial statements of Altice VII:

- (a) the unaudited condensed consolidated interim financial informations of Altice VII as of September 30, 2012 and 2013 and for each of the nine months ended September 30, 2012 and 2013, prepared in accordance with IAS 34; and
- (b) the audited consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012, prepared in accordance with the IFRS.

## Pro-forma adjustments

### (a) Obtention of control over Cabovisao

Altice VII obtained control of Cabovisao on February 29, 2012 further to a purchase of 60% of its shares. These pro-forma adjustments relate to the historical income statement of Cabovisao for the period from January 1, 2012 through February 29, 2012 derived from the unaudited special-purpose financial statements of Cabovisao prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

### (b) Purchase of Cabovisao non-controlling interests

On April 23, 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 105.0 million.

### (c) Acquisition of OMT Invest S.A.

Altice Blue Two SAS, an indirectly fully-owned subsidiary of Altice VII obtained control of OMT on July 4, 2013 pursuant to a purchase of 77% of its shares. These pro-forma adjustments relate to the historical income statement of OMT for the period from January 1, 2012 through July 4, 2013 derived from the audited and reviewed financial statements of OMT prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income.

### (d) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice VII obtained control of Winreason on August 8, 2013 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of ONI for the period from January 1, 2012 through August 8, 2013 derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

### (e) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice VII entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaîne Sport S.A.S.. The cash consideration for the acquisition on a cash free and debt free basis was EUR 17.9 million.

The unaudited pro forma financial information for Ma Chaîne Sport has been prepared based on the audited historical financial statements of Ma Chaîne Sport as of and for the year ended December 31, 2012 prepared in accordance with French GAAP after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial information for French GAAP as of and for the year ended December 31, 2012 to conform to the financial statement presentation of unaudited pro forma financial informations of the Altice VII Group.
- IFRS adjustments—the unaudited historical financial informations for Ma Chaîne Sport has been adjusted to give effect to significant differences between French GAAP and IFRS identified by management. This may not represent all impacts on the financial position or results of operations of Ma Chaîne Sport had it been reported on an IFRS basis since inception. IFRS differs in certain material respects from French GAAP as discussed below.

The measurement and recognition criteria of French GAAP do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaîne Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of 4.7 million EUR, in other operating expenses of 1.6 million EUR, on increase in depreciation and amortization of 6.1 million EUR for the year ended December 31, 2012, 2.9 million EUR, 1.1 million EUR and



3.9 million EUR for the period ended September 30, 2012 and 4.4 million EUR, 1.4 million EUR and 4.4 million EUR for the period ended September 30, 2013.

(f) Acquisition of Sportv

On October 1, 2013, Altice VII obtained control over Sportv S.A.. The cash consideration for the Acquisition on a cash free and debt free basis was EUR 12.0. On a pro forma basis, this debt has been eliminated on consolidation. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS.

(g) Acquisition of the non-controlling interests in Coditel

During the fourth quarter of 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. and refinanced some Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis is expected to be EUR 80.6 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 14.6 million as well as EUR 42.0 million impacting Other financial liabilities.

(h) Acquisition of the non-controlling interests in HOT

On December 27, 2012, Altice VII purchased the remaining 34% of the shares and voting rights of HOT. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 194.2 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 172.9 million

(i) Refinancing Transactions

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

(i) Issuance of Senior and Senior Secured Notes on December 27, 2012 and June 14, 2013

On December 12, 2012, December 20, 2012 and June 14, 2013, the Altice VII Group issued Senior and Senior Secured Notes for an amount of EUR 1,129.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the HOT bank loans on December 27, 2012 for an amount of NIS 1,902 million
- The repayment of the Cool Holdings facilities on December 27, 2012 for an amount of NIS 879 million
- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of EUR 202.6 million
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million

(ii) Use of Term Loan

On June 24, 2013, the Altice VII Group secured a senior secured credit facility of €795 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.4 million
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million

Proforma adjustments of €42.0 million, (€1.9 million), €30.7 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2012, the period ended September 30, 2013 and the period

ended September 30, 2012 respectively, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2012.

**Other Information**

Other referenced acquisitions and divestitures as disclosed in the “Presentation of Financial Information” have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to Altice VII.

The tax effect of the transaction adjustments in the unaudited pro forma financial information has been calculated on an aggregate basis using an assumed effective tax rate of 29% for the twelve and nine months ended December 31 and September 30 2012 and 29.22% for the nine months ended September 30, 2013 which is expected to be the combined effective tax rate of the Altice VII Group.

## Note 1. Revenue

	Israel TOTAL Jan 1, 2013 to Sep 30, 2013	BeLux TOTAL Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013
for the period September 30, 2013	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	527,0	45,7	83,4	—	—	83,4	18,7	15,0	30,0
Mobile services.....	142,4	,8	—	—	—	—	—	36,1	66,6
B2B Others .....	—	6,7	—	17,5	59,0	76,4	—	—	—
<b>TOTAL.....</b>	<b>669,4</b>	<b>53,1</b>	<b>83,4</b>	<b>17,5</b>	<b>59,0</b>	<b>159,8</b>	<b>18,7</b>	<b>51,1</b>	<b>96,5</b>

	Israel TOTAL Jan 1, 2012 to Sep 30, 2012	BeLux TOTAL Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	ONI Jan 1, 2012 to Sep 30, 2012	Portugal TOTAL Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012
for the period ended September 30, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	509,6	45,2	68,8	19,8	—	88,6	19,2	48,7
Mobile services.....	125,3	—	—	—	—	—	—	95,4
B2B Others .....	—	7,6	—	—	85,9	85,9	—	—
<b>TOTAL.....</b>	<b>634,9</b>	<b>52,8</b>	<b>68,8</b>	<b>19,8</b>	<b>85,9</b>	<b>174,6</b>	<b>19,2</b>	<b>144,1</b>

## Note 2. Purchases and subcontracting services

	Israel TOTAL Jan 1, 2013 to Sep 30, 2013	BeLux TOTAL Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013
for the period ended September 30, 2013	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services .....	101,6	7,2	26,2	—	—	26,2	2,6	5,0	9,6
Mobile services.....	82,8	,7	—	—	—	—	—	11,1	20,5
B2B Others .....	—	1,3	—	10,2	31,2	41,5	—	—	—
<b>TOTAL.....</b>	<b>184,4</b>	<b>9,1</b>	<b>26,2</b>	<b>10,2</b>	<b>31,2</b>	<b>67,7</b>	<b>2,6</b>	<b>16,1</b>	<b>30,1</b>

	Israel TOTAL Jan 1, 2012 to Sep 30, 2012	BeLux TOTAL Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	ONI Jan 1, 2012 to Sep 30, 2012	Portugal TOTAL Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012
<b>for the period ended September 30, 2012</b>								
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable.....	120,2	8,0	27,3	8,8	—	36,0	3,0	16,8
Mobile .....	43,1	—	—	—	—	—	—	28,9
B2B Other.....	—	,5	—	—	47,9	47,9	—	—
<b>TOTAL.....</b>	<b>163,3</b>	<b>8,5</b>	<b>27,3</b>	<b>8,8</b>	<b>47,9</b>	<b>84,0</b>	<b>3,0</b>	<b>45,7</b>

### Note 3. Gross Profit

	Israel TOTAL Jan 1, 2013 to Sep 30, 2013	BeLux TOTAL Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013
<b>for the period ended September 30, 2013</b>									
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable.....	425,4	38,5	57,3	—	—	57,3	16,1	10,0	20,4
Mobile .....	59,6	,1	—	—	—	—	—	25,0	46,1
B2B Other.....	—	5,4	—	7,2	27,7	35,1	—	—	—
<b>TOTAL.....</b>	<b>485,0</b>	<b>44,1</b>	<b>57,3</b>	<b>7,2</b>	<b>27,7</b>	<b>92,3</b>	<b>16,1</b>	<b>34,9</b>	<b>66,5</b>

	Israel TOTAL Jan 1, 2012 to Sep 30, 2012	BeLux TOTAL Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	ONI Jan 1, 2012 to Sep 30, 2012	Portugal TOTAL Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012
<b>for the period ended September 30, 2012</b>								
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable.....	389,4	37,2	41,6	11,0	—	52,6	16,2	31,9
Mobile .....	82,1	—	—	—	—	—	—	66,5
B2B Other.....	—	7,1	—	—	38,0	38,0	—	—
<b>TOTAL.....</b>	<b>471,5</b>	<b>44,3</b>	<b>41,6</b>	<b>11,0</b>	<b>38,0</b>	<b>90,6</b>	<b>16,2</b>	<b>98,4</b>

**Note 4. Other expenses**

	Israel TOTAL Jan 1, 2013 to Sep 30, 2013	BeLux TOTAL Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013
<b>For the period ended September 30, 2013</b>	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses.....	(157,9)	(2,7)	(14,8)	(3,4)	(11,2)	(29,5)	(2,3)	(10,1)	(19,8)
Other sales and marketing expenses .....	(36,4)	(1,2)	(5,5)	(,4)	(1,3)	(7,3)	(,9)	(3,0)	(7,3)
General and administrative expenses .....	(20,8)	(4,8)	(3,1)	(1,4)	(5,9)	(10,5)	(2,6)	(3,4)	(6,1)
<b>Total.....</b>	<b>(215,1)</b>	<b>(8,6)</b>	<b>(23,5)</b>	<b>(5,2)</b>	<b>(18,4)</b>	<b>(47,2)</b>	<b>(5,8)</b>	<b>(16,4)</b>	<b>(33,2)</b>

	Israel TOTAL Jan 1, 2012 to Sep 30, 2012	BeLux TOTAL Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	ONI Jan 1, 2012 to Sep 30, 2012	Portugal TOTAL Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012
<b>For the period ended September 30, 2012</b>	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses.....	(167,8)	(2,3)	(12,9)	(4,6)	(16,4)	(33,9)	(2,3)	(31,3)
Other sales and marketing expenses .....	(50,4)	(1,0)	(5,6)	(2,4)	(2,0)	(10,1)	(1,1)	(12,5)
General and administrative expenses .....	(24,2)	(5,7)	(3,2)	(1,4)	(10,1)	(14,7)	(2,7)	(7,9)
<b>Total.....</b>	<b>(242,3)</b>	<b>(9,0)</b>	<b>(21,8)</b>	<b>(8,4)</b>	<b>(28,5)</b>	<b>(58,7)</b>	<b>(6,2)</b>	<b>(51,6)</b>

**Note 5. Operating income before depreciation and amortization**

	Israel Jan 1, 2013 to Sep 30, 2013	BeLux Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013
<b>For the period ended September 30, 2013 .....</b>	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	269,9	35,4	33,7	2,0	9,2	45,1	10,3	18,5	33,2

	Israel Jan 1, 2012 to Sep 30, 2012	BeLux Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	Oni Jan 1, 2012 to Sep 30, 2012	Portugal TOTAL Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
For the period ended September 30, 2012 .....	229,2	35,3	19,8	2,6	9,5	31,9	10,0	46

#### Note 6. Capital expenditures

	For the nine months ended September 30, 2013							
	Israel TOTAL	Belgium and Luxembourg TOTAL	Cabovisao	Oni	Portugal TOTAL	OMT 9m	Le cable 9m	French Oversea Territori TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>For the period ended September 30, 2013</b>								
Cable based services .....	100.0	13.5	14.7	—	14.7	2.0	6.4	
Mobile services .....	36.0	1.2	—	—	—	8.9	—	
B2B and others .....	—	—	—	3.6	3.6	9.8	—	
<b>Total capital expenditures .....</b>	<b>136.0</b>	<b>14.7</b>	<b>14.7</b>	<b>3.6</b>	<b>18.3</b>	<b>20.7</b>	<b>6.4</b>	

	Capex for the nine months ended September 30, 2012							
	Israel TOTAL	Belgium and Luxembourg TOTAL	Cabovisao 2m	Cabovisao 7m	Oni	Portugal TOTAL	OMT 9m	Le cable 9m
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>For the period ended September 30, 2012</b>								
Cable based services .....	164.0	10.9	2.8	9.2	—	12.0	.6	
Mobile services .....	66.0	.7	—	—	—	—	7.9	
B2B and others .....	—	—	—	—	5.8	5.8	4.9	
<b>Total capital expenditures .....</b>	<b>230.0</b>	<b>11.6</b>	<b>2.8</b>	<b>9.2</b>	<b>5.8</b>	<b>17.8</b>	<b>13.4</b>	

## **POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

The following unaudited pro forma consolidated statements of income as of and for the year ended December 31, 2012 and as of and for the nine months ended September 30, 2013 and 2012 and the statement of financial position as of September 30, 2013 (the “Post-Transaction Pro Forma Financial Information”) present the pro forma financial statements of the Group, giving effect to each of the acquisitions and other transactions described in the basis of preparation below and the ODO Acquisition. The Post-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition and Tricom Acquisition and therefore does not include any financial information of the Mobius Group, Tricom. This financial information has not been audited or reviewed.

The Post-Transaction 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 Group would have obtained if the significant acquisitions and disposals described in the basis of preparation below occurred with effect from the dates indicated. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

The unaudited Post-Transaction Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Offering Memorandum. See “*Presentation of Financial and Other Information—Financial Data*”.

UNAUDITED POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF ALTICE V

PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012	Altice VII S.à r.l	Cabovisao 2m- 2012 (note a and b)	OMT 12m- 2012 (note c)	ONI 12m- 2012 (note d)	Ma Chaine Sport 12m- 2012 (note e)	SportV 12m- 2012 (note f)	Issuance of new debt (note j)	Obtention of RCFs (note j)	Buy-out of minority stakes (note b and g)	Impact of new debt offering (note g)
							(in € millions)			
<b>Revenue</b> .....	1,092.4	19.8	195.1	117.4	15.9	1.2	—	—	—	—
Purchases and subcontracting services ....	(302.1)	(8.8)	(63.9)	(66.8)	(7.3)	(.3)	—	—	—	—
<b>Gross Profit</b> .....	<b>790.3</b>	<b>11.0</b>	<b>131.2</b>	<b>50.6</b>	<b>8.6</b>	<b>1.0</b>	—	—	—	—
Other operating expenses .....	(248.9)	(4.6)	(41.2)	(21.1)	(2.8)	—	—	—	—	—
Other sales and marketing expenses .....	(80.1)	(2.4)	(17.0)	(2.6)	(.6)	(.1)	—	—	—	—
General and administrative expenses .....	(58.1)	(1.4)	(9.9)	(13.1)	(2.6)	(.1)	—	—	—	—
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>403.2</b>	<b>2.6</b>	<b>63.1</b>	<b>13.8</b>	<b>2.6</b>	<b>.8</b>	—	—	—	—
Depreciation and amortization .....	(266.3)	(.8)	(27.3)	(18.9)	(.1)	(.3)	—	—	—	—
Goodwill impairment .....	(121.9)	—	—	—	—	—	—	—	—	—
Management fees .....	(6.2)	—	—	—	(.7)	—	—	—	—	—
Other expenses net .....	(29.8)	(.3)	(1.2)	(3.8)	—	—	—	—	—	—
Reorganization and non-recurring costs .....	(20.8)	—	—	(.8)	—	—	—	—	—	—
<b>Operating Profit/(loss)</b> .....	<b>(41.8)</b>	<b>1.5</b>	<b>34.6</b>	<b>(9.7)</b>	<b>1.9</b>	<b>.5</b>	—	—	—	—
Financial income .....	30.5	—	.8	.1	—	—	—	—	—	—
Other financial expense .....	(204.7)	—	(5.2)	(9.5)	(.0)	—	(54.4)	(4.8)	—	(82.5)
<b>(Loss)/Profit before income tax expenses</b> .....	<b>(216.0)</b>	<b>1.5</b>	<b>30.1</b>	<b>(19.1)</b>	<b>1.8</b>	<b>.5</b>	<b>(54.4)</b>	<b>(4.8)</b>	—	<b>(82.5)</b>
Income tax expense .....	26.0	(.1)	(11.2)	(.4)	(.4)	(.1)	15.8	1.4	—	24.1
<b>(Loss)/Profit for the year</b> .....	<b>(190.0)</b>	<b>1.4</b>	<b>18.9</b>	<b>(19.6)</b>	<b>1.4</b>	<b>.4</b>	<b>(38.6)</b>	<b>(3.4)</b>	—	<b>(58.4)</b>
Attributable to owners of the entity .....	(148.9)	1.4	14.6	(19.6)	1.4	.4	(38.6)	(3.4)	(37.6)	(43.8)
Attributable to non-controlling interests .....	(40.9)	—	4.3	—	—	—	—	—	37.6	(14.6)



**PRO FORMA INCOME STATEMENT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

<b>For the nine months ended September 30, 2013</b>	<b>Alice VII S.à r.l</b>	<b>OMT 6m- 2013 (note c)</b>	<b>ONI 7m- 2013 (note d)</b>	<b>Ma Chaine Sport 9m- 2013 (note e)</b>	<b>SportV 9m- 2013 (note f)</b>	<b>Issuance of new debt (note j)</b>	<b>Obtention of RCFs (note j)</b>	<b>Buy-out of minority stakes (note g)</b>	<b>Impact of new debt offering (note g)</b>
	(in € millions)								
<b>Revenue</b> .....	<b>928.4</b>	<b>96.5</b>	<b>59.0</b>	<b>13.8</b>	<b>4.5</b>	—	—	—	—
Purchases and subcontracting services .....	(262.2)	(30.1)	(31.2)	(7.7)	(1.1)	—	—	—	—
<b>Gross Profit</b> .....	<b>666.2</b>	<b>66.4</b>	<b>27.7</b>	<b>6.1</b>	<b>3.4</b>	—	—	—	—
Other operating expenses .....	(192.3)	(19.8)	(11.2)	(2.3)	—	—	—	—	—
Other sales and marketing expenses .....	(53.3)	(7.3)	(1.3)	(.2)	(.2)	—	—	—	—
General and administrative expenses .....	(43.6)	(6.1)	(5.9)	(2.0)	(.1)	—	—	—	—
<b>Operating income before depreciation &amp; amortisation</b> .....	<b>377.0</b>	<b>33.2</b>	<b>9.2</b>	<b>1.6</b>	<b>3.0</b>	—	—	—	—
Depreciation and amortization .....	(277.6)	(11.4)	(9.9)	(.3)	(1.1)	—	—	—	—
Management fees .....	(.7)	(.4)	—	(.5)	—	—	—	—	—
Other expenses net .....	(8.9)	(2.0)	(1.7)	—	—	—	—	—	—
Reorganization and non-recurring costs .....	(3.4)	—	(.5)	—	—	—	—	—	—
<b>Operating Profit/(loss)</b> .....	<b>86.4</b>	<b>19.4</b>	<b>(2.8)</b>	<b>.8</b>	<b>1.9</b>	—	—	—	—
Financial income .....	36.2	.2	.0	.0	—	—	—	—	—
Finance costs .....	(184.3)	(2.2)	(5.7)	(.0)	—	6.3	(3.6)	—	(61.9)
<b>(Loss)/Profit before income tax expenses</b> .....	<b>(61.7)</b>	<b>17.4</b>	<b>(8.5)</b>	<b>.8</b>	<b>1.9</b>	<b>6.3</b>	<b>(3.6)</b>	—	<b>(61.9)</b>
Income tax expense .....	(27.5)	(6.5)	(.3)	(.3)	—	(1.9)	1.1	—	18.1
<b>(Loss)/Profit for the period</b> .....	<b>(89.2)</b>	<b>10.9</b>	<b>(8.8)</b>	<b>.5</b>	<b>1.9</b>	<b>4.5</b>	<b>(2.6)</b>	—	<b>(43.8)</b>
Attributable to owners of the entity .....	(83.1)	8.4	(8.8)	.5	1.9	4.5	(2.6)	(4.8)	(32.8)
Attributable to non-controlling interests .....	(6.0)	2.5	—	—	—	—	—	4.8	(10.9)

PRO FORMA INCOME STATEMENT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

For the nine months ended September 30, 2012	Altice VII S.à r.l	Cabovisao 2m- 2012 (note a and b)	OMT 9m- 2012 (note c)	ONI 9m- 2012 (note d)	Ma Chainé Sport 9m- 2012 (note e)	Issuance of new debt (note j)	Obtention of RCFs (note j)	Buy-out of minority stakes (note g, h and b)	In o of (r
						(in € millions)			
Revenue .....	813.0	19.8	144.1	85.9	13.3	—	—	—	—
Purchases and subcontracting services .....	(216.6)	(8.8)	(45.7)	(47.9)	(5.5)	—	—	—	—
<b>Gross Profit .....</b>	<b>596.4</b>	<b>11.0</b>	<b>98.4</b>	<b>38.0</b>	<b>7.8</b>	—	—	—	—
Other operating expenses .....	(189.1)	(4.6)	(31.3)	(16.4)	(1.9)	—	—	—	—
Other sales and marketing expenses .....	(60.8)	(2.4)	(12.5)	(2.0)	(.3)	—	—	—	—
General and administrative expenses .....	(41.8)	(1.4)	(7.9)	(10.1)	(1.7)	—	—	—	—
<b>Operating income before depreciation &amp; amortisation .....</b>	<b>304.7</b>	<b>2.6</b>	<b>46.8</b>	<b>9.5</b>	<b>3.9</b>	—	—	—	—
Depreciation and amortization .....	(290.9)	(.8)	(19.5)	(14.5)	.0	—	—	—	—
Management fees .....	(2.6)	—	—	—	(.6)	—	—	—	—
Other expenses net .....	(14.4)	(.3)	(2.1)	(2.9)	—	—	—	—	—
Reorganization and non-recurring costs .....	(8.4)	—	—	(.6)	(.0)	—	—	—	—
<b>Operating Profit/(loss) .....</b>	<b>(11.6)</b>	<b>1.5</b>	<b>25.2</b>	<b>(8.4)</b>	<b>3.3</b>	—	—	—	—
Financial income .....	4.3	—	.2	—	—	—	—	—	—
Finance costs .....	(114.4)	—	(3.4)	(7.6)	—	(39.6)	(3.6)	—	—
<b>(Loss)/Profit before income tax expenses .....</b>	<b>(121.7)</b>	<b>1.5</b>	<b>21.9</b>	<b>(16.1)</b>	<b>3.3</b>	<b>(39.6)</b>	<b>(3.6)</b>	—	—
Income tax expense .....	(1.0)	—	(8.2)	(.4)	—	11.5	1.0	—	—
<b>(Loss)/Profit for the period .....</b>	<b>(122.7)</b>	<b>1.5</b>	<b>13.7</b>	<b>(16.5)</b>	<b>3.3</b>	<b>(28.1)</b>	<b>(2.6)</b>	—	—
Attributable to owners of the entity .....	(92.4)	1.5	10.6	(16.5)	3.3	(28.1)	(2.6)	(28.3)	—
Attributable to non-controlling interests .....	(30.3)	—	3.1	—	—	—	—	28.3	—

PRO FORMA STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2013

Altice VII S.à r.l.  
Pro-forma statement of financial position

For the nine months ended September 30 2013	Altice VII S.à r.l	NCS (note e)	SportV (note f)	Acquisition of Coditel Non cost utility interests (note g)	Acquisition of Orange Dominicana (note i)	Impact of the debt offering (note j)	Total Pro-forma
	(In € millions)						
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents .....	61.9	.3	1.7	—	21.2	—	85.1
Trade & other receivables.....	279.7	6.5	2.5	—	85.8	—	374.6
Inventories .....	11.1	—	—	—	13.3	—	24.4
Current tax assets.....	10.8	—	—	—	—	—	10.8
<b>Total current assets.....</b>	<b>363.5</b>	<b>6.8</b>	<b>4.2</b>	<b>—</b>	<b>120.4</b>	<b>—</b>	<b>494.9</b>
<b>Non-current assets</b>							
Restricted cash.....	10.2	—	—	—	—	—	10.2
Deferred tax assets.....	38.9	—	.1	—	30.0	—	68.9
Investments in financial assets held as available for sale.....	39.2	—	—	—	—	—	39.2
Trade & other receivables.....	37.8	—	—	—	1.0	—	38.8
Property, Plant & Equipment.....	1,141.2	.9	—	—	241.0	—	1,383.2
Other Intangible assets.....	555.1	1.2	.2	—	37.0	—	593.4
Goodwill .....	1,126.7	—	—	—	—	715.6	1,842.3
<b>Total non-current assets.....</b>	<b>2,949.1</b>	<b>2.1</b>	<b>.3</b>	<b>—</b>	<b>309.0</b>	<b>715.6</b>	<b>3,976.0</b>
<b>Total assets .....</b>	<b>3,312.6</b>	<b>8.9</b>	<b>4.5</b>	<b>—</b>	<b>429.3</b>	<b>715.6</b>	<b>4,471.0</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Current liabilities</b>							
Borrowings from banking corporations and debentures.....	47.6	—	.1	—	—	—	47.7
Trade and other payables .....	482.6	6.7	1.9	—	105.0	—	596.0
Current loans from related parties.....	5.7	—	—	—	—	—	5.7
Current tax liabilities .....	19.9	—	.1	—	4.8	—	24.8
Provisions .....	2.2	—	—	—	—	—	2.2
<b>Total current liabilities.....</b>	<b>558.0</b>	<b>6.7</b>	<b>2.2</b>	<b>—</b>	<b>109.8</b>	<b>—</b>	<b>676.5</b>
<b>Non-current liabilities</b>							
Borrowings from banking corporations and debentures.....	2,232.0	—	—	80.6	—	1,100.0	3,412.6
Non-current loans from related parties.....	101.2	—	—	—	—	—	101.2
Other financial liabilities .....	203.8	—	—	(42.0)	—	—	161.8
Provisions .....	27.2	—	—	—	8.2	—	35.4
Other non-current liabilities.....	49.8	—	—	—	3.8	—	53.6
Retirement benefit obligations.....	9.0	—	—	—	—	—	9.0
Deferred tax liabilities .....	219.6	—	—	—	—	—	219.6
<b>Total non-current liabilities.....</b>	<b>2,842.6</b>	<b>—</b>	<b>—</b>	<b>38.6</b>	<b>12.0</b>	<b>—</b>	<b>3,993.1</b>
<b>Equity</b>							
Issued capital .....	7.4	—	—	—	102.9	(102.9)	7.4
Share premium.....	5.4	—	—	—	—	—	5.4
Other reserves .....	(3.5)	—	—	(38.6)	40.1	(40.1)	(42.1)
(Accumulated losses)/retained earnings .....	(4.4)	.7	2.3	(9.7)	112.5	(112.5)	(11.1)
Profit/(Loss) for the period .....	(83.1)	1.5	—	(4.8)	52.0	(52.0)	(86.4)
<b>Equity attributable to shareholders of the parent.....</b>	<b>(78.2)</b>	<b>2.2</b>	<b>2.4</b>	<b>(53.1)</b>	<b>307.5</b>	<b>(307.5)</b>	<b>(126.7)</b>
<b>Non-controlling interests.....</b>	<b>(9.8)</b>	<b>—</b>	<b>—</b>	<b>14.6</b>	<b>—</b>	<b>(76.9)</b>	<b>(72.1)</b>
<b>Total equity .....</b>	<b>(88.0)</b>	<b>2.2</b>	<b>2.4</b>	<b>(38.6)</b>	<b>307.5</b>	<b>(384.4)</b>	<b>(198.8)</b>
<b>Total equity and liabilities.....</b>	<b>3,312.6</b>	<b>8.9</b>	<b>4.5</b>	<b>—</b>	<b>429.3</b>	<b>715.6</b>	<b>4,471.0</b>

## NOTES TO UNAUDITED POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION

### Basis of preparation

The accompanying unaudited pro forma statements of income for the year ended December 31, 2012 and the nine month periods ended September 30, 2013 and 2012 and the accompanying unaudited pro forma statement of financial position as of September 30, 2013 (the “Post-Transaction Pro Forma Financial Information”) of Altice VII (the “Company”) have been prepared to give effect to the following transactions as if they occurred on January 1, 2012 for the purposes of the unaudited pro forma income statements and, if applicable, on September 30, 2013 for the purposes of the unaudited pro forma statement of financial position:

- The acquisition by Altice VII of:
  - 77% of the share capital of OMT Invest S.A.S.,
  - 100% of the share capital of Cabovisao S.A. in two tranches of 60% and 40% respectively, and
  - 100% of the share capital of Winreason S.A.
  - A supplementary 34% of the share capital of Hot Telecommunications Limited
  - 100% of the share capital of Sportv S.A.
  - 100% of the share capital of Ma Chaîne Sport S.A.S.
  - 75% of the share capital of Orange Dominicana S.A.
- The planned acquisition by Altice VII of:
  - A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.
- The following Refinancing Transactions
  - The issuance by subsidiaries of the Company of:
    - 9% €250 million Senior Notes falling due in 2023,
    - 8% €210 million Senior Secured Notes falling due in 2019,
    - 9<sup>7</sup>/<sub>8</sub>% \$425 million Senior Notes falling due in 2020, and
    - 7<sup>7</sup>/<sub>8</sub>% \$460 million Senior Secured Notes due in 2019.
  - The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR795 million
  - The repayment of the Coditel Senior Facility amounting to €138 million
  - The repayment of the Cool loan amounting to NIS 879 million
  - The repayment of the HOT bank facility amounting to NIS 1,902 million
  - The repayment of the ABO credit facility amounting to €65.6 million
  - The repayment of the Cabovisao facility amounting to €202,6 million
  - The repayment of the ONI facility amounting to € 47,3 million
  - The conversion of some shareholder loans at the level of Altice VII
  - The effect of the issuance of the New Notes contemplated in this Offering Memorandum

On February 29, 2012, the Company acquired 60% of the share capital of Cabovisao S.A. (“Cabovisao”). On April 23, 2013, the Company acquired the remaining 40% of the share capital of Cabovisao. The Company acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of Cabovisao are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The Cabovisao historical income statement for the period from January 1, 2012 through February 29, 2012 has been included in unaudited pro forma income statement for the period ended December 31, 2012. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company’s shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On December 12, 2012 and December 20, 2012, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of 7<sup>7</sup>/<sub>8</sub>% Senior Secured Notes for an aggregate principal of \$460 million maturing in 2019. Such liabilities are reflected in the historical statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 12, 2012 have been included in the unaudited pro forma income statement for the year ended December 31, 2012.

On December 27, 2012, the Company acquired an additional 34% of the share capital of Hot Telecommunications Limited (“HOT”), which resulted in the Company owning 100% of HOT’s share capital. The assets acquired and liabilities assumed of HOT are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company’s shareholding from 66% to 100% have been included in the unaudited pro forma income statement for the year ending on December 31, 2012.

On December 12, 2012 and December 20, 2012, Altice Finco S.A., a direct subsidiary of the Company, proceeded with the issuance of 9<sup>7</sup>/<sub>8</sub>% Senior Notes for an aggregate principal of \$425 million maturing in 2020. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 20, 2012 have been included in the unaudited pro forma condensed combined income statement for the year ended December 31, 2012.

On December 12, 2012 and December 20, 20, 2012, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of 8% Senior Secured Notes for an aggregate principal of € 210 million maturing in 2019. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 31, 2012 have been included in the unaudited pro forma income statement for the year ended December 31, 2012.

On December 27, 2012, HOT repaid its bank loans for an amount of NIS 1,902 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and December 27, 2012 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012.

On December 27, 2012, Cool Holdings Limited, a subsidiary of the Company, repaid its credit facility for an amount of NIS 879 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and December 27, 2012 have been included in the unaudited pro forma condensed combined income statements for the year and nine month periods ending on December 31, 2012.

On June 14, 2013, Altice Finco S.A., a direct subsidiary of the Company; proceeded with the issuance of 9% Senior Secured Notes for an aggregate principal of €250 million maturing in 2023. Such liabilities are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to

result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and June 14, 2013 have been included in the unaudited pro forma condensed combined income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR795 million. As of September 30, 2013, an amount of €714.2 million has been drawn under this facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and June 24, 2013 have been included in the unaudited pro forma condensed combined income statements for the year and nine month period ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, Altice Holdings S.à. r.l., and indirect subsidiary of the Company purchased substantially all of the interests (other than € 7 million that was prepaid by Coditel Holding S.A.) of the lenders under the Coditel Senior Facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, a subsidiary of the Company purchased all of the outstanding loans owed by Coditel Holding S.A. under its Senior Facility for an amount of €138 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202,6 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 2, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On July 4, 2013, the Company acquired 77% of the share capital of Outremer Telecom S.A. (“OMT”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated income statement of the Company since the date of acquisition, July 4, 2013. The OMT historical consolidated income statements for the period from January 1, 2012 through July 3, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On August 8, 2013, the Company acquired 100% of the share capital of Winreason S.A. (“ONI”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the historical consolidated statement of financial position as of September 30, 2013. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for ONI have been included in the consolidated income statement of the Company since the date of acquisition, August 8, 2013. The ONI historical consolidated income statements for the period from January 1, 2012 through August 7, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On August 8, 2013, ONI repaid its credit facility for an amount of €47,4 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between

January 1, 2012 and August 8, 2013 have been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On October 1, 2013, the Company acquired 100% of the share capital of Ma Chaîne Sport SAS (“MCS”). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. Given that such acquisitions have occurred after September 30, 2013, the assets acquired and liabilities assumed of MCS are not included in the historical statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The MCS consolidated income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On October 1, 2013, the Company acquired 100% of the share capital of Sportv S.A. (“Sportv”). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. Given that such acquisitions have occurred after September 30, 2013, the assets acquired and liabilities assumed of Sportv are not included in the historical consolidated statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The Sportv historical consolidated income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

On November 29, 2013, the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. (“Coditel”) and repaid some Preferred Equity Certificates held by the non-controlling interests in this entity. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this contemplated transaction as if it had occurred on September 30, 2013. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company’s shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively and the unaudited pro forma consolidated statement of financial position as of September 30, 2013.

The Company contemplates acquiring 75% of the share capital of Orange Dominicana S.A. (“ODO”). The excess of the purchase price over the historical book value of the minority interest will be recorded as goodwill. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Company to acquire Orange Dominicana. Given that such acquisitions have occurred after September 30, 2013, the assets acquired and liabilities assumed of ODO are not included in the historical consolidated statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The ODO historical consolidated income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year and nine month periods ending on December 31, 2012 and September 30, 2013 and 2012, respectively.

Other referenced divestitures as disclosed in “Presentation of Financial and Other Information” have not been reflected in the pro forma adjustments as they were not individually or in the aggregate deemed significant to Altice VII.

The unaudited Post-Transaction Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of 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 Company. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The unaudited Post-Transaction Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition nor does it purport to indicate any entries to harmonize the accounting policies between Orange Dominicana and the Altice VII group.

The unaudited Post-Transaction 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.

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2012, were prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

The unaudited interim financial information of the Company as of and for the nine-month period ended September 30, 2013, were prepared in accordance with IAS 34—Interim Financial Reporting (“IAS 34”).

Intercompany transactions between the entities included in the unaudited Post-Transaction Pro Forma Financial Information have not been excluded or eliminated from the unaudited Post-Transaction Pro Forma Financial Information as the amounts were not considered material by the Board of Managers.

### **Historical financial statements**

The following represent the historical consolidated financial statements of Altice VII:

- (a) the unaudited condensed consolidated interim financial information of Altice VII as of September 30, 2013 and for each of the nine months ended September 30, 2013, prepared in accordance with IAS 34; and
- (b) the audited consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012, prepared in accordance with the IFRS.

### **Pro-forma adjustments**

- (a) Obtention of control over Cabovisao

Altice VII obtained control of Cabovisao on February 29, 2012 further to a purchase of 60% of its shares. These pro-forma adjustments relate to the historical income statement of Cabovisao for the period from January 1, 2012 through February 29, 2012 derived from the unaudited special-purpose financial statements of Cabovisao prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

- (b) Purchase of Cabovisao non-controlling interests

On April 23, 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 105.0 million.

- (c) Acquisition of OMT Invest S.A.

Altice Blue Two SAS, an indirectly fully-owned subsidiary of Altice VII obtained control of OMT on July 4, 2013 pursuant to a purchase of 77% of its shares. These pro-forma adjustments relate to the historical income statement of OMT for the period from January 1, 2012 through July 4, 2013 derived from the audited and reviewed financial statements of OMT prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income.

- (d) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice VII obtained control of Winreason on August 8, 2013 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of ONI for the period from January 1, 2012 through August 8, 2013 derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

- (e) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice VII entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaîne Sport S.A.S.. The cash consideration for the acquisition on a cash free and debt free basis was EUR 17.9 million.

The unaudited pro forma financial information for Ma Chaîne Sport has been prepared based on the audited historical financial statements of Ma Chaîne Sport as of and for the year ended December 31, 2012 prepared in accordance with French GAAP after giving effect to the following adjustments:



- Reclassification adjustments—certain reclassification adjustments have been made to the audited consolidated financial information for French GAAP as of and for the year ended December 31, 2012 to conform to the financial statement presentation of unaudited pro forma financial information of the Altice VII Group.
- IFRS adjustments—the unaudited historical financial information for Ma Chaine Sport has been adjusted to give effect to significant differences between French GAAP and IFRS identified by management. This may not represent all impacts on the financial position or results of operations of Ma Chaine Sport had it been reported on an IFRS basis since inception. IFRS differs in certain material respects from French GAAP as discussed below.

The measurement and recognition criteria of French GAAP do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of 4.7 million EUR, in other operating expenses of 1.6 million EUR increase in depreciation and amortization of 6.1 million EUR for the year ended December 31, 2012 2.9 million EUR, 1.1 million EUR and 3.9 million EUR for the period ended September 30, 2012 and 4.1 million EUR, 1.4 million EUR and 4.4 million EUR for the period ended September 30, 2013.

(f) Acquisition of Sportv

On October 1, 2013, Altice VII obtained control over Sportv S.A.. The cash consideration for the Acquisition on a cash free and debt free basis was EUR 12.0 On a pro forma basis, this debt has been eliminated on consolidation. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS.

(g) Acquisition of the non-controlling interests in Coditel

During the fourth quarter of 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. and refinanced some Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis is expected to be EUR 80.6 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 14.6 million as well as EUR 42.0 million impacting Other financial liabilities.

(h) Acquisition of the non-controlling interests in HOT

On December 27, 2012, Altice VII purchased the remaining 34% of the shares and voting rights of HOT. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 194.2 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 172.9 million.

(i) Acquisition of Orange Dominicana S.A.

During the first quarter of 2014, Altice VII is expected to finalize the purchase 75% of the shares and voting rights of Orange Dominicana S.A. The cash consideration for the Acquisition on a cash-free and debt-free basis is expected to be EUR 1,100 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of ODO prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma condensed combined income.

The unaudited pro forma financial information for ODO has been prepared based on the audited historical financial statements of ODO as of and for the year ended December 31, 2012 prepared in accordance with IFRS and unaudited interim financial information of ODO as of and for the period ended September 30, 2013 after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial information for IFRS as of and for the year ended December 31, 2012 and as of and for the period ended September 30, 2013 to conform to the financial information presentation of unaudited pro forma financial statements of the Altice VII Group.
- The ODO Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. Goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €715.6 million. This unaudited pro forma financial information has been prepared based on preliminary estimates of fair values. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

(j) Refinancing Transactions

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

(i) Issuance of Senior and Senior Secured Notes on December 27, 2012 and June 14, 2013

On December 12, 2012, December 20, 2012 and June 14, 2013, the Altice VII Group issued Senior and Senior Secured Notes for an amount of EUR 1,129.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the HOT bank loans on December 27, 2012 for an amount of NIS 1,902 million
- The repayment of the Cool Holdings facilities on December 27, 2012 for an amount of NIS 879 million
- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of €202.6 million
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million

(ii) Use of Term Loan

On June 24, 2013, the Altice VII Group secured a senior secured credit facility of €795 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.4 million
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million

Proforma adjustments of €42.0 million, (€1.9 million), €30.7 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2012, the period ended September 30, 2013 and for the period ended September 30, 2012 respectively, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2012.

(iii) Use of Proceeds and finance costs from the issuance of the New Senior Notes and the New Senior Secured Notes contemplated in this Offering Memorandum.

In December 2013, the Altice VII Group will issue New Senior Notes and the New Senior Secured Notes for an approximate amount of €1,100.0 million, the proceeds from which will be used to complete the Orange Dominicana acquisition.

Proforma adjustments of €58.4 million, €43.8 million and €43.8 million were recorded for the year ended December 31, 2012 and nine months ended 30 September, 2013 and 2012 respectively, inclusive of income-tax impacts to reflect the impact of this New Notes issuance. The actual interest of the New Notes shall only be known at pricing and may vary significantly to the pro forma interest rate utilized for the purposes of this exercise.

## **Other Information**

Other referenced acquisitions and divestitures as disclosed in the “Presentation of Financial Information” have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to Altice VII.

The tax effect of the transaction adjustments in the unaudited pro forma financial information has been calculated on an aggregate basis using an assumed effective tax rate of 29% for the twelve and nine months ended December 31, and September 30, 2012 and 29.22% for the nine months ended September 30, 2013 which is expected to be the combined effective tax rate of the Altice VII Group.

## **Post Transactions**

Translation of historical financial information denominated in currencies other than Euro.

The historical financial statements of ODO, from which amounts have been derived in preparing the Post Transaction Pro Forma Financial Information for the year ended December 31, 2012, the period ended September 30, 2012 and as of and for the period ended September 30, 2013, have been shown up in Dominican Pesos (“DOP”). The amounts have been translated into Euro (“EUR”), for the purposes of their inclusion within the Post Transaction Pro Forma Financial Information, using the following notes

- As of September 30, 2013: DOP1.00 = €0.0177
- Period ended September 30, 2012 DOP1.00 = €0.0202
- Period ended December 31, 2012 DOP1.00 = €0.024
- Period ended September 30, 2013 DOP1.00 = €0.0186

## 1. Revenue

	Israel TOTAL Jan 1, 2013 to Sep 30, 2013	BeLux TOTAL Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territor TOTAL Jan 1, 2013 to Sep 30, 2013
For the period September 30, 2013	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>TOTAL</b> .....	669.4	53.2	83.4	17.5	59.0	159.8	18.7	51.1	96.5	16

	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories
For the year ended December 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
<b>Total</b> .....	EUR 850.4	EUR 71.3	EUR 117.4	EUR 19.8	EUR 98.2	EUR 235.4	EUR 24.4	EUR 195.1	EUR 219.6

	Israel TOTAL Jan 1, 2012 to Sep 30, 2012	BeLux TOTAL Jan 1, 2012 to Sep 30, 2012	Cabovisao Mar 1, 2012 to Sep 30, 2012	Cabovisao Jan 1, 2012 to Feb 29, 2012	ONI Jan 1, 2012 to Sep 30, 2012	Portugal Jan 1, 2012 to Sep 30, 2012	Le Cable Jan 1, 2012 to Sep 30, 2012	OMT Jan 1, 2012 to Sep 30, 2012	French Overseas Territories TOTAL Jan 1, 2012 to Sep 30, 2012	Other Jan 1, to Sep 30
For the period ended September 30, 2012	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>TOTAL</b> .....	634.9	52.8	68.8	19.8	85.9	174.6	19.2	144.1	163.3	EU

2. Operating profit before depreciation and amortization

	Israel Jan 1, 2013 to Sep 30, 2013 EUR	BeLux Jan 1, 2013 to Sep 30, 2013 EUR	Cabovisao Jan 1, 2013 to Sep 30, 2013 EUR	ONI Aug 1 2013 to Sep 30, 2013 EUR	ONI Jan 1, 2013 to July 30, 2013 EUR	Portugal TOTAL Jan 1, 2013 to Sep 30, 2013 EUR	Le Cable Jan 1, 2013 to Sep 30, 2013 EUR	OMT July 1, 2013 to Sep 30, 2013 EUR	OMT Jan 1, 2013 to Jun 30, 2013 EUR	French Overseas Territories Jan 1, 2013 to Sep 30, 2013 EUR
<b>For the period ended September 30, 2013.....</b>	269.9	35.4	33.7	2.0	9.2	45.1	10.3	18.5	33.2	62.0
	<b>Total Israel Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>Total BeLux Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>Oni Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>Cabovisao S.A. Jan 1, 2012 to Feb 29, 2012 EUR</b>	<b>Cabovisao S.A. Mar 1, 2012 to Dec 31, 2012 EUR</b>	<b>Total Portugal Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>French Overseas Territories (Altice VII) Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>OMT Jan 1, 2012 to Dec 31, 2012 EUR</b>	<b>Total French Overseas Territories Jan 1, 2012 to Dec 31, 2012 EUR</b>	
<b>For the year ended December 31, 2012....</b>	305.2	45.6	13.8	2.6	31.6	48.0	12.1	63.1	75.1	
	<b>Total Israel Jan 1, 2012 to Sep 30, 2012 EUR</b>	<b>Total BeLux Jan 1, 2012 to Sep 30, 2012 EUREUR</b>	<b>Cabovisao Mar 1, 2012 to Sep 30, 2012 EUR</b>	<b>Cabovisao Jan 1, 2012 to Feb 29, 2012 EUR</b>	<b>ONI Jan 1, 2012 to Sep 30, 2012 EUR</b>	<b>Portugal TOTAL Jan 1, 2012 to Sep 30, 2012 EUR</b>	<b>Le Cable Jan 1, 2012 to Sep 30, 2012 EUR</b>	<b>OMT Jan 1, 2012 to Sep 30, 2012 EUR</b>	<b>French Overseas Territories TOTAL Jan 1, 2012 to Sep 30, 2012 EUR</b>	
<b>For the period ended September 30, 2012 .....</b>	229.2	35.3	19.8	2.6	9.5	31.9	10.0	46.8	56.9	

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

*The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the Historical Consolidated Financial Information, with the Pre-Transaction Pro Forma Financial Information (without giving effect to the the Mobius Acquisition, Tricom Acquisition and the ODO Acquisition) and the Illustrative Aggregated Selected Financial Information, including the accompanying notes, included elsewhere in this Offering Memorandum. 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 a prospective purchase of the New Notes.*

### **Basis of Presentation**

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited historical consolidated financial statements of Altice VII as of and for the years ending December 31, 2011 and 2012 (including comparative numbers as of and for the year ended December 31, 2010) and the unaudited condensed consolidated financial statements of Altice VII as of and for the nine months ended September 30, 2012 and 2013 (the "Historical Consolidated Financial Information").

Altice VII the holding company of the Group 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 a summary of key investments and disposals made by Altice VII since 2010, which have had a significant impact on the historical consolidated financial information of Altice VII used to prepare the Historical Consolidated Financial Information.

In the year ended December 31, 2010, Altice VII's most significant assets consisted of its ownership of (i) equity interests in HOT- Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT-Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical consolidated financial statements of Altice VII as of and for the year ended December 31, 2010 using the equity method); (ii) 100% of the equity interests in MIRS Communications Ltd., an Israeli mobile services provider that was subsequently renamed HOT Mobile Ltd.; (iii) substantially all of the equity interests in Martinique TV Câble S.A. ("Le Cable Martinique") a company with cable television operations in Martinique; (iv) substantially all of the equity interests in World Satellite Guadeloupe S.A. ("Le Cable Guadeloupe"), a company with cable television operations in Guadeloupe; (v) substantially all of the equity interests in green.ch AG ("Green"), a company providing B2B and B2C telecommunications solutions in Switzerland; (vi) substantially all of the equity interests in Green Datacenter AG ("Green Datacenter"), a company providing datacenter services in Switzerland; (vii) substantially all of the equity interests in Auberimmo S.A.S. ("Auberimmo"), a company providing datacenter services in Paris, France; and (viii) substantially all of the equity interests in Valvision S.A.S. ("Valvision"), a company with cable television operations in certain parts of France.

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

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

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

As a result of the series of significant acquisitions that have been consummated by Altice VII since 2010 and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Offering Memorandum for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group’s results of operations, this discussion and analysis is being supplemented by: (i) financial information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition as if such acquisitions had occurred by January 1, 2012) as of and for the year ending December 31, 2012 and as of and for the nine months ended September 30, 2012 and 2013 (the “Pre-Transaction Pro Forma Financial Information”) and (ii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (the “Illustrative Aggregated Selected Financial Information”). For further details regarding the basis of preparation of the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, please see the basis of preparation to the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information respectively, included elsewhere in this Offering Memorandum. The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, the Tricom Acquisition or the ODO Acquisition and therefore does not include any financial information of Mobius, Tricom or ODO. The Pre-Transaction Pro Forma Financial Information includes the results of operations of Valvision even though the Group disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA. In the nine months ended September 30, 2012 and 2013, respectively, Valvision contributed €1.9 million and € 1.3 million to pro forma revenues and €0.7 million and € 0.5 million to pro forma EBITDA. The Pre-Transaction Pro Forma Financial Information also include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII but which have been designated as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.5 million and € 9.0 million million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.7 million and €0.5 million to aggregated revenue and €0.7 million and €0.5 million to aggregated EBITDA.

As we have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in our consolidated income statements despite the fact that third parties own significant interests in these entities. The non-controlling owners’ interests in the operating results of Coditel Holding and Outremer in the Historical Consolidated Financial Information and the Pre-Transaction Pro Forma Financial Information are reflected in the line item “profit or loss attributable to non-controlling interests” in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item “operating income before depreciation and amortization”, or EBITDA, the non-controlling interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non- controlling interests may be significant and amounted to €1.3 million and €1.0 million attributable to non-controlling interests in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. For more information regarding the financial information of the Group presented in this Offering Memorandum including certain limitations to the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Altice VII Pro Forma Financial Information, please see “*Presentation of Financial and Other Information*”. The Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information have not been prepared in accordance with IFRS and are unaudited.

*In this section, we use “pro forma basis” and “aggregated basis” or similar terms to describe financial information derived from the Pre- Transaction Pro Forma Financial Information or the Illustrative Aggregated Selective Information*

as the case may be, and when used in this section (“Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group”), the terms “we”, “our”, “Alice VII”, “Company”, “us” or the “Group” refer to the business constituting the Group as of the date of the Offering Memorandum even though we may not have owned such business for the entire duration of the periods presented.

### **Key Factors Affecting Our Business**

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, network upgrades, including the roll-out of our UMTS network in Israel, competition, acquisitions and integration of acquired businesses, macro economic and political risks in the areas where we operate, pricing, our cost structure, churn and the introduction of new products and services, including multiple-play services. For further discussion of the factors affecting our results of operations, see “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 EBITDA increased from €167.2 million and €48.1 million in the year ended December 31, 2010 to €1,092.4 million and €403.2 million in the year ended December 31, 2012, mainly as a result of the impact of such acquisitions. See “—Basis of Presentation”. We plan to continue to evaluate value-enhancing acquisition opportunities in the cable and telecommunication sector with the aim of generating strong cash flow and operational synergies.

In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Group. When seeking to integrate and improve a newly acquired business, we look to several key areas: (i) reviewing current products and prices and improving operational processes and cost structure to achieve satisfactory operating margins; (ii) implementing cable and mobile network upgrades to bring the acquired business in line with our Group-wide standards; (iii) researching ways to create synergies and benefit from economies of scale including with respect to customer equipment such as set-top boxes and outsourcing of certain services; (iv) sharing knowledge and experience and implementing Group-wide best practices; and (v) leveraging our ability to raise financing, including in the international capital markets. Many of these integration measures require expenditure by us. In the nine months ended September 30, 2013 and the year ended December 31, 2012 respectively, we incurred restructuring and other non-recurring costs of €3.4 million and €20.8 million, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies and other administrative expenses related to reorganisation of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of September 30, 2013, the goodwill recorded on our balance sheet amounted to €1,126.7 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on net income.

### **Network Upgrades**

Our ability to provide new or enhanced cable based services, including HDTV and VoD television services, broadband Internet network access at increasing speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network. During each of 2010, 2011 and 2012, we deployed fiber on and upgraded a substantial part of our cable networks. As of September 30, 2013, our networks, on a blended basis, are 98% Docsis 3.0 enabled, which allows us to offer our customers high broadband Internet access speeds and better HDTV services across our regions. For the nine months ended September 30, 2013, on a pro forma basis, we invested €36.3 million and for the year ended December 31, 2011 and 2012, on an aggregated basis, we invested €58.1 million and €76.8 million, respectively, in cable network and construction related capital expenditures. In the future, we will need to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber.

In May 2012, we launched our UMTS network in Israel, which allows us to offer 3G mobile services to our customers in Israel under the “HOT Mobile” brand. Under the terms of our license, among other things, we have committed to provide UMTS network coverage to 90% of the Israeli population and inhabited territory by 2018. Our network already extends to approximately 50% of the inhabited territory of Israel. For the nine months ended September 30, 2013 and the year ended December 31, 2012, we invested €36.0 million and €83.8 million, respectively, in capital expenditures in our mobile business in Israel, of which most related to the build out of our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a



newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. Accordingly, we expect that the Network Sharing Agreement will optimize the amount of capital expenditures we incur in relation to the build-out of our UMTS network. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license. For a description of the Network Sharing Agreement, please see “*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*”.

It is expected that the relevant authorities in Israel and the French Overseas Territories will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the short to medium term. In case of a successful award, our ability to provide LTE mobile services to complement our existing mobile services in Israel and the French Overseas Territories respectively will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which would involve additional capital expenditure or, subject to regulatory approval, investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In Israel, because of our extensive fixed-line network and the technologically advanced nature of our advanced UMTS network as well as the Network Sharing Agreement, we believe upgrading our mobile network to the LTE standard will require lesser investment as compared to some of our competitors and significantly less capital expenditure than we incurred to roll out our UMTS network.

### ***Competition***

Our Cable Customer Relationships, RGUs and ARPUs are impacted by the levels of competition we experience in each of our regions. Although we increased our total cable RGUs in 2012, our total cable RGUs declined by 65,000 in the first nine months of 2013, as we are experiencing significant competition in most of the regions in which we operate. In Portugal, we experienced increased churn and a decline in total cable RGUs and ARPUs in 2012 and in the nine months ended September 30, 2013 mainly as a result of aggressive competition and adverse economic conditions as well as our strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. We expect competitive pressures to intensify in each of our regions due to a variety of factors. For example, in Israel, we expect to experience an increase in competition particularly with respect to the broadband Internet services as a result of an increase in speeds offered by the incumbent operator. Total mobile subscribers increased in Israel and the French Overseas Territories in 2012, but declined in the French Overseas Territories in the first nine months of 2013 primarily due to intense competition. For details regarding our key competitors, please see “*Industry and Market Overview*”. Further, our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is limited by regulatory factors in each of the regions in which we operate. In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers except in limited circumstances and prohibiting the linkage of the price and terms of a handset to mobile services or benefits. The Israeli Ministry of Communications has also published a policy for creating a wholesale market requiring network infrastructure owners (being Bezeq and HOT) to provide third parties access to their network for broadband Internet infrastructure access, which may increase competition for broadband Internet infrastructure access products and could enable the entry of competitive triple-play service offerings if it results in the elimination of the requirement of our competitor to maintain structural separation. See “*Regulatory—Israel—Mobile—Structural Separation*”. The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects on our results of operations.

In addition, the cable services and mobile telephony industries typically exhibit churn as a result of high levels of competition, which could lead to increased costs and reduced revenue. Our churn levels may be affected by a variety of factors including changes in our or our competitors’ pricing, our level of customer satisfaction, disconnection of non-paying subscribers and changes in regulations. Churn rates in the cable segment in our individual markets are also impacted by customers moving out of our network area, although our nationwide network in Israel, our largest market, allows us to minimize the impact of our customers moving homes as there is a high likelihood that such customer will move into a homes passed by our cable network or that could be connected to our cable network without materially extending our cable network plan. We could in some instances incur some capital expenditures related to installation and connection of such relocating customers. With respect to our mobile business, in Israel, prior to the launch of our UMTS based 3G services in May 2012, our churn rates increased in recent years as subscribers left our iDEN-based network for the more advanced networks of our competitors. Our churn rates further increased in our mobile sector in Israel in 2012 as our contract with the Israeli Defense Force for the provision of iDEN based mobile services terminated in the last quarter of 2012, but were partially offset by certain of our iDEN subscribers switching to our 3G services launched in May 2012 as opposed to those offered by our competitors. The gradual migration of the iDEN subscribers under the

expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. With the launch of our UMTS network, we expect that our mobile churn rate in Israel will increase from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, regulatory actions of the Israeli Ministry of Communications which have increased competition by prohibiting exit fees, except in limited circumstances, long-term commitments and, as of January 2013, the linkage of the price and terms of handsets to the mobile service prices and benefits are also likely to have an impact on mobile churn rates in Israel. In Portugal, we experienced an increase in churn in recent periods mainly as a result of aggressive competition and adverse economic conditions. Business customer retention is generally high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Our long term business customer relationships in Portugal (our largest B2B market) usually last on average for six years with contract terms ranging between 24 to 36 months.

### ***Multiple-Play Strategy***

We have implemented a product offering across the regions in which we operate with a strategic focus on multiple-play, including triple-play bundles. Subscribers who elect to subscribe for our multiple-play bundles realise cost savings on their monthly bill as compared to purchasing each of the services individually. We believe that offering bundled services allows us to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. As a result of our focus on providing our subscribers with multiple-play bundles, we have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play services, with the number of triple-play subscribers increasing from 560,000 as of December 31, 2011 to 650,000 as of September 30, 2013, which has driven growth in our cable based services ARPU (other than in Portugal where our ARPU was negatively impacted in 2012 by aggressive competition and adverse economic conditions). Our cable-based services ARPU for the years ended December 31, 2011 and 2012 and for the nine months ended September 30, 2013, respectively were €42.4, €44.4 and €47.6 in Israel, €36.7, €39.5 and €41.1 in Belgium and Luxembourg, €36.9, €34.9 and €35.1 in Portugal and €43.1, €48.3 and €50.8 in the French Overseas Territories.

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

We have significantly expanded our presence and product and service offerings in the past. HOT has been a leader in bringing cable-based services to the Israeli market. HOT launched digital cable television in 2001, high-speed broadband Internet infrastructure access in 2003 and cable based fixed telephony services in 2005. HOT has continued to enhance its product and service offerings, being the first company to introduce VoD services in Israel in 2005 and launching a 100 Mbps broadband Internet service in 2010. In May 2012, we launched UMTS based 3G mobile services in Israel. We have taken similar measures in the other countries in which we operate including introducing mobile services in Belgium, launching our most advanced set top boxes, La Box, which can deliver very high speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines and combines VoD functionality, HD technology and recording capabilities in a single set-top box in Belgium and Luxembourg (2012) and Portugal (2012). We expect to roll out this set top box in Israel in 2014. In the French Overseas Territories, Outremer pioneered flat-fee rate mobile telephony plans by introducing packages with including unlimited calls towards the French Overseas Territories and mainland France in 2012. In addition, we regularly review and invest in the content we offer to provide our subscribers with a flexible and diverse range of programming options, including high quality local content and exclusive premium content. The introduction of new products and services have impacted our result of operations in the periods presented, by among other things, opening new revenue streams (e.g., 3G mobile services in Israel and Belgium) and in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS network build out costs and roaming costs in Israel relating to our 3G mobile services and costs relating to the roll-out of the La Box in Western Europe).

### ***Pricing***

We focus our product offering on multiple-play offers. In Israel, we believe our ability to offer triple-play services provides us with a competitive price advantage. The cost of a multiple-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for broadband Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions such as our flat-fee rate plans in the French Overseas Territories which we introduced in the first half of 2012, the more options, content, and included usage time, the higher the price of the multi-play package or stand-alone offering in question. We adjust our pricing policies based on evolving market practices as well as the Group's overall business strategy. For example, in Belgium we increased the prices for our triple-play and stand-alone products in 2012 in line with the market which has resulted in an increase in cable-based ARPU while in Portugal, during the course of 2012 we took the strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base but has led to an increase in ARPU. Our ability to increase or maintain the

prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive and very low margin, as voice services are highly commoditized, with sophisticated customers and relatively short-term contracts. The B2B market for data services is less price sensitive, as data services require more customization and service level agreements. In both markets, price competition is strongest in the large corporates segment and public sector whereas customer- adapted solutions are an important competitive focus in the medium and smaller business segment.

### ***Cost Structure***

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue enhancing measures once we have achieved such margins. We continuously work towards optimising our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved and continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across our organisation. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. As a result, we have generally managed to achieve growth in EBITDA, profitability and operating cash flow of businesses we have acquired. For example, in our Israeli business, following the acquisition of control by Altice VII over HOT in 2011, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by Altice VII over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 28.8% in 2012 compared to 14.2% in 2011.

We make expansion related capital expenditure decisions by applying strict investment return and payback criteria. For the nine months ended September 30, 2013 and the year ended December 31, 2012 we incurred accrued capital expenditure of €211.5 million and €397.8 million respectively, in each case on a pro forma basis. Of such capital expenditures in 2012, approximately 30% related to CPE and installations cable capital expenditures, 19% related to our cable network and construction, 17% related to other cable capital expenditures, 23% related to capital expenditures for our mobile businesses and 11% related to B2B and other capital expenditures.

We have recently incurred significant capital expenditures related to the building out and launching of our UMTS network in Israel as well as significant operating expenditures, including national roaming costs pursuant to our roaming arrangement with Pelephone. For the year ended December 31, 2012 and the nine months ended September 30, 2013, our national roaming costs amounted to €21.4 million and €37.5 million, respectively. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will each own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The service under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014 subject to notice. The Network Sharing Agreement is valid until December 31, 2028 and is subject to all required regulatory approvals. We expect the arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. However there can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner.

### ***Macro Economic and Political Risks***

Our operations are subject to macro economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S., certain European countries and countries in the Middle East, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition. For example, our results of operations in the period under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Moreover, in Israel, our largest market, we are subject to the inherent risks associated with the political and military conditions in Israel and the potential for armed conflicts with Israel's neighbours.

Our reporting currency is euros and our operations outside Israel are primarily conducted in euros. However, in Israel, which accounted for 59% and 61% of the total revenue of the Group in the year ended December 31, 2012 and in the nine months ended September 30, 2013, on a pro forma basis, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2012, approximately 9% of our total operating expenses in Israel and approximately 47% of our total capital expenditures in Israel were incurred in foreign currencies. Our borrowings are denominated in NIS, euros and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. The exchange rate between U.S. dollars and NIS and the euro and NIS has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of HOT into Altice VII's consolidated financial statements. In the year ended December 31, 2012 compared to 2011, foreign exchange translation movements between the NIS and the euro had a positive impact of €3.9 million on our total revenues and €1.2 million on our EBITDA and in the nine months ended September 30, 2013 compared to 2012 foreign exchange translation movements between the NIS and the euro had a positive impact of €21.7 million on our total revenues and €8.7 million on our EBITDA. Further, as of September 30, 2013, we had approximately €714.0 million of outstanding indebtedness (assuming full draw down of the 2013 Term Loan), which bears interest at a floating rate and is therefore subject to interest rate risk. We have not entered into interest rate hedges and hence are exposed to interest rate fluctuations with respect to our floating rate debt.

### Key Operating Measures

We use several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>
<b>CABLE-BASED SERVICES</b>					
<b>Market and Network</b>					
Homes Passed .....	2,204	213	906	154	3,477
Docsis 3.0 Upgraded (%) .....	100%	100%	85%	17%	92%
<b>Unique Customers</b>					
Cable Customer Relationships <sup>(1)</sup> .....	1,245	117	264	41	1,667
Triple-Play Cable Customer Relationships .....	348	49	154	9	560
<b>RGUs &amp; Penetration<sup>(2)(3)</sup></b>					
Total RGUs .....	2,294	241	669	59	3,263
Pay Television RGUs .....	891	135	256	41	1,323
Pay Television Penetration (%) .....	40%	63%	28%	27%	38%
Broadband Internet RGUs .....	768	54	162	9	993
Broadband Internet Penetration (%) .....	35%	25%	18%	6%	29%
Fixed-Line Telephony RGUs .....	635	52	251	9	947
Fixed-Line Telephony Penetration (%) .....	29%	24%	28%	6%	27%
RGUs Per Cable Customer Relationship .....	1.8x	2.1x	2.5x	1.4x	2.0x
<b>ARPU<sup>(4)</sup></b>					
Cable ARPU (€) .....	42.4	36.7	36.9	43.1	—
<b>MOBILE-BASED SERVICES</b>					
<b>Market and Network</b>					
UMTS Mobile Coverage of Territory (%) .....	—	—	—	88% <sup>(9)</sup>	—
<b>Subscribers</b>					
Total Mobile Subscribers <sup>(5)</sup> .....	444	—	—	355	799
Postpaid .....	389	—	—	158	547
Prepaid .....	55	—	—	197	252
<b>ARPU<sup>(4)</sup></b>					
Mobile ARPU (€) .....	25.5	—	—	28.9	—
<b>xDSL/NON-CABLE BASED SERVICES</b>					
<b>RGUs</b>					
Total RGUs .....	—	—	—	147	147
Broadband Internet RGUs .....	—	—	—	58	58

Fixed-line Telephony RGUs.....	—	—	—	89	89
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**As of and for the year ended December 31, 2012**  
in thousands except percentages and as otherwise indicated

	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>
<b>CABLE-BASED SERVICES</b>					
<b>Market and Network</b>					
Homes Passed .....	2,243	233	906	154	3,536
Docsis 3.0 Upgraded (%).....	100%	100%	94%	37%	95%
<b>Unique Customers</b>					
Cable Customer Relationships <sup>(1)</sup> .....	1,198	120	255	39	1,612
Triple-Play Cable Customer Relationships.....	413	50	147	12	626
<b>RGUs &amp; Penetration<sup>(2)(3)</sup></b>					
Total RGUs.....	2,343	244	648	63	3,298
Pay Television RGUs .....	896	136	245	39	1,316
Pay Television Penetration (%) .....	40%	58%	27%	25%	37%
Broadband Internet RGUs .....	771	55	159	12	997
Broadband Internet Penetration (%) .....	34%	24%	18%	8%	28%
Fixed-Line Telephony RGUs.....	676	53	243	12	984
Fixed-Line Telephony Penetration (%).....	30%	23%	27%	8%	28%
RGUs Per Cable Customer Relationship .....	2.0x	2.0x	2.5x	1.6x	2.0x
<b>ARPU<sup>(4)</sup></b>					
Cable ARPU (€).....	44.4	39.5	34.9	48.3	—
<b>MOBILE-BASED SERVICES</b>					
<b>Market and Network</b>					
UMTS Mobile Coverage of Territory (%) .....	41%	—	—	89% <sup>(9)</sup>	—
<b>Subscribers</b>					
Total Mobile Subscribers <sup>(5)</sup> .....	766	2	—	385	1,153
Postpaid .....	738	2	—	183	923
Prepaid.....	28	—	—	203	231
<b>ARPU<sup>(4)</sup></b>					
Mobile ARPU (€) .....	19.4	14.7	—	26.7	—
<b>xDSL/NON-CABLE BASED SERVICES</b>					
<b>RGUs</b>					
Total RGUs.....	—	—	—	140	140
Broadband Internet RGUs .....	—	—	—	57	57
Fixed-Line Telephony RGUs.....	—	—	—	83	83

As of and for the nine months ended September 30, 2012  
in thousands except percentages and as otherwise indicated

	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>
<b>CABLE-BASED SERVICES</b>					
<b>Market and Network</b>					
Homes Passed .....	2,233	233	906	154	3,526
Docsis 3.0 Upgraded (%).....	100%	100%	92%	35%	95%
<b>Unique Customers</b>					
Cable Customer Relationships <sup>(1)</sup> .....	1,207	122	261	39	1,629
Triple-Play Cable Customer Relationships.....	401	50	152	11	614
<b>RGUs &amp; Penetration<sup>(2)(3)</sup></b>					
Total RGUs.....	2,333	246	663	61	3,303
Pay Television RGUs .....	893	138	253	39	1,323
Pay Television Penetration (%) .....	40%	59%	28%	25%	37%
Broadband Internet RGUs .....	768	55	161	11	995
Broadband Internet Penetration (%) .....	34%	24%	18%	7%	28%
Fixed-Line Telephony RGUs.....	672	54	250	11	987
Fixed-Line Telephony Penetration (%).....	30%	23%	28%	7%	28%
RGUs Per Cable Customer Relationship .....	1.9x	2.02x	2.5x	1.6x	2.0x
<b>ARPU<sup>(4)</sup></b>					
Cable ARPU (€).....	44.3	39.3	34.9	47.5	—
<b>MOBILE-BASED SERVICES</b>					
<b>Market and Network</b>					
UMTS Mobile Coverage of Territory (%).....	32%	—	—	89% <sup>(9)</sup>	—
<b>Subscribers</b>					
Total Mobile Subscribers <sup>(5)</sup> .....	687	—	—	372	1059
Postpaid .....	652	1	—	175	828
Prepaid .....	35	—	—	197	232
<b>ARPU<sup>(4)</sup></b>					
Mobile ARPU (€) .....	20.4	—	—	26.6	—
<b>xDSL/NON-CABLE BASED SERVICES</b>					
<b>RGUs</b>					
Total RGUs.....	—	—	—	139	139
Broadband Internet RGUs .....	—	—	—	57	57
Fixed Line Telephony RGUs .....	—	—	—	82	82

**As of and for the nine months ended September 30, 2013  
in thousands except percentages and as otherwise indicated**

	Israel <sup>(6)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	Total <sup>(8)</sup>
<b>CABLE-BASED SERVICES</b>					
<b>Market and Network</b>					
Homes Passed .....	2,272	233	906	154	3,565
Docsis 3.0 Upgraded (%).....	100%	100%	99%	49%	98%
<b>Unique Customers</b>					
Cable Customer Relationships <sup>(1)</sup> .....	1,145	115	240	38	1,538
Triple-Play Cable Customer Relationships.....	448	51	136	15	650
<b>RGUs &amp; Penetration<sup>(2)(3)</sup></b>					
Total RGUs.....	2,316	239	609	69	3,233
Pay Television RGUs .....	881	130	227	38	1,276
Pay Television Penetration (%) .....	39%	56%	25%	25%	36%
Broadband Internet RGUs .....	755	56	156	15	982
Broadband Internet Penetration (%) .....	33%	24%	17%	10%	28%
Fixed-Line Telephony RGUs.....	680	53	226	15	974
Fixed-Line Telephony Penetration (%).....	30%	23%	25%	10%	27%
RGUs Per Cable Customer Relationship .....	2.0x	2.1x	2.5x	1.8x	2.1x
<b>ARPU<sup>(4)</sup></b>					
Cable ARPU (€).....	47.6	41.1	35.1	50.8	—
<b>MOBILE</b>					
<b>Market and Network</b>					
UMTS Mobile Coverage of Territory (%).....	50%	—	—	89% <sup>(9)</sup>	—
<b>Subscribers</b>					
Total Mobile Subscribers <sup>(5)</sup> .....	773	3	—	367	1,143
Postpaid .....	762	3	—	188	953
Prepaid .....	11	—	—	179	190
<b>ARPU<sup>(4)</sup></b>					
Mobile ARPU (€) .....	16.9	40.9	—	26.8	—
<b>xDSL / NON-CABLE BASED SERVICES</b>					
<b>RGUs</b>					
Total RGUs.....	—	—	—	135	135
Broadband Internet RGUs .....	—	—	—	55	55
Fixed-Line Telephony RGUs.....	—	—	—	80	80

(1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband Internet or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services.

(2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

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

(4) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) average rate for the nine months ended September 30, 2012, €0.2023 = NIS 1.00 and (iv) average rate for the nine months ended September 30, 2013, €0.2086 = NIS 1.00.

(5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

	As of December 31,		As of September 30,	
	2011	2012	2012	2013
	in thousands			
<b>Mobile Subscribers</b>				
iDEN.....	444	325	371	234
UMTS.....	—	441	316	539
<b>Total.....</b>	<b>444</b>	<b>766</b>	<b>687</b>	<b>773</b>

- (6) In Israel, Homes Passed is the number of total Israeli Homes. Our cable network passes a vast majority of Israel's 2.2 million households.
- (7) Only relates to the cable based services (pay television, broadband Internet and fixed-line telephony) we provide in Guadeloupe and Martinique and excludes the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte following our acquisition of a controlling interest in Outremer in July 2013.
- (8) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest from the Numericable Group in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012); French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013).
- (9) Excludes French Guiana.

## Key Income Statement Items

### Revenue

Revenue consists of income generated from the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. Revenue is recognised at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group. We record revenue generated from the following services:

*Cable-based services:* Revenue from cable-based services consists of revenue from pay television services, including related services such as VoD, broadband Internet services, fixed-line telephony services and ISP services to our customers. This primarily includes (i) recurring subscription revenue for pay television services, broadband Internet and fixed-line telephony (which are recognised in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from Video On Demand ("VoD") and fixed-line telephony calls (which are recognised in revenue when the service is rendered), (iii) installation fees (which are recognised in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

*Mobile services:* Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognised in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognised in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognised in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognised on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

*B2B and others:* Revenue from the B2B and others segment includes broadband Internet access, telephony, virtual private network, leased lines, data centre services and other corporate fixed-line services to large and small businesses or government agencies. However, it does not include revenue from standard pay television, broadband Internet, fixed-line telephony and mobile services to businesses, which are included under cable or mobile revenue as the case may be. In addition, it also includes revenue from other businesses units such as content delivery and production, provided either directly to customers or to other cable network operators. These primarily include revenue from our B2B business in Portugal, certain pure B2B services in Belgium and Luxembourg, our datacentre and B2B businesses in Switzerland and our content business.



### ***Purchasing and subcontracting services***

Purchasing and subcontracting services consists of direct costs associated with the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. We record purchasing and subcontracting services paid for the procurement of the following services:

*Cable-based services:* Purchasing and subcontracting services associated with cable based services consists of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licences to broadcast, (ii) transmission of data services, (iii) interconnect costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set top boxes and decoders). In Israel, costs relating to the procurement of exclusive television content from third party providers were included in purchasing and subcontracting services for cable based services until March 31, 2013, but these costs have been capitalized thereafter.

*Mobile services:* Purchasing and subcontracting services associated with mobile services consists primarily of mobile interconnect fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

*B2B and others:* Purchasing and subcontracting services associated with B2B and other services consist of, (i) cost of renting space for datacentres (subject to certain exceptions), (ii) utility costs related to the operation of datacentres (such as power and water supply costs), (iii) hosting and interconnect fees for telephony and broadband services to corporate clients or small businesses, and (iv) costs of professional services. In addition, it includes in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs.

### ***Other operating expenses***

Other operating expenses consist mainly of the following subcategories:

*Customer service costs:* Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centres, allowances for bad customer debts and recovery costs associated therewith.

*Technical and maintenance:* Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacentre equipment, maintenance and upkeep of the cable and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalised (such as service visits, disconnection and reconnection costs).

*Staff expenses:* Staff expenses include all costs related to wages and salaries, bonuses, social security, pension contribution and other outlays paid to Group employees involved in technical operations and customer services functions (except for Outremer, which historically has accounted for all salary expenses under this item).

*Business taxes:* Business taxes includes all costs related to payroll and professional taxes or fees.

### ***General and administrative expenses***

General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses. For the purpose of this discussion and analysis, it also includes staff costs and employee benefits expenses relating to administrative personnel, which is presented as a separate line item on the income statement.

### ***Other sales and marketing expenses***

Other sales and marketing expenses consist of salary and associated payments for sales and marketing personnel, advertising and sale promotion, office rent and maintenance, commission's for marketers, external sales and storage and other expenses related to sales and marketing efforts.

### ***Depreciation and amortization***

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and amortization of intangible assets.

***Goodwill impairment***

Goodwill impairment includes the write off of any goodwill that has been recognised on the acquisition of new assets based upon a periodic re- evaluation of the cash generating capacity of these assets compared to the initial valuation assigned to the original goodwill of such asset acquisition.

***Other expenses, net***

Other expenses, net includes any one-off or non-recurring income or expenses incurred during the on-going financial year, excluding restructuring and other non-recurring costs. This includes deal fees paid to external consultants for merger and acquisition activities.

***Management fees***

Management fees includes all consulting and management fees paid to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

***Restructuring and other non-recurring costs***

Restructuring and other non-recurring costs include one-off expenses incurred to reorganise existing or newly acquired businesses. Cost incurred are categorised under: (i) operating and maintenance costs when related to equipment redundancies, (ii) rents and other general and administrative expenses when related to building or redundancies of general installations and (iii) staff expenses, when related to employee redundancies.

***Gain arising on step acquisition***

Gain arising on step acquisition includes the gain on achieving control in an investment or business and switching from the equity method of accounting to full integration in the consolidated accounts. See note 27 to Altice VII's historical consolidated financial statements as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum.

***Share of profit of associates***

Share of profit of associates includes revenue arising from activities that are accounted for using the equity method for associates in the consolidation perimeter of the Group.

***Finance income***

Finance income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other finance income.

***Finance costs***

Finance costs includes financing expenses for short-term credit facilities, changes in the net fair value of the financial derivatives that do not qualify as hedges for accounting purposes, financing expenses for banking and credit card companies' commissions, financing expenses for long-term loans, financing expenses for bonds, net exchange rate differences and other expenses paid for financing operations recognised at amortised cost.

***Income tax expenses***

Income tax expenses or income comprise current tax and deferred tax. Taxes on income are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, at which point the associated tax effect is also recognised under other comprehensive income or in equity.

## Discussion and Analysis of Our Results of Operations

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

Statement of Income Items	Historical Consolidated Financial Information				Pre-Transaction Pro Forma Financial Information			
	For the nine months ended September 30,		Change		For the nine months ended September 30,		Change	
	2012	2013	Amount	%	2012	2013	Amount	%
	€ in millions except percentages							
<b>Revenue</b>								
Cable based services .....	644.7	694.5	49.8	7.7	713.1	721.1	8.0	1.1
Mobile services .....	125.3	175.9	50.6	40.4	220.7	245.8	25.1	11.4
B2B and others.....	43.0	58.0	15.0	34.9	142.3	135.2	(7.1)	(5.0)
<b>Total Revenue .....</b>	<b>813.0</b>	<b>928.4</b>	<b>115.4</b>	<b>14.2</b>	<b>1,076.1</b>	<b>1,102.3</b>	<b>26.0</b>	<b>2.4</b>
Purchasing and subcontracting services .....	(216.6)	(262.2)	45.5	21.1	(321.6)	(328.3)	6.7	2.1
<b>Gross Profit.....</b>	<b>596.4</b>	<b>666.2</b>	<b>69.8</b>	<b>11.7</b>	<b>754.6</b>	<b>774.0</b>	<b>(19.4)</b>	<b>(2.6)</b>
Other operating expenses .....	(189.1)	(192.3)	3.2	1.7	(243.2)	(224.2)	19.0	7.8
General and administrative expenses <sup>(1)</sup> .....	(41.8)	(43.6)	1.9	4.3	(61.8)	(57.6)	(4.2)	8.3
Other sales and marketing expenses.....	(60.8)	(53.3)	(7.5)	(12.3)	(78.0)	(62.5)	(15.5)	(19.9)
<b>Operating income before depreciation and amortization.....</b>	<b>304.7</b>	<b>377.1</b>	<b>72.4</b>	<b>23.8</b>	<b>371.5</b>	<b>429.6</b>	<b>58.2</b>	<b>15.7</b>
Depreciation and amortization .....	(290.9)	(277.6)	(13.3)	(4.6)	(329.6)	(304.7)	(24.9)	7.6
Other expenses, net .....	(14.4)	(8.9)	(5.5)	(38.2)	(19.7)	(12.6)	(7.1)	36.0
Management fees .....	(2.6)	(0.7)	(1.9)	(73.1)	(3.2)	(1.6)	(1.6)	51.2
Restructuring and other non-recurring costs.....	(8.4)	(3.4)	5.0	(64.3)	(9.1)	(3.9)	5.1	56.0
<b>Operating profit .....</b>	<b>(11.5)</b>	<b>86.5</b>	<b>98.0</b>	<b>852.2</b>	<b>10.0</b>	<b>106.9</b>	<b>96.9</b>	<b>969.0</b>
<b>Finance income.....</b>	<b>4.3</b>	<b>36.2</b>	<b>31.9</b>	<b>741.9</b>	<b>4.5</b>	<b>36.4</b>	<b>31.9</b>	<b>709.7</b>
<b>Finance costs.....</b>	<b>(114.4)</b>	<b>(184.3)</b>	<b>69.9</b>	<b>61.1</b>	<b>(168.7)</b>	<b>(189.5)</b>	<b>20.8</b>	<b>12.3</b>
<b>(Loss)/profit before income tax expenses.....</b>	<b>(121.7)</b>	<b>(61.6)</b>	<b>(60.1)</b>	<b>(49.4)</b>	<b>(154.3)</b>	<b>(46.2)</b>	<b>108.1</b>	<b>70.0</b>
<b>Income tax benefits/(expenses) .....</b>	<b>(1.0)</b>	<b>(27.5)</b>	<b>26.5</b>	<b>2650.0</b>	<b>2.9</b>	<b>(35.4)</b>	<b>(38.3)</b>	<b>1320.7</b>
<b>(Loss)/profit for the year.....</b>	<b>(122.7)</b>	<b>(89.1)</b>	<b>(33.6)</b>	<b>(27.4)</b>	<b>(151.3)</b>	<b>(81.6)</b>	<b>69.7</b>	<b>46.1</b>

(1) Also includes staff costs and employee benefits expenses.

### Significant Events Affecting Historical Results

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

- in February 2012, Altice VII acquired a controlling equity interest in Cabovisão (the results of which are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €28.7 million to operating profit and €19.8 million to EBITDA of Altice VII on a consolidated basis, in the nine months ended September 30, 2012 since February 29, 2012. In the first two months of 2012, Cabovisão had €19.8 million of revenue, € 1.5 million of operating profit and €2.5 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII. In the first quarter of 2013, Altice VII acquired the remaining equity interests in Cabovisão it did not already own.
- in the third quarter of 2013 Altice VII acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €51.0 million to revenue, €8.3 million to operating profit and €18.1 million to EBITDA of Altice VII on a consolidated basis in the nine months ended September 30, 2013 since July 5, 2013. In the nine months ended September 30, 2013 (from January 1 until July 5), Outremer had €96.5 million of revenue, €19.4 million of operating profit and €33.2 million of EBITDA, which are not consolidated in the Historical Combined Consolidated Financial Information of Altice VII.
- in the third quarter of 2013, Altice VII acquired a 100% equity interest in ONI (through its subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from August 8, 2013. ONI contributed € 17.5 million to revenue, a loss of €1.3 million to operating loss and €2.0 million to EBITDA of Altice VII on a consolidated basis in the nine months ended September 30, 2013 since August 8, 2013. In the nine months ended September 30, 2013 (from January 1 until August 8), ONI had €59.0 million of revenue, € 2.9 million of operating loss and €9.2 million of EBITDA, which are not consolidated in the Historical Combined Consolidated Financial Information of Altice VII.

## Revenue

### Historical Consolidated Basis

For the nine months ended September 30, 2013, we generated total revenue of €928.4 million, a 14.2% increase compared to €813.0 million for the nine months ended September 30, 2012. Our total revenue by our key regions in the nine months ended September 30, 2013 and 2012, respectively, were: (i) in Israel, €669.4 million and € 634.9 million, (ii) Belgium and Luxembourg, €53.2 million and €52.8 million, (iii) in Portugal, €100.9 million and €68.8 million (revenue for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and revenue for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, € 69.8 million and €19.2 million (revenue for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €21.7 million on total revenue.

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

Mobile services: For the nine months ended September 30, 2013, we generated mobile services revenue of €175.9 million, a 40.4% increase compared to €125.3 million for the nine months ended September 30, 2012. This was primarily due to an increase in Israel's mobile services revenue due to the factors discussed below and the inclusion of €32.7 million in mobile services revenue generated by Outremer for the nine months ended September 30, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €4.6 million on mobile revenues.

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

### Pro Forma Consolidated Basis

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

	Pre-Transaction Pro Forma Financial Information											
	For the nine months ended September 30, 2012					For the nine months ended September 30, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Revenue</b>												
Cable based services.....	509.6	45.2	88.6	67.9	1.8	713.1	527.0	45.7	83.4	63.7	1.3	721.1
Mobile Services.....	125.3	—	—	95.4	—	220.7	142.4	0.8	—	102.6	—	245.8
B2B and others.....	—	7.6	85.9	—	48.7	142.3	—	6.7	76.4	—	52.1	135.2
<b>Total Revenue.....</b>	<b>634.9</b>	<b>52.8</b>	<b>174.6</b>	<b>163.3</b>	<b>50.5</b>	<b>1,076.1</b>	<b>669.4</b>	<b>53.1</b>	<b>158.8</b>	<b>166.3</b>	<b>53.4</b>	<b>1,102.3</b>

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes revenues from cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

*Israel:* For the nine months ended September 30, 2013, we generated total revenue in Israel of €669.4 million, a 5.4% increase compared to €634.9 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our cable based services revenue increased by 3.4% and our mobile services revenue increased by 13.6%. Foreign exchange translation movements between the NIS and euro had a positive impact of €20.3 million on total revenue, € 16.0 million on cable services revenue and €4.3 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel increased by 2.2%, our cable-based service revenue remained relatively stable and our mobile services revenue increased by 10.2%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.7% (4.2% at a constant exchange rate) from €44.2 for the nine months ended September 30, 2012 to €47.6 for the nine months ended September 30, 2013 primarily as a result of our strategic focus on multiple-play offerings and an increase in the take-up of our higher value higher speed broadband Internet services (despite a decrease in total broadband Internet RGUs). We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our bundling strategy, with the number of triple-play Cable Customer Relationships increasing from 401,000 as of September 30, 2012 to 448,000 as of September 31, 2013. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 17,000 net decrease in our total cable RGUs, comprising a 12,000 net decrease in pay television RGUs, a 13,000 net decrease in broadband Internet infrastructure access RGUs and a 8,000 net increase in fixed-line telephony RGUs. The decrease in our cable RGUs was mainly due to the fact that during July and August 2013, respectively, our third party customer service and technical support provider had not allocated sufficient resources to manage the intake and connection arrangements for potential new subscribers and had focused on providing relevant assistance and support to existing subscribers only. This temporary misallocation of resources has now been rectified.

The increase in mobile services revenue in Israel was primarily due to the increase in the number of subscribers for our UMTS based services which were launched in May 2012. For the nine months ended September 30, 2013, we had 773,000 total mobile RGUs in Israel comprising 234,000 iDEN customers and 539,000 UMTS customers compared to 687,000 mobile customers comprising 371,000 iDEN customers and 316,000 UMTS RGUs as of September 30, 2012. The increase in mobile services revenue was offset by the churn of customers for our iDEN services as a result of decreased marketing efforts and the termination of our contract with the Israeli Defense Force in the third quarter of 2012. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. Mobile services revenue was further offset by a decrease in mobile ARPU by €3.5, or 17.2%, to €16.9 for the nine months ended September 30, 2013 compared to €20.4 for the nine months ended September 30, 2012, mainly due subscribers disconnecting from our higher ARPU iDEN mobile network and offset by an increase in our lower ARPU UMTS based network subscribers. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, we generated total revenue in Belgium and Luxembourg of €53.2 million, a 0.8% increase compared to €52.8 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our cable based services revenue increased by 1.1% and our B2B and other services revenue decreased by 11.8%. In addition, we launched mobile services (as an MNVO) in Belgium in September 2012 and generated €0.8 million in mobile services revenue in the nine months ended September 30, 2013.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €1.8, or 4.6%, to €41.1 for the nine months ended September 30, 2013 compared to €39.3 for the nine months ended September 30, 2012. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand alone pay television offerings. The increase in cable based services revenue can also be attributed to the full period impact of revenues we generated from AIESH, a Belgian municipality, for which we acquired a concession in the third quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. Cable based services revenue was also positively impacted by a slight increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services. These factors were offset by a decline in television RGUs, including a net decrease of 1,600 digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due the general trend of to customers switching to mobile services and a net decline in AIESH customers (although this did not have a substantial impact on revenue as we only acquired such AIESH customers in the third quarter of 2012).

The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded a substantial portion of the AIESH network, which upgrade is scheduled to be completed in the fourth quarter of 2013, and we plan to convert the analog customers served by the upgraded AIESH network into digital multiple-play customers over time.

The decrease in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network in the nine months ended September 30, 2012, a portion of which reflects non-recurring revenues, slightly offset by an increase in recurring

revenue earned for fiber links leased to the Brussels police as part of this project in the nine months ended September 30, 2013.

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

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 54,000, comprising of a net decrease of 26,000 pay television RGUs, 24,000 fixed-line telephony RGUs and 5,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2013, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Cable based services ARPU increased slightly by €0.2, or 0.6%, to €35.1 for the nine months ended September 31, 2013 compared to €34.9 for the nine months ended September 31, 2012, predominately due to an increase in the prices at which we offer our products which we implemented in January 2013 and the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU we experienced in 2012. However, the increase in ARPU was partially offset by the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The decrease in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in the first nine months of 2012, linked to certain specific projects undertaken by ONI during this period.

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

The €4.2 million decrease in cable based services revenue in the French Overseas Territories was due to (i) a €2.2 million decrease in fixed-line revenue of Outremer, which in turn was mainly as a result of a net decrease of 2,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages and (ii) a € 1.8 million decrease in broadband Internet services revenue of Outremer which in turn was mainly as a result of a net decrease of 2,000 xDSL broadband Internet RGUs due to increased competition particularly in La Reunion and the limited ability and marketing investment to provide triple-play services, limited marketing innovation in Outremer's broadband Internet product line and the limited nature of IPTV provided to DSL broadband Internet customers during the nine months ended September 30, 2013, prior to the integration of Outremer in the Group. This was partially offset by a 11.2% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €50.8 for the nine months ended September 30, 2013 compared to €47.5 for the nine months ended September 30, 2012 and a net increase of 8,000 total cable RGUs during this period largely as a result of our strategic focus on triple-play offerings and an increase in triple-play Cable Customer Relationships to 15,000 as of September 30, 2013 from 11,000 as of September 30, 2012.

The €7.3 million increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to a net increase of 14,000 postpaid mobile subscribers over the period, offset by a decline in prepaid mobile subscribers. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls within the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012 as well as a decrease in termination rates. Mobile ARPUs increased slightly by €0.2 million primarily due to the improvement in product mix with greater demand of Outremer's higher value post paid packages following the revamping of its mobile product offering despite the sharp decrease in mobile termination rates from €0.028 in 2012 to €0.01 in 2013 prescribed by the French national regulatory authority for electronic communications, the ARCEP resulting in lower mobile interconnection revenues.

## **Gross Profit**

### Historical Consolidated Basis

For the nine months ended September 30, 2013, our total gross profit was €666.2 million, a 11.7% increase compared to €596.4 million for the nine months ended September 30, 2012. Our gross profit by our key regions in the nine months ended September 30, 2012 and 2013, respectively, were: (i) in Israel, €485.0 million and € 471.5 million, (ii) Belgium and Luxembourg, €44.1 million and €44.3 million, (iii) in Portugal, €64.5 million and €41.6 million (gross profit for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the nine months ended September 30, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €16.2 million and €50.7 million (gross profit for the nine months ended September 30, 2012 and 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013). Our gross margin decreased from 73.4% in the nine months ended September 30, 2012 to 71.8% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €14.7 million on total gross profit.

Cable based services: For the nine months ended September 30, 2013, our gross profit from our cable based services was €550.6 million, a 13.3% increase compared to €485.8 million for the nine months ended September 30, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the nine months ended September 30, 2013 of €57.3 million compared to €41.6 million for the nine months ended September 30, 2012, following the acquisition of Cabovisão on February 28, 2012, the inclusion of Outremer's cable based services gross profit of €18.3 million for the period ended September 30, 2013 (with effect from July 5, 2013), and an increase in Israel's gross profit due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a positive impact of € 12.9 million on cable based services gross profit. Our gross margin for cable based services increased from 75.4% in the nine months ended September 30, 2012 to 79.3% in the nine months ended September 30, 2013.

Mobile services: For the nine months ended September 30, 2013, our gross profit from our mobile services remained relatively stable at € 82.1 million compared to the same period in the previous year. Although we saw a decrease in gross profit of €22.5 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of €22.4 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 65.5% in the nine months ended September 30, 2012 to 46.7% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €1.8 million on mobile services gross profit.

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

### Pro Forma Consolidated Basis

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

	Pre-Transaction Pro Forma Financial Information											
	For the nine months ended September 30, 2012					For the nine months ended September 30, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Purchasing and subcontracting services</b>												
Cable based services.....	120.2	8.0	36.0	19.8	0.4	184.4	101.6	7.2	26.2	17.2	0.3	152.4
Mobile Services.....	43.1	—	—	28.9	—	72.0	82.8	0.7	—	31.6	—	115.1
B2B and others.....	—	0.5	47.9	—	16.8	65.2	—	1.3	41.5	—	18.1	60.8
<b>Total purchasing and subcontracting services.....</b>	<b>163.4</b>	<b>8.5</b>	<b>84.0</b>	<b>48.6</b>	<b>17.2</b>	<b>321.6</b>	<b>184.4</b>	<b>9.1</b>	<b>67.7</b>	<b>48.8</b>	<b>18.4</b>	<b>328.3</b>

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

*Israel:* For the nine months ended September 30, 2013, our purchasing and subcontracting services in Israel was €184.4 million, a 12.9% increase compared to €163.4 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our purchasing and subcontracting services for cable based services decreased by 15.5% and our purchasing and subcontracting services for mobile services increased by 92.0%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services by €5.6 million (including €3.1 million of cable based services purchasing and subcontracting services and €2.5 million of mobile services purchasing and subcontracting services). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services in Israel increased by 9.5%, our cable based service purchasing and subcontracting services decreased by 18.1% and our cellular services revenue increased by 86.2%.

The decrease in purchasing and subcontracting services for cable based services in Israel was primarily due to a decrease in interconnection fees paid as a result of lower call volumes by our customers due to customers switching from fixed-line telephony services to mobile services, as a result of the competitive prices and unlimited price plan packages, and a decrease in the royalties paid to the State of Israel following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013. Purchasing and subcontracting services for cable based services also decreased due to the capitalization of costs arising from the purchase of exclusive third party content from April 1, 2013, as previously, we were able to capitalize exclusive in-house content costs only. In the nine months ended September 30, 2013 we capitalized €5.8 million of costs relating to exclusive third party content.

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to an increase in interconnection fees of € 63.1 million we incurred in the nine months ended September 30, 2013 with respect to our 3G mobile services which was launched in May 2012 compared to €24.1 million in the nine months ended September 30, 2012. Interconnection fees in the nine months ended September 30, 2013 included national roaming costs of €37.5 million compared to €9.9 million in the nine months ended September 30, 2012.

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

The decrease in purchasing and subcontracting services for cable based services in Belgium and Luxembourg resulted from (i) a surplus in the provisions we had made for payments to copyright holders (such as authors' rights societies), having finalized the terms of certain contracts and the relevant payment obligations thereto, (ii) change of supplier and (iii) slightly lower VoD costs, which were partially offset by an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

The increase in purchasing and subcontracting services for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with the launch of our mobile operation in September 2012.

The increase in cost of sale for B2B services and others in Belgium and Luxembourg was due to (i) the nature of B2B projects undertaken in 2013 as compared to the same period in the previous year (for which costs were primarily in the form of capital expenditures) and (ii) promotional offers and incentives in responses to the strategy adopted by our competitors.

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

The 27.4% decrease in purchasing and subcontracting services for cable based services in Portugal can primarily be attributed to the larger impact in the nine months ended September 30, 2013 compared to the prior year period of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The 13.4% decrease in costs of sales for B2B and others in Portugal was due to the higher level of ONI's business with carriers (transit) and sales of equipment in the nine months ended September 30, 2012, which are projects that inherently have a lower gross profit margin.



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

The decrease in purchasing and subcontracting services for cable based services in the French Overseas Territories was primarily due to the decrease in interconnection rates and the decrease in Outremer's fixed-line telephony and broadband Internet RGUs, which resulted in lower revenues and purchasing and subcontracting services.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in interconnections costs with the success of Outremer's flat-fee rate plans which include unlimited calls, and was partially offset by the decrease in termination rates.

As a result of the factors described above, our gross profit and gross margin by country of operation on a Pro Forma Consolidated Basis based on the Pre-Transaction Pro Forma Financial Information was as follows:

	Pre-Transaction Pro Forma Financial Information											
	For the nine months ended September 30, 2012					For the nine months ended September 30, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Gross profit</b>												
Cable based services.....	389.4	37.2	52.6	48.2	1.4	528.7	425.4	38.5	57.3	46.5	1.0	568.7
Mobile Services.....	82.1	—	—	66.5	—	148.7	59.6	0.1	—	71.0	—	130.8
B2B and others.....	—	7.1	38.0	—	32.0	77.1	—	5.4	35.1	—	34.1	74.6
<b>Total gross profit.....</b>	<b>471.5</b>	<b>44.3</b>	<b>90.6</b>	<b>114.7</b>	<b>33.4</b>	<b>754.6</b>	<b>485.0</b>	<b>44.1</b>	<b>92.3</b>	<b>117.5</b>	<b>35.1</b>	<b>774.0</b>

	Pre-Transaction Pro Forma Financial Information											
	For the nine months ended September 30, 2012					For the nine months ended September 30, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
<b>Gross margin</b>												
Cable based services (%).....	76.4	82.3	59.3	70.9	79.4	74.1	80.7	84.2	68.6	73.0	78.2	78.9
Mobile Services (%).....	65.5	—	—	69.7	—	67.4	41.9	12.5	—	69.2	—	53.2
B2B and others (%).....	—	93.4	44.2	—	65.6	54.2	—	80.6	45.9	—	66.2	55.5
<b>Total gross margin (%).....</b>	<b>74.3</b>	<b>83.9</b>	<b>51.9</b>	<b>70.2</b>	<b>66.1</b>	<b>70.1</b>	<b>72.5</b>	<b>82.9</b>	<b>57.8</b>	<b>70.7</b>	<b>66.5</b>	<b>70.3</b>

(1) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Foreign exchange translation movements between the NIS and euro had a positive impact of €14.7 million on total gross profit in Israel, €12.9 million for cable based services and €1.8 million for mobile services.

## Operating Expenses and EBITDA

### Historical Consolidated Basis

For the nine months ended September 30, 2013, our total operating expenses (other than purchasing and subcontracting services) were € 289.1 million, a 0.9% decrease compared to €291.6 million for the nine months ended September 30, 2012. Our total operating expenses comprise of other operating expenses, which increased by 1.7%, general and administrative expenses, which increased by 4.3% and other sales and marketing expenses, which decreased by 12.3%, in each case in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Our total operating expenses by our key regions in the nine months ended September 30, 2012 and 2013, respectively, were: (i) in Israel, €242.3 million and €215.1 million, (ii) Belgium and Luxembourg, €9.0 million and €8.6 million, (iii) in Portugal, €21.8 million and €28.7 million (operating expenses for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €6.2 million and €22.3 million (operating expenses for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

As a result, for the nine months ended September 30, 2013, our EBITDA was €377.1 million a 23.8% increase compared to €304.7 million for the nine months ended September 30, 2012. Our EBITDA by our key regions for the nine months ended September 30, 2012 and 2013, respectively, were: (i) in Israel, €229.2 million and € 269.9 million, (ii) Belgium and Luxembourg, €35.3 million and €35.4 million, (iii) in Portugal, €19.8 million and €35.8 million (EBITDA for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, € 10.0 million and €28.5 million due to (EBITDA for the nine months ended September 30, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Our EBITDA margin for the nine months ended September 30, 2013 was 40.6% compared to 37.5% for the nine months ended September 30, 2012. Our Adjusted EBITDA by key regions in the nine months ended September 30, 2013 and 2012, respectively, were: (i) in Israel, €269.9 million and €233.0 million, (ii) Belgium and Luxembourg, €35.3 million and € 35.4 million, (iii) in Portugal, €35.8 million and 19.8 million, and (iv) in the French Overseas Territories, € 28.5 million and €10.0 million (with the only adjustment being for equity related compensation in an amount of €3.8 million in Israel in the nine months ended September 30, 2012).

#### *Pro Forma Consolidated Basis*

For the nine months ended September 30, 2013, our total operating expenses based on the Pre-Transaction Pro Forma Financial Information were €344.3 million, a 10.1% decrease compared to €383.0 million for the nine months ended September 30, 2012.

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

*Other operating expenses:* As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Israel decreased by 5.9% from € 167.8 million to €157.9 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses. We were able to apply these measures due to an increase in the quality of our network resulting from recent investments in and the improvement of our technical service systems. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

*General and administrative expenses:* As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Israel decreased by 13.9% from €24.2 million to €20.8 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses due to a reduction in administrative personnel and equity based compensation of €3.8 million in the nine months ended September 30, 2012 pertaining to HOT stock options.

*Other sales and marketing expenses:* As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in Israel decreased by 27.7% from €50.4 million to €36.4 million. Compared to the prior year period, our sales and marketing expenses decreased as a result of a decrease in sales commissions to retailers, advertising costs and sales promotions and decreases in salaries and social benefits of sales personnel resulting from the measures implemented to maximize cost structure efficiency.

*EBITDA:* As a result of the factors discussed, for the nine months ended September 30, 2013, in Israel our EBITDA was €269.9 million, a 17.8% increase compared to €229.2 million for the nine months ended September 30, 2012 and our EBITDA margin was 40.3% in the nine months ended September 30, 2013 compared to 36.1% in the nine months ended September 30, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €8.2 million on total EBITDA.

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

*Other operating expenses:* As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Belgium and Luxembourg increased by 17.4% from €2.3 million to

€2.7 million. This increase was primarily due to an increase in maintenance costs as well as an increase in customer service (call centre outsourcing) costs.

General and administrative expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Belgium and Luxembourg decreased by 16.9% from €5.7 million to €4.8 million.

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

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

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

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Portugal decreased by 13.0% from € 33.9 million to €29.5 million. This decrease was primarily due to savings at Cabovisão resulting from the renegotiation of information technology maintenance and support contracts as well as headcount reductions.

General and administrative expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Portugal decreased by 28.7% from €14.7 million to €10.5 million. This decrease was primarily due to savings from head count reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case relating to Cabovisão.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in Portugal decreased by 27.9% from €10.1 million to €7.3 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2013, our EBITDA in Portugal was €45.1 million, a 41.4% increase compared to €31.9 million for the nine months ended September 30, 2012. Our EBITDA margin was 28.2% in the nine months ended September 30, 2013 compared to 18.3% in the nine months ended September 30, 2012.

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

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in the French Overseas Territories decreased by 4.1% from €33.6 million to €32.3 million. This decrease was primarily due to measures taken by Outremer to optimize its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius, thereby reducing headcount in the French Overseas Territories and (iii) an increased use of online self-care systems. These cost savings were partially offset by increased costs related to measures taken to improve its quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in the French Overseas Territories increased by 14.4% from €10.6 million to €12.1 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice VII.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in the French Overseas Territories decreased by 18.2% from €13.6 million to €11.1 million. This decrease was predominantly due to the absence of major product launches during the nine months ended September 30, 2013, while the corresponding period in 2012 was marked by increased activities relating to new product introductions, in particular the mobile flat-fee rate plans, which Outremer began offering in the second quarter of 2012.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2013, our EBITDA in the French Overseas Territories was €62.1 million, a 9.1% increase compared to €56.9 million for the nine months ended September 30, 2012. Our EBITDA margin was 37.3% in the nine months ended September 30, 2013 compared to 34.8% in the nine months ended September 30, 2012.

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

	Pro Forma Consolidated Financial Information											
	For the nine months ended September 30, 2012						For the nine months ended September 30, 2013					
	Israel <sup>(3)</sup>	Belgium & Luxembourg	Portugal	French Overseas Territories	Others <sup>(2)</sup>	Total	Israel <sup>(3)</sup>	Belgium & Luxembourg	Portugal	French Overseas Territories	Others <sup>(2)</sup>	Total
EBITDA <sup>(1)</sup> .....	229.2	35.3	31.9	56.9	18.2	371.5	269.9	35.4	45.1	62.1	17.3	429.6

- (1) Altice VII defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.
- (2) Comprises (i) €7.8 million and €10.1 million of EBITDA generated by our content production and distribution businesses for the nine months ended September 30, 2012 and 2013, respectively, (ii) €12.1 million and €12.4 million of EBITDA generated by Green Datacenter/Green for the nine months ended September 30, 2012 and 2013 and (iii) €1.7 million and €4.8 million of negative EBITDA generated by our other holding entities (including corporate expenses) of for the nine months ended September 30, 2012 and 2013, respectively.
- (3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, EBITDA for the nine months ended September 30, 2012 reflects costs relating to the purchase of exclusive third party content for the entire period and EBITDA for the nine months ended September 30, 2013 reflects costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

	Pro Forma Consolidated Financial Information	
	For the nine months ended September 30, 2012	2013
	€ in millions	
<b>EBITDA</b> .....	<b>371.5</b>	<b>429.6</b>
Equity based compensation <sup>(1)</sup> .....	3.8	—
<b>Adjusted EBITDA</b> .....	<b>375.3</b>	<b>429.6</b>

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

## Depreciation and Amortization

### Historical Consolidated Basis

For the nine months ended September 30, 2013, depreciation and amortization on a historical consolidated basis totalled €277.6 million, a 4.6% decrease compared to €290.9 million for the nine months ended September 30, 2012. These were impacted by the factors listed under “—Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012—Significant Events Affecting Historical Results”.

Depreciation and amortization in the nine months ended September 30, 2013 was impacted by (i) the acquisitions and subsequent consolidation Outremer (with effect from July 5, 2013) and ONI (with effect from August 8, 2013) and (ii) the impact of the consolidation of Cabovisão for the entire nine months period, following its acquisition on February 29, 2012. However, the increase in depreciation and amortization as a result of the above factors were more than offset due to the recognition of an impairment charge in 2012 of NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding

concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount.

## **Operating Profit**

### *Historical Consolidated Basis*

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

As a result of the factors described above, for the nine months ended September 30, 2013, our operating profit was €86.5 million, compared to an operating loss of €11.5 million for the nine months ended September 30, 2012.

## **Finance costs (net)**

### *Historical Consolidated Basis*

For the nine months ended September 30, 2013, on a historical consolidated basis, our net finance costs totalled €148.1 million, a 34.5% increase compared to €110.1 million for the nine months ended September 30, 2012 which was primarily due to an increase in the debt levels incurred by the Group to finance the take private transaction of HOT in December 2012 and the acquisition of Outremer and ONI in 2013.

## **Income tax benefits/(expenses)**

### *Historical Consolidated Basis*

For the nine months ended September 30, 2013, on a historical consolidated basis, our total income tax expense was €27.5 million compared to an income tax expense of €1.0 million for the nine months ended September 30, 2012 which was primarily due to higher income tax expense in Israel due to higher profit before tax, the increase in the tax rate from 25% in 2012 to 26.5% in 2013 and a decrease in deferred tax assets.

## **Profit for the period**

### *Historical Consolidated Basis*

As a result of the factors discussed above, on a historical consolidated basis, for the nine months ended September 30, 2013, our loss for the year was €89.1 million compared to a loss of €122.7 million for the nine months ended September 30, 2012.

*Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*

Statement of Income Items	Historical Consolidated Financial Information				Illustrative Aggregated Selected Financial Information			
	For the year ended December 31,		Change		For the year ended December 31,		Change	
	2011	2012	Amount	%	2011	2012	Amount	%
	€ in millions except percentages							
<b>Revenue</b>								
Cable based services .....	560.3	873.3	313.0	55.9	941.2	945.7	4.5	0.5
Mobile services .....	180.6	172.7	(7.9)	(4.4)	306.5	304.4	(2.1)	(0.7)
B2B and others .....	43.3	46.4	3.1	7.2	178.5	191.6	13.1	7.3
<b>Total Revenue</b> .....	<b>784.2</b>	<b>1,092.4</b>	<b>308.2</b>	<b>39.3</b>	<b>1,426.2</b>	<b>1,441.8</b>	<b>15.6</b>	<b>1.1</b>
Purchasing and subcontracting services.....	(175.4)	(302.1)	(126.7)	(72.2)	(399.6)	(444.4)	(44.8)	(11.2)
<b>Gross Profit</b> .....	<b>608.8</b>	<b>790.3</b>	<b>181.5</b>	<b>29.8</b>	<b>1026.6</b>	<b>997.4</b>	<b>(29.2)</b>	<b>(2.8)</b>
Other operating expenses .....	(195.4)	(248.9)	(53.5)	(27.4)	(319.5)	(315.3)	4.2	1.3
General and administrative expenses <sup>(1)</sup> .....	(51.2)	(58.1)	(6.9)	(13.5)	(100.9)	(85.1)	15.8	15.7
Other sales and marketing expenses .....	(64.4)	(80.1)	(15.7)	(24.4)	(108.9)	(102.8)	6.1	5.6
<b>Operating income before depreciation and amortization</b> .....	<b>297.8</b>	<b>403.2</b>	<b>105.4</b>	<b>35.4</b>	<b>497.2</b>	<b>494.2</b>	<b>(3.1)</b>	<b>(0.6)</b>
Depreciation and amortization .....	(176.4)	(266.3)	(89.9)	(51.0)	—	—	—	—
Goodwill impairment .....	—	(121.9)	(121.9)	—	—	—	—	—
Other expenses, net .....	(5.6)	(29.8)	(24.2)	(432.1)	—	—	—	—
Management fees .....	(3.1)	(6.2)	(3.1)	(100)	—	—	—	—
Restructuring and other non-recurring costs .....	(7.6)	(20.8)	(13.2)	(173.7)	—	—	—	—
<b>Operating profit</b> .....	<b>105.1</b>	<b>(41.7)</b>	<b>(146.9)</b>	<b>(139.7)</b>	—	—	—	—
Gain arising on step acquisitions .....	134.8	—	(134.8)	—	—	—	—	—
Share of profit of associates .....	11.7	—	(11.7)	—	—	—	—	—
Finance income .....	16.6	30.5	13.9	83.7	—	—	—	—
Finance costs .....	(111.6)	(204.7)	(93.1)	(83.4)	—	—	—	—
<b>(Loss)/profit before income tax expenses</b> .....	<b>156.6</b>	<b>(215.8)</b>	<b>(372.4)</b>	<b>(237.9)</b>	—	—	—	—
Income tax benefits/(expenses) .....	(32.5)	26.0	58.5	180	—	—	—	—
<b>(Loss)/profit for the year</b> .....	<b>123.9</b>	<b>(189.8)</b>	<b>(314.1)</b>	<b>(253.1)</b>	—	—	—	—

(1) Also includes staff costs and employee benefits expenses.

### Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2012 were significantly impacted by the acquisition of a controlling equity interest in Cabovisão, a Portuguese telecommunications company, by Altice VII in February 2012 (the results of which are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of Altice VII in the year ended December 31, 2012.

In addition, in the fourth quarter of 2012, Altice VII completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

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

- in March 2011, Altice VII increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from March 31, 2011). In 2011, the HOT Telecom Group had €165.2 million of revenue, €30.9 million of operating loss and €63.3 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII, whereas HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA of Altice VII on a consolidated basis in the year ended December 31, 2011 since March 31, 2011.
- in May 2011, Altice VII's subsidiary MIRS Communications Ltd. was awarded a license to provide UMTS based 3G mobile services pursuant to which it began building out its UMTS mobile network and launched 3G mobile services in May 2012, resulting in us incurring significant capital expenditures and operating costs.

- in the second quarter of 2011, Altice VII acquired a controlling equity interest in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from July 1, 2011). In 2011, Coditel Brabant S.p.r.l and Coditel S.à r.l. together had €32.3 million of revenue, €9.9 million of operating profit and €18.9 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII whereas Coditel Holding S.A. contributed €34.8 million to revenue, €(1.4) million to operating profit and €20.4 million to EBITDA of Altice VII on a consolidated basis in the year ended December 31, 2011 since June 30, 2011.

In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the “HOT Group”.

## Revenue

### Historical Consolidated Basis

For the year ended December 31, 2012, we generated total revenue of €1,092.4 million, a 39.3% increase compared to €784.2 million for the year ended December 31, 2011. Our total revenue by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €850.4 million and €680.4 million (2011 revenue was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €71.3 million and €34.8 million (2011 revenue was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €98.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €24.4 million and €23.6 million.

Cable based services: For the year ended December 31, 2012, we generated cable based services revenue of €873.3 million, a 55.9% increase compared to €560.3 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of revenue from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011.

Mobile services: For the year ended December 31, 2012, we generated mobile services revenue of €172.7 million, a 4.4% decrease compared to €180.6 million for the year ended December 31, 2011. This was primarily due to the decline in mobile revenue in Israel due to the factors discussed below.

B2B and others: For the year ended December 31, 2012, we generated B2B and other services revenue of €46.4 million, a 7.2% increase compared to €43.3 million for the year ended December 31, 2011. Foreign exchange translation movements between the CHF and euro had a positive impact of €1.0 million on B2B revenue.

### Aggregated Basis

The following table sets forth our revenue by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011					For the year ended December 31, 2012						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Revenue</b>												
Cable based services.....	664.9	58.5	123.4	92.0	2.4	941.2	677.9	59.7	118.0	87.8	2.4	945.7
Mobile Services.....	180.6	—	—	125.8	—	306.5	172.5	0.2	—	131.7	—	304.4
B2B and others.....	—	8.8	115.4	—	54.3	178.5	—	11.5	117.4	—	62.7	191.6
<b>Total Revenue</b> .....	<b>845.5</b>	<b>67.3</b>	<b>238.8</b>	<b>217.9</b>	<b>56.7</b>	<b>1,426.2</b>	<b>850.4</b>	<b>71.3</b>	<b>235.4</b>	<b>219.6</b>	<b>65.2</b>	<b>1,441.8</b>

(1) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes revenues from cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

*Israel:* For the year ended December 31, 2012, we generated total revenue in Israel of €850.4 million, a 0.6% increase compared to €845.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011,

for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.0% and our mobile services revenue decreased by approximately 4.5%.

The increase in cable based services revenue in Israel was due to the increase in cable based services ARPU of 4.7% (4.3% at a constant exchange rate) from €42.4 for the year ended December 31, 2011 to €44.4 for the year ended December 31, 2012 primarily as a result of our strategic focus on multiple-play offerings. We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play Cable Customer Relationships increasing from approximately 348,000 as of December 31, 2011 to approximately 413,000 as of December 31, 2012. In addition, cable based services ARPU was impacted by other factors, including: (i) the introduction of, and an increase in take-up of, our higher value higher speed broadband Internet infrastructure services (including 100 Mbps services which we introduced in 2010) resulting in an increase in ARPU associated with our broadband Internet infrastructure access services and (ii) with respect to our fixed-line telephony services, decreased interconnect fees and call volumes which resulted in lower interconnection revenues, as subscribers reduced the number of calls placed over landlines, (as a result of strong competition from the mobile segment), which we believe is consistent with general industry-wide trends as well as the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings, resulting in a decrease in ARPU associated with our fixed-line telephony services. Our cable based ARPU was also positively impacted by the migration of customers from analog to digital pay television services, with a 38,000 net increase digital RGUs and a 33,000 net decline in analog RGUs in 2012. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration, promoting the migration of analog cable television subscribers to our digital services and launching other revenue and service enhancing measures. Our revenue was also positively impacted by a 49,000 net increase in our total cable RGUs, comprising a 5,000 net increase in pay television RGUs, a 3,000 net increase in broadband Internet infrastructure access RGUs and a 41,000 net increase in fixed-line telephony RGUs. The growth in RGUs is attributable to the success of our multiple-play offerings, our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VoD and PVR services and the growth in the number of subscriptions to broadband Internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL.

The decrease in mobile services revenue in Israel was primarily due to a decrease in mobile ARPU by €6.1, or 23.9%, to €19.4 for the year ended December 31, 2012 compared to €25.5 for the year ended December 31, 2011. This decrease in mobile ARPU was mainly due the combined effects of a decrease in interconnection revenues and subscribers disconnecting from our higher ARPU iDEN mobile network as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force, which was offset by an increase in our lower ARPU UMTS based network subscribers following the launch of 3G services in May 2012. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. As of December 31, 2012 we had 766,000 total mobile RGUs in Israel comprising 325,000 iDEN customers and 441,000 UMTS customers compared to 444,000 mobile customers (all iDEN based) as of December 31, 2011. Revenue and mobile ARPU were also negatively impacted by price pressure for mobile services, in particular for our UMTS based 3G services.

*Belgium and Luxembourg:* For the year ended December 31, 2012, we generated total revenue in Belgium and Luxembourg of €71.3 million, a 5.9% increase compared to €67.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.1% and our B2B and other services revenue increased by approximately 30.7%. In addition, we launched mobile services in Belgium in September 2012 and generated €0.2 million in mobile services revenue in the year ended December 31, 2012.

The increase in cable based services in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand alone pay television offerings, but was partially offset by an increased uptake of Coditel's flat rate fixed-line telephony offers. Cable based services revenue was also positively impacted by an approximately 1,000 net increase in the number of television RGUs due in part to our acquisition of a concession from the AIESH, a Belgian municipality, in the fourth quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. As of December 31, 2012, the AIESH concession represented approximately 12,400 Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded a substantial portion of the AIESH network, which upgrade is scheduled to be completed in the fourth quarter of 2013, and we plan to convert the analog customers served by the upgraded AIESH network into digital customers over time. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and POST in Luxembourg. Cable based services revenue was also positively impacted by an increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services.



The increase in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network, a portion of which reflects non-recurring revenues.

*Portugal:* For the year ended December 31, 2012, we generated total revenue in Portugal of €235.4 million, a 1.4% decrease compared to €238.8 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in Portugal for our cable based services decreased by approximately 4.4% and our B2B and other services revenue increased by 1.7%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by approximately 21,000, comprising of a net decrease of approximately 11,000 pay television RGUs and approximately 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2012, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Although there was a net reduction of approximately 8,000 fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGU's for the twelve months ended December 31, 2012 was higher compared to the twelve months ended December 31, 2011, which partially offset a decline in cable based services revenue in 2012. A decrease in cable based services ARPU by €2.0, or 5.4%, to €34.9 for the twelve months ended December 31, 2012 compared to €36.9 for the twelve months ended December 31, 2011 also contributed to the decrease in the cable based services revenue. In 2012, our cable based services ARPU was negatively impacted by aggressive competition in each segment of the cable services market which required us to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU, which has resulted in an increase in ARPU towards the end of 2012. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The increase in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI.

*French Overseas Territories:* For the year ended December 31, 2012, we generated total revenue in the French Overseas Territories of €219.6 million, a 0.8% increase compared to €217.9 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in the French Overseas Territories for our fixed-line services decreased by 4.6% and our mobile services revenue increased by 4.7%.

The decrease in fixed-line services revenue in the French Overseas Territories was primarily due to a decrease in fixed-line revenue of Outremer prior to its acquisition by the Group, which in turn was mainly as a result of a net decrease of approximately 6,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages. Revenue associated with Outremer's broadband Internet services (including IPTV) remained relatively stable during the period, which was influenced by increased competition, particularly in the Indian Ocean region comprising La Reunion and Mayotte, and the limited ability and marketing investment to provide triple-play services prior to the integration of Outremer in the Group. The decrease in fixed-line revenue of Outremer, was partially offset by the increase in revenue from Le Cable, the Group's cable business in the French Overseas Territories of Guadeloupe and Martinique, primarily due to an increase in cable based services ARPU by €5.2, or 12.1%, to €48.3 for the twelve months ended December 31, 2012 compared to €43.1 for the twelve months ended December 31, 2011. This ARPU growth was primarily due to migration of standalone pay television customers to triple-play packages as a result of our strategic focus on triple-play offerings, migration of customer from analog to digital services and an increase in uptake of VoD services, as well as price increases for our cable based services. RGU growth for our cable based services by approximately 4,000 RGUs net, which was driven by an increase in triple-play penetration also contributed to the increase in cable based services revenue.

The increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to net increase of 30,000 mobile subscribers over the period. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012. This increase was offset by a decrease in mobile ARPUs by €2.2, or 7.6%, to €26.7 for the year ended December 31, 2012 compared to €28.9 for the year ended December 31, 2011. This decrease in mobile ARPU during the year ended December 31, 2012 was mainly due to sharply lower mobile interconnection rates prescribed by the French national regulatory authority for

electronic communications, the ARCEP, in 2012 compared to 2011, which was partially offset by the improvement in product mix with greater demand for Outremer's higher value post-paid packages following the revamping of its mobile product offering in the first half of 2012. We expect overall mobile ARPU to further decrease in future periods due to price pressure in mobile services.

## Gross Profit

### Historical Consolidated Basis

For the year ended December 31, 2012, our total gross profit was €790.3 million, a 29.8% increase compared to €608.8 million for the year ended December 31, 2011. Our gross profit by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €621.7 million and €535.3 million (2011 gross profit was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €60.3 million and €27.5 million (2011 gross profit was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €59.1 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €20.4 million and €19.8 million. Our gross margin decreased from 77.6% in the year ended December 31, 2011 to 72.3% in the year ended December 31, 2012.

Cable based services: For the year ended December 31, 2012, our gross profit from our cable based services was €660.4 million, a 51.8% increase compared to €435.0 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of gross profit from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011. Our gross margin for cable based services decreased from 77.6% in the year ended December 31, 2011 to 75.6% in the year ended December 31, 2012.

Mobile services: For the year ended December 31, 2012, our gross profit from our mobile services was €102.8 million, a 31.3% decrease compared to €149.7 million for the year ended December 31, 2011. This was primarily due to the increase in purchasing and subcontracting services for mobile revenue in Israel due to the factors discussed below. Our gross margin for mobile services decreased from 82.9% in the year ended December 31, 2011 to 59.5% in the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2012, our gross profit from B2B and others was €27.1 million, a 12.4% increase compared to €24.1 million for the year ended December 31, 2011. Our gross margin for B2B and other services increased from 55.7% in the year ended December 31, 2011 to 58.4% in the year ended December 31, 2012.

### Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011					For the year ended December 31, 2012						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Purchasing and subcontracting services</b>												
Cable based services.....	154.3	11.6	54.7	27.6	0.5	248.8	159.0	10.0	47.9	26.5	0.5	243.9
Mobile Services.....	31.0	—	—	40.8	—	71.8	69.8	0.1	—	41.5	—	111.4
B2B and others.....	—	1.0	58.8	—	19.2	79.0	—	0.8	66.8	—	21.5	89.2
<b>Total Purchasing and subcontracting services.....</b>	<b>185.3</b>	<b>12.6</b>	<b>113.5</b>	<b>68.4</b>	<b>19.7</b>	<b>399.6</b>	<b>228.8</b>	<b>11.0</b>	<b>114.7</b>	<b>68.0</b>	<b>22.0</b>	<b>444.5</b>

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

*Israel:* For the year ended December 31, 2012, our purchasing and subcontracting services in Israel were €228.8 million, a 23.5% increase compared to €185.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services increased by approximately 3.0% and our purchasing and subcontracting services for mobile services increased by approximately 125.2%.

The increase in purchasing and subcontracting services for cable based services in Israel was primarily due to an increase in interconnection fees paid as a result of higher call volumes by our customers due to the increased take-up of our unlimited fixed-line calls package offered as a component of our multiple-play offers.

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to the launch of UMTS based 3G mobile services in 2012, including interconnection fees of €43.6 million we incurred with respect to our 3G mobile services and increased costs in respect of offering compatible mobile handsets. Interconnection fees in 2012 included national roaming costs of €21.4 million.

*Belgium and Luxembourg:* For the year ended December 31, 2012, our purchasing and subcontracting services in Belgium and Luxembourg was €11.0 million, a 13.2% decrease compared to €12.6 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 13.9% and our purchasing and subcontracting services for B2B services decreased by approximately 14.8%. We began providing mobile services in Belgium in September 2012 as an MVNO and incurred minor purchasing and subcontracting services in an amount of approximately €0.1 million in the year ended December 31, 2012.

The decrease in purchasing and subcontracting services for cable based services in Belgium and Luxembourg was primarily due to a reduction in VoIP costs following the renegotiating of contracts and change of supplier, lower data interconnection costs and slightly lower VoD costs, which were partially offset by an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

The decrease in purchasing and subcontracting services for B2B services in Belgium and Luxembourg was due to optimisation of costs relating to our B2B business, including costs of external service providers, as well as due to the nature of the B2B projects undertaken in 2012, for which the costs were primarily in the form of capital expenditures.

*Portugal:* For the year ended December 31, 2012, our purchasing and subcontracting services in Portugal were €114.7 million, a 1.0% increase compared to €113.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 12.4% and our purchasing and subcontracting services for B2B and others increased by approximately 13.6%.

The decrease in purchasing and subcontracting services for cable based services in Portugal was primarily a result of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The increase in costs of sales for B2B and others in Portugal was due to the increase in the level of ONI's business with carriers (transit) and sales of equipment in 2012, which are projects that inherently have a lower gross profit margin.

*French Overseas Territories:* For the year ended December 31, 2012, our purchasing and subcontracting services in the French Overseas Territories was €68.0 million, a 0.6% decrease compared to €68.4 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 4.0% and our purchasing and subcontracting services for mobile services increased by approximately 1.8%.

The decrease in purchasing and subcontracting services for fixed-line services in the French Overseas Territories was primarily due to savings arising through renegotiations of television content rights and interconnection contracts in connection with Le Cable's cable based services.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in interconnections costs with the success of the flat-fee rate plans including unlimited calls introduced by Outremer, which was partially offset by the sharp decrease in mobile termination rates in 2012.

As a result of the factors described above, our gross profit and gross margin by country of operation on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information was as follows:

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011					For the year ended December 31, 2012						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Gross profit</b>												
Cable based services.....	510.5	46.8	68.7	64.4	1.9	692.4	518.9	49.6	70.1	61.3	1.9	701.9
Mobile Services.....	149.7	—	—	85.1	—	234.7	102.7	0.1	—	90.2	—	193.0
B2B and others.....	—	7.8	56.6	—	35.1	99.5	—	10.6	50.6	—	41.2	102.4
<b>Total gross profit.....</b>	<b>660.2</b>	<b>54.7</b>	<b>125.3</b>	<b>149.5</b>	<b>36.9</b>	<b>1,026.6</b>	<b>621.7</b>	<b>60.3</b>	<b>120.7</b>	<b>151.5</b>	<b>43.1</b>	<b>997.4</b>

Illustrative Aggregated Selected Financial Information												
For the year ended December 31, 2011						For the year ended December 31, 2012						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
<b>Gross margin</b>												
Cable based services (%) .....	76.8	80.1	55.7	70.0	77.3	73.6	76.6	83.2	59.4	69.8	79.5	74.2
Mobile Services (%) .....	82.9	—	—	67.6	—	76.6	59.5	41.5	—	68.5	—	63.4
B2B and others (%) .....	—	88.9	49.0	—	64.6	55.7	—	92.7	43.1	—	65.7	53.5
<b>Total gross margin (%) .....</b>	<b>78.1</b>	<b>81.2</b>	<b>52.5</b>	<b>68.6</b>	<b>65.2</b>	<b>72.0</b>	<b>73.1</b>	<b>84.6</b>	<b>51.3</b>	<b>69.0</b>	<b>66.2</b>	<b>69.2</b>

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Foreign exchange translation movements between the NIS and euro had a positive impact of €4.0 million on total gross profit in Israel.

## Operating Expenses and EBITDA

### Historical Consolidated Basis

For the year ended December 31, 2012, our total operating expenses were €387.1 million, a 24.5% increase compared to €311.0 million for the year ended December 31, 2011. Our total operating expenses (other than purchasing and subcontracting services) comprise of other operating expenses, which increased by 27.4%, general and administrative expenses, which increased by 13.5% and other sales and marketing expenses, which increased by 24.4%, in each case in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Our total operating expenses by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €316.5 million and €279.2 million (2011 operating expenses were impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €14.7 million and €7.0 million (2011 operating expenses were impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €29.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €8.3 million and €8.1 million.

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. As a result, for the year ended December 31, 2012, our EBITDA was €403.2 million, a 35.4% increase compared to €297.8 million for the year ended December 31, 2011. Our EBITDA by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €305.2 million and €256.1 million, (ii) Belgium and Luxembourg, €45.6 million and €20.4 million, (iii) in Portugal, €29.8 million and nil, and (iv) in the French Overseas Territories, €12.1 million and €11.7 million. Our EBITDA margin for the year ended December 31, 2012 was 36.9% compared to 38.0% for the year ended December 31, 2011.

### Aggregated Basis

For the year ended December 31, 2012, our total operating expenses on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information were €503.1 million, a 4.9% decrease compared to €529.3 million for the year ended December 31, 2011.

*Israel:* For the year ended December 31, 2012, our total operating expenses in Israel were €316.5 million, a 5.0% decrease compared to €333.0 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Israel decreased by approximately 1.1% from €225.8 million to €223.4 million. This decrease was primarily due to a decrease in salaries and social benefits because of a reduction in head count in customer services personnel which was partially offset by increased costs relating to the build-out of our UMTS network, maintenance on our iDEN network, launch of ISP services and the inability to capitalise certain subscriber acquisition costs due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Israel decreased by approximately 26.2% from

€39.7 million to €29.3 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses because of a reduction in head count in administrative personnel.

*Other sales and marketing expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Israel decreased by approximately 5.5% from €67.5 million to €63.7 million. This decrease was primarily due to decreased sales commissions to retailers, advertising costs and sales promotions. This was partially offset by increased salary expense as a result of the inability to capitalise commissions and salaries of sales personnel as compared to the prior year period due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

*EBITDA:* As a result of the factors discussed, for the year ended December 31, 2012, in Israel our EBITDA was €305.2 million, a 6.7% decrease compared to €327.2 million for the year ended December 31, 2011 and our EBITDA margin was 35.9% in December 31, 2012 compared to 38.7% in the year ended December 31, 2011. Foreign exchange translation movements between the NIS and euro had a positive impact of €1.2 million on total EBITDA.

*Belgium and Luxembourg:* For the year ended December 31, 2012, our total operating expenses in Belgium and Luxembourg were €14.7 million, a 7.4% increase compared to €13.7 million for the year ended December 31, 2011.

*Other operating expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Belgium and Luxembourg decreased by approximately 3.2% from €6.4 million to €6.2 million mainly explained by a decrease in technical and maintenance costs following renegotiation of maintenance contracts and a decrease in personnel costs of €0.1 million due to a slight reduction in staffing.

*General and administrative expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Belgium and Luxembourg increased marginally from €3.9 million to €4.1 million.

*Other sales and marketing expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Belgium and Luxembourg increased by approximately 29.6% from €3.4 million to €4.4 million. This increase was primarily due to the sales and marketing expenses associated with the launch of mobile services in Belgium in September 2012.

*EBITDA:* As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Belgium and Luxembourg was €45.6 million, a 11.3% increase compared to €41.0 million for the year ended December 31, 2011. Our EBITDA margin was 64.0% in the year ended December 31, 2012 compared to 60.9% in the year ended December 31, 2011.

*Portugal:* For the year ended December 31, 2012, our total operating expenses in Portugal were €72.7 million, a 15.7% decrease compared to €86.3 million for the year ended December 31, 2011. This decrease was a direct result of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which was partially offset by the increase in operating expenditures relating to ONI's B2B business in Portugal as discussed below.

*Other operating expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Portugal decreased by approximately 8.2% from €41.7 million to €38.3 million. This decrease was primarily due to savings at Cabovisão resulting from the renegotiation of information technology maintenance and support contracts as well as headcount reductions.

*General and administrative expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Portugal decreased by approximately 24.4% from €28.8 million to €21.8 million. This decrease was primarily due to savings from head count reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case relating to Cabovisão.

*Other sales and marketing expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Portugal decreased by approximately 19.5% from €15.7 million to €12.6 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

*EBITDA:* As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Portugal was €47.9 million, a 22.8% increase compared to €39.0 million for the year ended December 31, 2011. Our EBITDA margin was 16.3% in the year ended December 31, 2012 compared to 20.4% in the year ended December 31, 2011.

*French Overseas Territories:* For the year ended December 31, 2012, our total operating expenses in the French Overseas Territories were €76.4 million, a 0.9% decrease compared to €77.1 million for the year ended December 31, 2011.

*Other operating expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in the French Overseas Territories increased by approximately 3.5% from €43.5 million to €45.1 million. This increase was primarily due to measures taken by Outremer to improve its quality of service, in particular through densification of mobile networks and enhancement of the existing loyalty program which was partially offset by certain measures taken to optimise fixed costs, including to reduce payroll (in particular through reallocation of certain customer care staff from local centres in the French Overseas Territories to an offshoring centre in Mauritius).

*General and administrative expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in the French Overseas Territories decreased by approximately 12.5% from €13.6 million to €11.9 million.

*Other sales and marketing expenses:* As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in the French Overseas Territories decreased by approximately 2.7% from €20.0 million to €19.5 million. This was principally due to the decrease of external sales (mainly door to door sellers for xDSL offerings), which was partially offset by increased marketing costs associated with the comprehensive revamping of Outremer's mobile service portfolio in 2012, including the launch of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France.

*EBITDA:* As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in the French Overseas Territories was €75.1 million, a 3.7% increase compared to €72.4 million for the year ended December 31, 2011. Our EBITDA margin was 34.2% in the year ended December 31, 2012 compared to 33.2% in the year ended December 31, 2011.

The following tables set forth our EBITDA across our segments on an aggregated basis for the years ended December 31, 2011 and 2012.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel <sup>(3)</sup>	Belgium & Luxembourg	Portugal	French Overseas Territories	Others <sup>(2)</sup>	Total	Israel <sup>(3)</sup>	Belgium & Luxembourg	Portugal	French Overseas Territories	Others <sup>(2)</sup>	Total
EBITDA <sup>(1)</sup>	327.2	41.0	39.0	72.4	17.7	497.2	305.2	45.6	48.0	75.1	20.3	494.2

(1) Altice VII defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(2) Comprises (i) €8.1 million and €9.8 million of EBITDA generated by our content production and distribution businesses for the twelve months ended December 31, 2011 and 2012, respectively, (ii) €13.4 million and €15.5 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2011 and 2012 and (iii) €3.8 million and €5.0 million of negative EBITDA generated by our other holding entities (including corporate expenses) of for the year ended December 31, 2011 and 2012, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013.

	Illustrative Aggregated Selected Financial Information	
	For the year ended December 31,	
	2011	2012
	€ in millions	
EBITDA	497.2	494.2
Equity based compensation <sup>(1)</sup>	6.0	3.8
<b>Adjusted EBITDA</b>	<b>503.2</b>	<b>498.0</b>

(1) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel for the year ended December 31, 2011 and 2012 respectively.

## **Depreciation and amortization**

### *Historical Consolidated Basis*

For the year ended December 31, 2012, depreciation and amortization totalled €266.3 million, a 51.0% increase compared to €176.4 million for the year ended December 31, 2011. These were impacted by the factors listed under “—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*”. Depreciation and amortization in the year ended December 31, 2012 was impacted by the following events:

In May 2011, prior to its acquisition by the Group, Cabovisão recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141.7 million and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisão’s financial year ended August 31, 2012, following its acquisition by the Group, the impairment charge was reviewed and it was concluded that there was not sufficient rationale for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and such amount, reduced by depreciation associated with the impaired assets for the last three months of the financial year ended August 31, 2011, was directly recorded in retained earnings of Cabovisão for the financial year ended August 31, 2012 (and accordingly did not have any impact on Cabovisão’s income statement for the twelve month period ended December 31, 2012). Depreciation for the twelve months ended December 31, 2012 however includes €11.6 million of depreciation expenses related to the catch-up of depreciation on the relevant assets for the period from September 1, 2011 to December 31, 2011 (corresponding to the first four months of financial year ended August 31, 2012). Depreciation for the twelve months ended December 31, 2011 includes approximately €141.7 million relating to the impairment charge. These events did not have an impact on the financial results of Altice VII in the periods under review.

## **Goodwill impairment**

In 2012, Cool Holding a subsidiary of Altice VII and the holding company of HOT, recorded an impairment charge of approximately NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount. There was no goodwill impairment recorded in 2011.

## **Operating Profit**

### *Historical Consolidated Basis*

For the year ended December 31, 2012, (i) other expenses, net totalled €29.8 million, a 432.1% increase compared to €5.6 million for the year ended December 31, 2011; (ii) management fees primarily relating to consulting services totalled €6.2 million to €3.1 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totalled €20.8 million compared to a restructuring and other non-recurring costs of €7.6 million for the year ended December 31, 2011. As a result, for the year ended December 31, 2012, our operating loss was €41.7 million, compared to an operating profit of €105.1 million for the year ended December 31, 2011.

## **Gains arising on step acquisition**

Gain arising on step acquisitions was nil in the year ended December 31, 2012 compared to €134.8 million for the year ended December 31, 2011, which was primarily due to a non-recurring income of €133.0 million recognised in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT and the subsequent change in accounting via the consolidation method from equity method as a result of which the equity stake held in HOT prior to the change in control was re-evaluated at its fair value on the date of the change in control.

## **Share of profit of associates**

Our share of profit of associates was nil in the year ended December 31, 2012 compared to €11.7 million for the year ended December 31, 2011 representing share of profit from HOT prior to the acquisition of controlling interest in March 2011.

## **Finance costs (net)**

For the year ended December 31, 2012, our net finance costs totalled €174.2 million, a 83.4% increase compared to €95.0 million for the year ended December 31, 2011 which was primarily due to full year impact of higher debt levels of the Group mainly due to the debt incurred by the Group to finance the Group’s investments in HOT and Coditel in 2011.

## Income tax benefits/(expenses)

For the year ended December 31, 2012, our total income tax benefit was €26.0 million compared to an income tax expense of €32.5 million for the year ended December 31, 2011 which was primarily due to higher profit before taxes in the year ended December 31, 2011 as a result of the factors described above and in particular, the non-recurring income of €133.0 million recognised in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT Telecom and the subsequent change in accounting via the consolidation method from equity method.

## Profit for the year

As a result of the factors discussed above, for the year ended December 31, 2012, our loss for the year was €189.8 million compared to a profit of €123.9 million for the year ended December 31, 2011.

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

No pro forma financial information or illustrative aggregated financial information of Altice VII is available for any period prior to 2011. Consequently the following comparison of our results of operations for the year ended December 31, 2010 and 2011 is based only on the Historical Consolidated Financial Information for the years ended December 31, 2010 and 2011.

Statement of Income Items	Historical Consolidated Financial Information			
	For the year ended		Change	
	December 31, 2010	December 31, 2011	Amount	%
	€ in millions except percentages			
<b>Revenue</b>				
Cable based services .....	22.5	560.3	537.8	2,390.2
Mobile services.....	103.5	180.6	77.1	74.5
B2B and others .....	41.2	43.3	2.1	5.1
<b>Total Revenue.....</b>	<b>167.2</b>	<b>784.2</b>	<b>617.0</b>	<b>369.0</b>
Purchasing and subcontracting services.....	(54.0)	(175.4)	(121.4)	(224.8)
<b>Gross Profit .....</b>	<b>113.2</b>	<b>608.8</b>	<b>495.6</b>	<b>437.8</b>
Other operating expenses .....	(21.9)	(195.4)	(173.5)	(792.2)
General and administrative expenses <sup>(1)</sup> .....	(31.6)	(51.2)	(19.6)	(62.0)
Other sales and marketing expenses .....	(11.6)	(64.4)	(52.8)	(455.2)
<b>Operating income before depreciation and amortization .....</b>	<b>48.1</b>	<b>297.8</b>	<b>249.7</b>	<b>519.1</b>
Depreciation and amortization .....	(26.5)	(176.4)	(149.9)	(565.7)
Other expenses, net .....	(7.4)	(5.6)	1.8	24.3
Management fees .....	(0.8)	(3.1)	(2.3)	(287.5)
Restructuring and other non-recurring costs .....	(3.9)	(7.6)	(3.7)	(94.9)
<b>Operating profit .....</b>	<b>9.5</b>	<b>105.1</b>	<b>95.6</b>	<b>1,006.3</b>
Gain arising on step acquisitions .....	1.0	134.8	133.8	13,380.0
Share of profit of associates .....	6.8	11.7	4.9	72.1
Finance income .....	43.2	16.6	(26.6)	(61.6)
Finance costs.....	(18.0)	(111.6)	(93.6)	(520.0)
<b>Profit before income tax expenses .....</b>	<b>42.5</b>	<b>156.6</b>	<b>114.1</b>	<b>268.5</b>
Income tax benefits/(expenses).....	(2.2)	(32.5)	(30.3)	(1,377.3)
<b>Profit for the year .....</b>	<b>40.3</b>	<b>123.9</b>	<b>83.6</b>	<b>207.9</b>

(1) Also includes staff costs and employee benefits expenses.

## Significant Events Affecting Historical Results

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

- in March 2011, Altice VII increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the results of the HOT Telecom Group are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from March 2011). The HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA of Altice VII in the year ended December 31, 2011.



- in June 2011, Altice VII acquired controlling equity interests in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the results of which are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from July 1, 2011). Coditel Holding contributed €34.8 million to revenue, a €1.4 million operating loss and €20.4 million to EBITDA of Altice VII in the year ended December 31, 2011.

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

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

## Revenue

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

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

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

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

## Gross Profit

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

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

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

*B2B and others:* For the year ended December 31, 2011, our gross profit from B2B and others was €24.1 million compared to €24.0 million for the year ended December 31, 2010.

## **Operating Expenses and EBITDA**

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

*General and administrative expenses:* General and administrative expenses were €51.2 million for the year ended December 31, 2011 compared to €31.6 million for the year ended December 31, 2010.

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

*EBITDA:* As a result, our EBITDA increased by €249.7 million to €297.8 million for the year ended December 31, 2011 from €48.1 million for the year ended December 31, 2010.

## **Depreciation and amortization**

Depreciation and amortization expenses were €176.4 million for the year ended December 31, 2011 compared to €26.5 million for the year ended December 31, 2010.

## **Operating profit**

For the year ended December 31, 2011, (i) other expenses, net totalled €5.6 million compared to €7.4 million for the year ended December 31, 2010 (ii) management fees primarily relating to consulting services totalled €3.1 million compared to €0.8 million for the year ended December 31, 2010 (iii) restructuring and other non-recurring costs totalled €7.6 million compared to restructuring and other non-recurring costs of €3.9 million for the year ended December 31, 2010. As a result of the factors described above, our operating profit increased by €95.6 million to €105.1 million for the year ended December 31, 2011 from €9.5 million for the year ended December 31, 2010.

## **Gains arising on step acquisitions**

Gains arising on step acquisitions was €134.8 million for the year ended December 31, 2011 compared to €1.0 million for the year ended December 31, 2010, which was primarily due to a non-recurring income of €133.0 million recognised in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT Telecom and the subsequent change in accounting via the consolidation method from equity method as a result of which the equity stake held in HOT Telecom prior to the change in control was re-evaluated at its fair value on the date of the change in control.

## **Share of profit of associates**

Our share of profit of associates was €11.7 million for the year ended December 31, 2011 compared to €6.8 million for the year ended December 31, 2010 primarily due to an increase in our share of profit from HOT in the year ended December 31, 2011 (prior to the acquisition of controlling interest in March 2011) compared to the year ended December 31, 2010.

## **Finance costs (net)**

Our net finance costs totalled €95.0 million for the year ended December 31, 2011 compared to net finance income of €25.2 million for the year ended December 31, 2010. Net finance costs increase due to the higher levels of debt incurred in the year ended December 31, 2011 mainly in connection with the Group's investment in HOT, Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l.

## **Income tax benefits/(expenses)**

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

## **Profit for the year**

Our profit for the year increased by €83.6 million to €123.9 million for the year ended December 31, 2011 from €40.3 million for the year ended December 31, 2010.

## Liquidity and Capital Resources

### Cash and Debt Profile

As of September 30, 2013, our consolidated cash and cash equivalents amounted to €61.9 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012 and June 2013 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. Our total debt as of September 30, 2013 was €3,547 million (assuming full draw down of the 2013 Term Loan and the issuance of the New Notes), in each case excluding finance leases and other long term and short term liabilities. Furthermore, as of September 30, 2013, Altice Financing made a renewal request for a guarantee of up to a maximum amount of €1.7 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group. Our material indebtedness (excluding the Revolving Credit Facilities, the 2013 Guarantee Facility, finance leases and other long term and short term liabilities) and principal repayment obligations, without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. As of September 30, 2013, we had €192.0 million equivalent of additional borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See “Description of Other Indebtedness”.

	Period ending December 31,					Total
	2013	2014	2015	2016	2017 or later	
	€ in millions					
HOT Unsecured Notes <sup>(1)</sup> .....	—	27	27	27	199	280
Coditel Mezzanine Facility.....	—	—	—	—	106	106
2012 Senior Secured Notes <sup>(2)</sup> .....	—	—	—	—	550	550
2013 Term Loan Facility <sup>(3)</sup> .....	—	8	8	8	771	795
2012 Senior Notes <sup>(2)</sup> .....	—	—	—	—	314	314
2013 Senior Notes.....	—	—	—	—	250	250
New Senior Secured Notes <sup>(4)</sup> .....	—	—	—	—	959	959
New Senior Notes <sup>(4)</sup> .....	—	—	—	—	293	293
<b>Total</b> .....	<b>—</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>3,442</b>	<b>3,547</b>

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

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

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

(4) The amount is based on the exchange rate as of December 5, 2013 of €0.7327 = \$1.00.

### Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required is \$80.0 million and €60.0 million of available borrowings under the Revolving Credit Facilities and €75 million under the 2013 Guarantee Facility. As of September 30, 2013, we had €192.0 million equivalent of borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Revolving Credit Facilities and under the 2013 Guarantee Facility will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination

with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See “*Risk Factors—Risks Relating to Our Financial Profile*”.

The Revolving Credit Facilities and the 2013 Guarantee Facility requires us to maintain compliance with a consolidated leverage ratio, calculated on a net basis, tested as of the end of each fiscal quarter of no more than 4.5:1. The HOT Unsecured Notes contain certain financial covenants which require HOT to maintain compliance with a maximum consolidated leverage ratio of 6.0 (calculated on a net debt basis) and minimum equity of NIS 300 million. Further, HOT may only distribute dividends if its consolidated leverage ratio (calculated on a net debt basis) is 5.5 or less. In addition, under the Coditel Mezzanine Facility, Coditel’s financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cash flow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. For the twelve month period ending on September 30, 2013, the required leverage ratio is 5.65:1 and will fall to 2.60:1 at the termination date. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries’ ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. See “*Description of Other Indebtedness*”. Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Revolving Credit Facilities, the HOT Unsecured Notes and the Coditel Mezzanine Facility, in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

Altice VII 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 September 30, 2013, we had a negative net working capital position of €173.7 million compared to a negative working capital position of €197.5 million as of September 30, 2012. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short Days of Sales Outstanding and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect our operating cash flows and, if required, available borrowings under the Revolving Credit Facilities and the 2013 Guarantee Facility will be sufficient to meet our working capital requirements during the next 12 months.

#### **Consolidated Cash Flow Statements**

	<b>Historical Consolidated Financial Information</b>				
	<b>For the year ended December 31,</b>			<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	<b>€ in millions</b>				
Cash and cash equivalents at beginning of period .....	6.8	18.2	19.8	19.8	129.7
Net cash provided by (used in) operating activities .....	(43.4)	306.4	464.5	323.5	289.0
Net cash provided by (used in) investing activities .....	(35.3)	(576.2)	(574.2)	(300.6)	(502.3)
Net cash provided by (used in) financing activities .....	87.7	272.4	219.3	(10.2)	145.4
Effects of exchange rate changes on the balance of cash held in foreign currencies .....	2.4	(0.9)	0.2	0.2	—
<b>Cash and cash equivalents at end of period .....</b>	<b>18.2</b>	<b>19.8</b>	<b>129.7</b>	<b>32.6</b>	<b>61.9</b>

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

Changes in Altice VII’s cash flows in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 were impacted by the significant acquisitions and related financing arrangements described under “—*Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012—Significant Events Affecting Historical Results*”.

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

Net cash provided by operating activities decreased by 10.7% to €289.0 million for the nine months ended September 30, 2013 compared to €323.5 million for the nine months ended September 30, 2012. The decrease was primarily due a €109.0 million negative impact from the movement in changes in working capital mainly driven by an increase in trade receivables in Israel as a result of migrating to invoicing on a post-services basis as opposed to pre-services, which we

were required by the Council for Cable and Satellite Broadcasting to complete by the end of 2012. The decrease in net cash provided by operating activities was partially offset by an €72.4 million increase in EBITDA as a result of the factors described under “—*Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012*”.

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

Net cash used in investing activities increased by 67.0% to €502.3 million for the nine months ended September 30, 2013 compared to €300.6 million for the nine months ended September 30, 2012. The increase was primarily due to the higher cash outflows of €203.5 million in the nine months ended September 30, 2013 relating to the acquisition of Outremer and ONI on July 5, 2013 and August 8, 2013, compared to €35.1 million in the nine months ended September 30, 2012. In addition to these acquisitions a total amount of €105 million was paid to finance the buy back of minority interests in Cabovisão in February 2013. The increase in net cash used in investment activities was offset by a decrease in capital expenditure of €83.4 million, compared to the same period in the previous year as discussed under “—*Capital Expenditures—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012*”.

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

Net cash provided by financing activities increased to €145.4 million for the nine months ended September 30, 2013 compared to net cash used in financing activities of €10.2 million for the nine months ended September 30, 2012, due to higher levels of debt incurred for purposes other than refinancing of existing indebtedness (in an amount of €496.5 million versus €92.8 million in the nine months ended September 30, 2012) to, among other things, finance the acquisitions of the Outremer and ONI on July 5, 2013 and August 8, 2013, respectively. Furthermore, €212.5 million net cash was used to redeem preferred securities held by shareholders. The interest paid in the nine months ended September 30, 2013 was €119.4 million compared to €91.3 million in the nine months ended September 30, 2012.

***Year Ended December 31, 2012 compared to the Year Ended December 31, 2011***

Changes in Altice VII’s cash flows in the year ended December 31, 2012 compared to the year ended December 31, 2011 were impacted by the significant acquisitions and related financing arrangements described under “—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*”.

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

Net cash provided by operating activities increased by 51.7% to € 464.5 million for the year ended December 31, 2012 compared to €306.4 million for the year ended December 31, 2011. Despite a net loss of €189.9 million in 2012 compared to a net gain in income of €123.9 million in 2011, the operating cash flow in 2011 was offset by the elimination of higher non-cash gains of € 133.0 million relating to the step acquisition of HOT (see Note 27 to the Altice VII 2011 Historical Consolidated Financial Statements). This increase was slightly offset by a €8.4 million negative impact from the movement in changes in working capital.

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

Net cash used in investing activities decreased by 0.4% to €574.2 million for the year ended December 31, 2012 compared to €576.3 million for the year ended December 31, 2011. The decrease was primarily due to the higher cash outflows of €347.3 million in the year ended December 31, 2011 for acquisitions (including investments in the HOT Telecom Group and Coditel) compared to €35.1 million the year ended December 31, 2012. In addition, we used €172.9 million to acquire the remaining minority interests in HOT in the take-private transaction in December 2012 which is included in cash used in investing activities. This decrease was partially offset by higher capital expenditures in the year ended December 31, 2012 as discussed under “—*Capital Expenditures—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*”.

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

Net cash provided by financing activities decreased by 19.5% to €219.3 million for the year ended December 31, 2012 compared to €272.4 million for the year ended December 31, 2011. The decrease was primarily due to the higher levels of interest paid in an amount of €117.8 million in the year ended December 31, 2012 compared to €69.0 million in the year ended December 31, 2011 and the dividends paid to the minority shareholders in an amount of €26.0 million in the year ended December 31, 2012 which was partially offset by the higher levels of debt incurred for purposes other than refinancing of existing indebtedness in the year ended December 31, 2012 (in an amount of €363.2 million versus €341.8 million in the year ended December 31, 2011).

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

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

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

Net cash provided by operating activities increased to €306.4 million for the year ended December 31, 2011 compared to net cash used in current operations of €43.4 million for the year ended December 31, 2010.

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

Net cash used in investing activities increased to €576.2 million for the year ended December 31, 2011 compared to €35.3 million for the year ended December 31, 2010.

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

Net cash provided by financing activities increased to €272.4 million for the year ended December 31, 2011 compared to €87.7 million for the year ended December 31, 2010.

### **Capital Expenditures**

We classify our capital expenditures in the following categories.

**Cable based services related:** Includes capital expenditures related to (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth (“CPEs and installation related”); (ii) investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity (“cable network and construction related”) and (iii) other capital expenditures related to our cable based business.

**Mobile services related:** Includes capital expenditures related to improving or expanding our mobile networks and platforms and other investments relating to our mobile business.

**B2B and others:** Includes capital expenditures relating to data centres, backbone network, connection fees of clients premises, rental equipment to customers and other B2B operations as well as content related capital expenditures relating to our subsidiaries that produce and distribute content. Capital expenditures relating to network and equipment that is common to the delivery of cable or mobile services on the one hand and B2B on the other hand are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

	<b>Historical Consolidated Financial Information</b>				
	<b>For the year ended December 31,</b>			<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	€ in millions				
Cable based services .....	(2.3)	127.1	252.1	194.8	137.7
Mobile services .....	14.2	47.1	83.8	66.3	38.9
B2B and others .....	38.0	15.5	11.1	6.4	7.5
<b>Total Capital Expenditures .....</b>	<b>49.9</b>	<b>189.8</b>	<b>347.0</b>	<b>267.5</b>	<b>184.1</b>

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

#### **Capital expenditures on a Historical Consolidated Basis**

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

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

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

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

### Capital expenditures on a Pro Forma Consolidated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Pre-Transaction Pro Forma Financial Information.

	Pre-Transaction Pro Forma Financial Information											
	For the nine months ended September 30, 2012						For the nine months ended September 30, 2013					
	Israel <sup>(3)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel <sup>(3)</sup>	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total
	€ in millions											
<b>Capital expenditures</b>												
CPEs and installations .....	74.0	3.3	6.3	4.7	—	88.3	35.0	5.8	7.9	3.1	—	51.8
Cable network and constructions .....	45.0	1.8	4.9	4.0	—	55.7	25.0	2.1	4.1	5.1	—	36.3
Other cable .....	45.0	5.8	0.9	0.2	—	51.9	40.0	5.6	2.7	0.2	—	48.5
Cable based services .....	164.0	10.9	12.0	8.8	—	195.7	100.0	13.5	14.7	8.4	—	136.6
Mobile services .....	66.0	0.7	—	7.9	—	74.6	36.0	1.2	—	8.9	—	46.1
B2B and others .....	—	—	5.8	4.9	13.5	24.2	—	—	3.6	9.8	13.4	26.8
<b>Total capital expenditures .....</b>	<b>230.0</b>	<b>11.6</b>	<b>17.9</b>	<b>21.6</b>	<b>13.5</b>	<b>294.6</b>	<b>136.0</b>	<b>14.7</b>	<b>18.3</b>	<b>27.1</b>	<b>13.4</b>	<b>209.5</b>
<b>EBITDA—total capital expenditures .....</b>	<b>(0.8)</b>	<b>23.7</b>	<b>14.0</b>	<b>35.3</b>	<b>4.7</b>	<b>76.9</b>	<b>133.9</b>	<b>20.7</b>	<b>26.8</b>	<b>35.0</b>	<b>4.3</b>	<b>220.6</b>

- (1) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.
- (2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.
- (3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, the capital expenditures for the nine months ended September 30, 2012 do not include any costs relating to the purchase of exclusive third party content and the capital expenditures for the nine months ended September 30, 2013 do not include costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

*Israel:* For the nine months ended September 30, 2013, our total capital expenditures in Israel were €136.0 million (representing 64.9% of total capital expenditures), a 40.9% decrease compared to € 230.0 million for the nine months ended September 30, 2012 (representing 78.1% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the nine months ended September 30, 2012 related mainly to a one time capital expenditure for the purchase of a building for our call center operations, capital expenditures relating to the purchase of our new set top boxes, HOT Magic HD, and higher cable network and constructions related capital expenditure related to the completion of the upgrade to 100Mb capacity throughout our cable network and the fiber roll out in certain areas in 2012. The decrease in capital expenditures in the mobile segment was primarily due to higher expenditures relating to the expansion of our UMTS network in the nine months ended September 30, 2012 prior to the launch of our UMTS based cellular services in May 2012.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, our total capital expenditures in Belgium and Luxembourg were € 14.7 million (representing 7.0% of total capital expenditures), a 26.7% increase compared to €11.6 million for the nine months ended September 30, 2012 (representing 3.9% of total capital expenditures). The increase was due to the installation work we conducted following the acquisition of the AIESH concession and the launch of La Box in 2013, having installed a substantial number of set-top boxes during the nine months ended September 30, 2013

*Portugal:* For the nine months ended September 30, 2013, our total capital expenditures in Portugal were €18.3 million (representing 8.7% of total capital expenditures), relatively stable compared to € 17.9 million for the nine months ended September 30, 2012 (representing 6.1% of total capital expenditures). This was due to a decrease in B2B and other capital expenditure incurred by ONI in the nine months ended September 30, 2013 offset by an increase in cable capital

expenditures mainly due to the high level of investments made during the nine months ended September 30, 2013 to deploy “La Box”.

*French Overseas Territories:* For the nine months ended September 30, 2013, our total capital expenditures in the French Overseas Territories were €27.1 million (representing 12.9% of total capital expenditures), a 25.5% increase compared to €21.6 million for the nine months ended September 30, 2012 (representing 7.1% of total capital expenditures). The increase was primarily due to (i) an increase in other capital expenditures as a result of certain major renovation work relating to Outremer’s distribution network, and the development of a payment platform offering value-added payment services to Outremer’s customers, (ii) the work related to the expansion of our 3G mobile network in Martinique, Guadeloupe, French Guyana, Mayotte and La Reunion, and (iii) the acquisition of KERTElcom, a small fixed line French operator.

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

### *Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*

#### **Capital expenditures on a Historical Consolidated Basis**

For the year ended December 31, 2012, our total capital expenditures were €347.0 million (representing 31.8% of revenue), a 82.9% increase compared to €189.7 million for the year ended December 31, 2011 (representing 24.2% of revenue).

*Cable based services related:* For the year ended December 31, 2012, cable based services capital expenditures were €252.1 million (representing 72.7% of total capital expenditures), a 98.3% increase compared to €127.1 million (representing 67.0% of total capital expenditures) for the year ended December 31, 2011.

*Mobile services related:* For the year ended December 31, 2012, mobile services capital expenditures were €83.8 million (representing 24.1% of total capital expenditures), a 77.9% increase compared to €47.1 million (representing 24.8% of total capital expenditures) for the year ended December 31, 2011.

*B2B and others:* For the year ended December 31, 2012, B2B and other capital expenditures were €11.1 million (representing 3.2% of total capital expenditures), a 28.4% decrease compared to €15.5 million (representing 8.2% of total capital expenditures) for the year ended December 31, 2011.

#### *Capital expenditures on an Aggregated Basis*

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011					For the year ended December 31, 2012						
	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(2)</sup>	Others <sup>(1)</sup>	Total	
	€ in millions											
<b>Capital expenditures</b>												
CPEs and installations .....	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions .....	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable .....	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
<b>Cable based services .....</b>	<b>126.8</b>	<b>10.6</b>	<b>19.4</b>	<b>28.1</b>	<b>—</b>	<b>185.0</b>	<b>211.6</b>	<b>17.0</b>	<b>18.1</b>	<b>16.1</b>	<b>—</b>	<b>262.8</b>
Mobile services .....	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others .....	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
<b>Total capital expenditures .....</b>	<b>173.9</b>	<b>10.6</b>	<b>34.4</b>	<b>53.5</b>	<b>21.5</b>	<b>293.8</b>	<b>295.4</b>	<b>17.0</b>	<b>30.8</b>	<b>35.7</b>	<b>18.7</b>	<b>397.8</b>
<b>EBITDA—total capital expenditures .....</b>	<b>153.1</b>	<b>30.4</b>	<b>4.6</b>	<b>19.0</b>	<b>(3.8)</b>	<b>203.2</b>	<b>9.8</b>	<b>28.6</b>	<b>17.1</b>	<b>39.3</b>	<b>1.6</b>	<b>96.4</b>

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

*Israel:* For the year ended December 31, 2012, our total capital expenditures in Israel were €295.4 million (representing 74.3% of total capital expenditures), a 69.9% increase compared to €173.9 million for the year ended December 31, 2011 (representing 59.2% of total capital expenditures). This increase was primarily due to increased CPE and installation



related capital expenditures as a result of higher capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) as well as significantly higher mobile related capital expenditures primarily due to the expansion of our UMTS network. We also experienced an increase in cable network and construction related capital expenditures as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012. In addition, other cable capital expenditures increased as a result of a one time capital expenditure related to the purchase of a building which houses one of our call centre operations and due to an increase in capitalised sales commissions relating to our cable operations.

*Belgium and Luxembourg:* For the year ended December 31, 2012, our total capital expenditures in Belgium and Luxembourg were €17.0 million (representing 4.3% of total capital expenditures), a 60.4% increase compared to €10.6 million for the year ended December 31, 2011 (representing 3.6% of total capital expenditures). The increase was primarily due to the increase in total cable capital expenditures as a result of higher fees paid for exclusive rights for premium channels (amounting to €1.2 million) and due to the acquisition of the AIESH concession (amounting to €2.5 million) as well as relating to a project for the Brussels police involving installation of fiber links for the CCTV network (amounting to €0.6 million).

*Portugal:* For the year ended December 31, 2012, our total capital expenditures in Portugal were €30.8 million (representing 7.7% of total capital expenditures), a 10.5% decrease compared to €34.4 million for the year ended December 31, 2011 (representing 11.7% of total capital expenditures). The decrease was primarily due to a decrease in B2B and other capital expenditure incurred by ONI as a result of the significant capital expenditures in 2011 relating to the acquisition of a new VOIP technology platform. In addition, cable capital expenditures decreased mainly due to lower CPE and installation related capital expenditures as a result of the high level of investments made during the year ended December 31, 2011 to deploy set-top boxes with PVR functionality and the impact of the renegotiation of contracts with suppliers relating to installation service as well as due to a reduction in the number of subscribers.

*French Overseas Territories:* For the year ended December 31, 2012, our total capital expenditures in the French Overseas Territories were €35.7 million (representing 9.0% of total capital expenditures), a 33.1% decrease compared to €53.5 million for the year ended December 31, 2011 (representing 18.2% of total capital expenditures). The decrease was primarily due to the higher level of cable capital expenditures incurred in the year ended December 31, 2011 as a result of major IRU upgrades in the Caribbean region as well as major mobile related investments in 2011, which included launching 3G mobile services in Mayotte and investments in real-time billing software.

*Others:* Capital Expenditures for our other businesses were €18.7 million for the year ended December 31, 2012 compared to €21.5 million for the year ended December 31, 2011, a decrease of 13.0%. This decrease was primarily due to the decrease in capital expenditures incurred by Green and Green Datacenter in the year ended December 31, 2012 which was partially offset by the increase in activity in our content business and the capital expenditure incurred by our content subsidiaries in 2012. These content subsidiaries (which we acquired in 2013) were incorporated in 2011 and 2012 respectively and hence did not have a full year of operations in 2011.

### Contractual obligations

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

### Payments due by period

	Period ending December 31,					Total
	2013	2014	2015	2016	2017 or later	
	€ in millions					
Long-term debt obligations.....	13.0	34.0	34.0	34.0	2,249.0	2,336.0
Finance leases .....	8.7	8.4	6.9	3.7	4.7	32.3
Operating leases <sup>(1)</sup> .....	40.6	37.3	29.4	21.2	68.2	196.7
<b>Total</b> .....	<b>62.3</b>	<b>79.7</b>	<b>70.3</b>	<b>58.9</b>	<b>2,321.9</b>	<b>2,565.0</b>

(1) Includes lease of buildings, office equipment and vehicles for various terms through 2020. Does not take into account any optional extension periods.

In addition, we have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other

end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. For further details regarding our significant contractual commitments, see note 13 to Altice VII's financial statements as of and for the nine months ended September 30, 2013 and note 31 to Altice VII's financial statements as of and for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on a number of factors. In the case of defined benefit plans, we recognise a liability regarding employee benefits in the statement of financial position of Altice VII which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognised as an expense at the time of the deposit in the plan, in parallel to the receipt of the labour services from the employee and no additional provision is recognised in the financial statements. As of September 30, 2013, our total pension liabilities were €9.0 million.

### **Post Balance Sheet Date Events**

For post balance sheet date events, see "General Description of Our Business and the Offering—Recent Developments".

### **Related Party Transactions**

During the year ended December 31, 2011 and 2012 the Group paid an aggregate of €3.1 million and €6.2 million to related parties as management fees and during the nine months ended September 30, 2013 the Group paid an aggregate of €0.7 million. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

The Group has entered into certain arrangements with Numericable, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the "Numericable" brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. For further details, see "*Certain Relationships and Related Party Transactions*". Additionally, except as disclosed in the notes to the historical consolidated financial statements of the Group included in this Offering Memorandum, the Group did not have any material transactions with related parties during 2011 and 2012 and the nine months ended September 30, 2013.

### **Off Balance Sheet Arrangements**

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases and others described under "—Contractual Obligations" or as disclosed below or in the notes to the historical consolidated financial statements of the Group included in this Offering Memorandum.

#### *Guarantees*

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to regulators and other government agencies. At September 30, 2013, these guarantees amounted to approximately €300 million.

### **Quantitative and Qualitative Disclosures About Market Risk**

#### *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, euro and New Israeli Shekels, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

#### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

#### *Interest Rate and Related Risk*

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT Unsecured Notes, pursuant to amortization obligations. As adjusted for the Offering, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €2.752 billion (excluding finance leases and other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Notes, the HOT Unsecured Notes, the Dollar Senior Secured Notes, the Euro Senior Secured Notes, the Existing Coditel Mezzanine Facility and the New Senior Notes while our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to €714.0 million comprising of the 2013 Term Loan. In addition, any borrowings we make under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate. In addition, a portion of our debt in an amount of €280.0 million, comprising Series A of the HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As we have not entered into interest rate hedges, we are exposed to interest rate fluctuations with respect to our floating rate debt.

#### *Foreign Currency Risk*

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the New Israel Shekel. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Altice VII 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 September 30, 2013, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure:

- Foreign exchange forward contract relating to a swap of a notional amount of \$550 million into New Israeli Shekels (maturing on December 15, 2017);
- Foreign exchange forward contract relating to interest rate hedging on a notional amount of \$98.9 million and €40.1 million (maturing on each interest payment date under the 2012 Senior Secured Notes and the 2012 Senior Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;
- Cross currency swaps on notional principal amounts of \$200 million, \$225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017); and
- Cross currency swaps on notional principal amounts of \$293 million, \$407 million and \$133 million, each swapping into New Israeli Shekels and euro respectively at certain specified rates (maturing between July and November 2018).

In addition, because the reporting currency of Altice VII 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 Altice VII's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 18 to Altice VII's financial statements as of and for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

#### **Critical Accounting Policies, Judgments and Estimates**

See note 1 to our Historical Consolidated Financial Information included elsewhere in this Offering Memorandum.

## **BUSINESS, INDUSTRY AND MARKET OVERVIEW OF ODO AND TRICOM AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO**

*The discussion and analysis of the results of operations and financial condition of Orange Dominicana S.A. ("ODO"), as discussed in the section under—"Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO", is based on its audited standalone financial statements as of and for the twelve months ended December 31, 2012 and 2011 and its unaudited condensed standalone financial statements as of and for the nine months ended September 30, 2012 and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.*

*Except as the context otherwise indicates, when discussing historical results of operations under—"Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO" "Company," "we," "our" and other similar terms are generally used to refer to the business of ODO.*

*You should read the discussion under—"Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO" in conjunction with the standalone financial statements of the Company and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to the Company's financial statements is set forth below in "—Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO—Critical Accounting Estimates." You should also review the information in the section "—Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO—Presentation of Financial Information". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk Factors."*

### **Overview of ODO's Business**

ODO is the second largest telecommunications provider in the Dominican Republic based on revenues for the year ended December 31, 2012. ODO provides mobile telephony and wireless broadband services to residential customers and fixed and mobile voice and data services to business customers through its mobile telecommunications network infrastructure and fixed-line network.

Launched in 2000 as the first GSM network in the Dominican Republic, ODO is the second largest mobile operator in the residential segment, with approximately 32% market share as of June 2013, according to Informa Telecoms & Media, and the third largest broadband wireless provider in the country, with approximately 17% market share, according to management estimates. ODO also has a significant presence in the B2B market, having captured approximately 25% market share as of September 30, 2013 in the mobile B2B segment measured by volume, according to management estimates. As a result of the strong "Orange" brand under which ODO has historically marketed its mobile voice and data services, its focus on customer experience and its efficient distribution channels, ODO captured the largest share of net mobile subscriber additions in the Dominican Republic market during the year ended December 31, 2012.

ODO provides the following products and services:

- *Mobile.* ODO offers residential and business mobile subscribers a variety of pay-as-you-go plans and monthly rate plans through its 2G and 3G networks. In the residential segment, ODO has approximately 3.2 million mobile subscribers (including postpaid business subscribers) of which approximately 2.6 million subscribe through prepaid plans as of September 30, 2013. Approximately 403,000 residential mobile customers subscribe through postpaid plans, with a choice between different offers and more tailored solutions. In the B2B segment, ODO offers services through approximately 188,000 connections as of September 30, 2013. ODO also offers plans to approximately 8,700 SOHOs, 2,500 SMEs and 240 large companies as of June 2013. In the past, ODO's most successful offerings have been in the prepaid consumer business; however, ODO is growing its postpaid and business offerings and continues to roll out new products and services. ODO set up a dedicated business customer team in January 2011 and since 2012 has expanded its offerings to include data packages for prepaid and new postpaid tariffs and has launched value-added services. ODO has also expanded its business services with features such as mobile-to-mobile, enhanced data security and telepresence.
- *Broadband.* ODO offers a range of wireless broadband services, through nomadic broadband (through dongles and MiFi devices) and customer premises equipment (CPE) as well as capacity based plans and voice and data bundles on 3G and 4G LTE. ODO also offers fixed broadband services, although this is relatively limited. ODO offers both prepaid and postpaid packages to business customers, as well as digital services, including in-house platform agnostic applications development, fixed voice and Internet and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services. Approximately 78,000 residential customers take up broadband services through postpaid capacity-based plans as of September 30, 2013. In the business segment, ODO also offers

packages including capacity-based offers and speed-based offers for SOHOs and SME/large companies, respectively. As of September 30, 2013, we have approximately 47,000 postpaid business subscriber connections for the broadband services offered by ODO, of which over 40% are SMEs and large companies, which can also benefit from ODO's fibre and WiMax technologies and other value added services.

- *Carrier Wholesale.* To service the Dominican Republic's significant tourist traffic, ODO provides users of foreign mobile connections with international roaming services. ODO has entered into roaming agreements with various international telecom service providers for voice, internet, data, prepaid, roaming hub and 3G services. Currently, ODO has agreements in place with leading international telecom companies from over 140 countries. ODO also attracts international incoming traffic through its long distance business, providing international call termination to other local operators.
- *Fixed Voice.* ODO currently provides selected SMEs and large business customers with fixed voice via SIP trunking and plans to provide SOHO customers with similar services in the future.

## **Network**

### *Mobile Access Network*

Based on a publicly available analysis of an independent consultancy, ODO owns the highest quality 3G mobile network in the Dominican Republic. Our previous capital expenditures have resulted in what we believe to be superior coverage and network reliability. We offer mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising as of December 31, 2012 approximately 1,200 antenna sites with approximately 1,200 2G GSM/GPRS base stations (BTS), approximately 820 3G UMTS/HSPA base stations (node-B) and 180 4G LTE mobile base stations. ODO has nationwide coverage through its high quality 2G network (98% population coverage as of December 2012), which is fully EDGE capable. ODO has installed 63 new 2G sites during 2013, with additional sites identified for future installations. In addition, ODO has achieved 75% population coverage as of December 2012 through its 3G network, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is ongoing and ODO aims to cover 96% of the population by 2016. In July 2012, ODO became the first operator in the Dominican Republic to commercially launch its 4G/LTE network, although certain spectrum capacity issues with competitors and Indotel have slowed down the Company's deployment plans. See "Risk Factors—Risks Related to our Business, Technology and Competition—ODO's ability to provide 4G/LTE services may be limited by the need for additional frequencies, which are unavailable due to the restrictions imposed by Indotel and the delay in the public auction of additional frequencies." ODO currently has 180 mobile sites that are 4G LTE enabled, offering coverage to approximately 4% of the population as of December 2012. ODO plans to increase its population coverage, subject to favorable resolution of the spectrum capacity issues. ODO benefits from a scalable multimode 3G network, which is easily upgradable to 4G. The LTE roll-out has been predominantly driven by demand in the B2B segment, with focus of coverage being centered on the Santo Domingo and Santiago regions, where a majority of clients are based.

### *Transmission Network*

Our mobile transmission network comprises a radio access network ("RAN")/metro backhaul network, a multi-protocol label switching ("MPLS") backbone backhaul network and a core network with value added systems.

### **Fixed Network**

We are rolling out a backbone transmission optic fiber to connect high- density areas and progressively decommission the SDH microwave links while sustaining future traffic growth.

Its transmission backbone includes underground fibre along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). ODO has been opportunistically deploying fibre to support the 4G LTE roll-out and to be in a position to offer fixed services to targeted B2B clients. As an example, ODO expects to offer B2B services in the eastern area of the Dominican Republic following the roll-out of fibre along the east route to Punta Cana, which is expected to be finalized by the end of 2013. In addition, ODO has identified other high density traffic locations to be connected with fibre in the future. Fibre is being rolled-out both below and above ground, in an ongoing effort to optimize cost and deployment time. At the same time, in remote areas where the deployment of fibre is expensive, ODO is making use of microwave backhaul. ODO is also developing IT and network infrastructure redundancy on an ongoing basis in order to ensure a high level of reliability to its customers. In addition, ODO has focused on IP multimedia systems (IMS) projects to support fixed-like (GSM technology-based fixed offers such as GSM deskphone) and new multimedia services, including fixed-like voice services for B2B customers, Rich Communication Services, voice-over-LTE and other collaborative multimedia. The B2B segment has been a key focus area for ODO since it first launched dedicated services to business customers in January 2011 and the Company aims to move from a mobile centric offering to a full-service provider with various enhancements being made to its network.

### ***Distribution Channels and Brand***

ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic comprising more than 500 shops and 44,000 top-up points of sale compared to its competitors, whose points of sales are mainly concentrated in the North and metropolitan regions of the Dominican Republic. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from a strong brand recognition and a focus on customer service. ODO captured a 42% share of mobile gross-adds for the nine months ended September 30, 2013 based on management estimates, while only operating 18% of the approximately 3,000 points of sale in the Dominican Republic. In connection with the ODO Acquisition, we will enter into the Brand License Agreement providing for the right for ODO to continue to use the "Orange" brand for a period of three to five years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO.

### ***Credit Management and Billing***

We bill our postpaid mobile subscribers directly. SIM cards, mobile phones and other devices can either be purchased directly from us or from one of our indirect distributors who, in turn, purchase them from us. We send monthly bills to our postpaid mobile customers, payable within 7-25 days, and we monitor customer collections and payments. Overdue receivables in excess of 120 days are transferred to a third-party factoring agency. We maintain a bad debt provision for our postpaid mobile subscribers for estimated credit losses, based on a percentage of risk of payment default with reference to aging of overdue invoiced amounts. In particular, the provisions foresee different levels of risks for consumer and business customers, sales partners and distributors, operators, and roaming partners. Our write-offs of such bad debt provisions constituted 2.03% of total postpaid revenues in the twelve months ended December 31, 2012 and decreased to 1.09% the nine months ended September 30, 2013. We also offer direct debit and e-payment.

Prepaid mobile customers purchase SIM cards, mobile phones and other devices directly from us or from retailers and dealers who, in turn, purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to top-up their accounts through a number of payment channels, either directly with us (through the Internet or in one of our stores), via Unstructured Supplementary Service Data (USSD), or through any of our indirect distribution partners.

### ***IT Systems and Infrastructure***

Our information technology systems are highly integrated into every aspect of our business providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental areas:

- Billing, customer relationship management;
- Point-of Sales support, commissioning, sales force automation;
- Supply chain management;
- Online services;
- Data warehousing;
- Controlling, Finance; and
- Human resources.

The systems are mainly hosted in 2 data centers.

### ***Licenses***

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, ODO was awarded a twenty-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed/wireless technologies, television and Internet). An automatic twenty-year renewal process is set forth in the concession agreement. The process begins in August 2014. If the submission for renewal is accepted, the concession will be renewed in August 2015. All of our frequency licenses are valid until August 1, 2015 but will have to be renewed at the same time as our concession agreement.

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

### ***Certain Contracts Relating to the Operation of Our Business***

We are a party to a number of agreements that are important to our business, including those set out below. In addition, in connection with the ODO Acquisition, we have entered into a Transitional Agreement, a Brand License Agreement.

#### ***Service Agreements***

We have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others. The service agreements with TechComm and Transunion S.A. will terminate in the event of a change in control in our corporate structure.

#### ***Supply Agreements***

On our behalf, Orange S.A. has entered into supply agreements with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices. After the Orange Dominicana Acquisition Completion Date, we will no longer benefit from such agreements. However, these handset supply agreements contemplate a three to six month grace period after a change of control during which ODO's buyer could enter into a new agreement with these suppliers.

#### ***Intercompany Agreements***

We have entered into three intercompany agreements with Orange S.A.: (i) the corporate framework agreement, (ii) the management fee agreement and (iii) the ASP interco agreement. These agreements will all automatically terminate after the Orange Dominicana Acquisition Completion Date.

### ***Environmental Matters***

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in the Dominican Republic could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies to achieve radiation emission ranges lower than the maximum levels permitted by applicable Dominican Republic regulations. If the Dominican Republic government or regulator were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure.

We have enacted various guidelines—in particular with regard to the quality of antenna sites and minimization of safety risks in connection with non-ionising radiations—as well as a health and safety policy. We have further obtained ISO 9001:2008 system certifications in connection with the circular of the Federal Office for the Environment regarding the quality assurance for compliance with the limits of antenna radiation dated January 16, 2006.

### ***Intellectual Property***

#### ***Orange Brand License Agreement***

In November, 2013 in connection with the entry into the ODO Acquisition, we entered into a brand license agreement with Orange Brand Services Limited that will become effective on the Completion Date. Under the terms of the agreement, we will have a license to use the Orange brand for several years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of the Completion Date. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis but the accounting treatment of such royalties has not been confirmed. See *“The Transactions—ODO Acquisition.”* The brand license agreement may be terminated by either party in certain circumstances, including if we or France Telecom commit a material breach of the agreement, if we do

not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

### ***Insurance***

We maintain insurance coverage in amounts that we believe are sufficient to insure appropriately our risks, including insurance for third-party liability, property damage/business interruption, global crime, buildings, construction and erection, special technical equipment and various other insurances.

A number of these insurance policies are linked to global Orange Group insurance policies. Accordingly, coverage under these insurances will or may terminate as a result of the ODO Acquisition. Our intention is to maintain insurance coverage consistent with industry standards, although the coverage may be somewhat reduced compared to the coverage we currently have under the Orange Group and we expect that the premiums for these insurances may be higher.

### ***Employees and Pension Obligations***

As of September 30, 2013, we had 1,269 full-time employees and 208 FTE employees.

We deliver substantial benefits to all of our employees through a combination of attractive compensation, health insurance and mobile phone plans. Our employees follow the guidelines established under Dominican Republic law with regards to work hours. Standardized employee contracts contain provisions that limit the hours an employee can work. Employees are required to fill out monthly time reports in which we verify that the employee is compliant with the company policies and with applicable labor laws.

We believe that our employee relations are good. We are recognized as a “great place to work” according to surveys conducted inside and outside the company. Orange is ranked as the top employer in the Dominican Republic according to the annual ranking by Revista Mercadeo. We have not experienced any labor-related work stoppages during the past three years.

### ***Property and Leases***

We own, lease and occupy a wide range of properties in connection with the operation of our antennas and commercial retail locations. Many of our properties must undergo an administrative process called deslinde in order to be recognized by the Title Registry office as valid deeds.

We have also entered into a long-term lease agreement for Torre Orange, the location of our headquarters in Santo Domingo.

Antenna installation is subject to approval by several governmental institutions, which perform the appropriate inspections and confirm that the project does not interrupt radio-electrical frequencies or risk the safety of the environment, community or local airports. Prior to 2010, the Dominican Institute of Civil Aviation (“IDAC”) issued one permit per project and municipalities issued one permit per several antennas within their jurisdiction. Other institutions followed similar guidelines and therefore antenna site permits are not uniformly provided.

### ***Overview of Tricom’s Business***

Tricom is the second largest landline service provider in the Dominican Republic after the incumbent operator, Claro. It provides pay television, broadband Internet and fixed-line telephony services through its HFC cable and xDSL networks as well as mobile telephony services through its mobile network. Tricom is the second largest pay television operator (number one in cable television) and the second largest broadband Internet and fixed-line telephony provider with a national market share of approximately 25% with respect to the above products, according to Indotel and Analysys Mason. Tricom’s pay television offering, which is available through three plans, includes over 250 channels with 79 channels available in HD, which we believe is the most extensive HD offering currently available in the Dominican Republic. Tricom provides Internet access primarily through its xDSL network, although its cable broadband product is currently experiencing strong growth, and it has launched mobile broadband services leveraging on its recent 4G/LTE launch. Tricom offers both prepaid and postpaid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilize its xDSL network to provide fixed-line telephony services, it also offers VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services. We believe that Tricom benefits from the opportunity to up-sell its mobile service offering to its fixed-line subscriber base, particularly following the launch of 4G services in May 2013, which we believe provides it with a competitive advantage. Tricom’s mobile offering includes 3G as well as 4G/LTE plans (depending on the handset) and mobile customers who subscribe to one of Tricom’s triple-play offers benefit from a free 4G-enabled smartphone under the current service plan.



As of September 30, 2013, Tricom's cable network passed approximately 440,000 one-way and two-way homes and Tricom had approximately 138,000 pay television subscribers, 124,000 broadband subscribers (including xDSL and cable), 272,000 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL) and 302,000 mobile subscribers.

In the B2B segment, which accounted for just under 18% of its revenue in 2012, Tricom mainly offers fixed-line services but is also present in the broadband, data, pay television and wireless segments. Tricom serves a large portfolio of approximately 10,000 corporate clients including banks, international telecom operators and government offices. Tricom has a well-diversified customer portfolio with its top ten customers accounting for less than 15% of its B2B revenue.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fibre technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of June 30, 2013, Tricom has upgraded 80% of its cable network to bi-directional capability, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services. Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and present significant growth potential. To this end, it relies on an in-house team which designs approximately 150-200 kilometres of network each month, as well as third party construction teams which implement in-house design and build approximately 70-80 kilometres of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focussed on maintaining its xDSL network to serve customers in areas not reached by its cable network.

Tricom provides its mobile telephony services through its wireless network and has 25 MHz of spectrum in the 850 MHz frequency, allowing it to offer its customers 3G mobile services, and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G/LTE mobile services. Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency. Tricom launched 4G mobile services in May 2013. Tricom's network in the 850 MHz and 1,900 MHz frequencies cover approximately 65% and 25% of the Dominican Republic population, respectively. Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 50 Mbps and 3 Mbps, respectively.

At the core of Tricom's fixed-line services strategy is a focus on triple-play packages which provides an attractive value proposition to its residential customers. In addition, Tricom leverages its 4G mobile services to provide integrated quadruple-play services. Multiple-play subscribers currently receive a discount on fixed-line services and on mobile services when such services are purchased as part of a bundle. As a result of this strategy, the percentage of Tricom's triple-play customers has increased from approximately 7% in 2010 to approximately 16% as of August 2013.

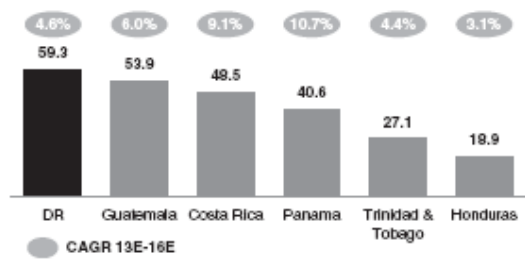
Tricom has developed a multi-channel distribution approach to provide its range of services to residential and business clients. It owns a network of 17 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 155 dealer stores, with which Tricom has partnered up, account for the vast majority of its wireless services sales. The two key distribution channels for fixed services are (i) telemarketing where a dedicated team constantly reaches out to clients to offer Tricom's services and products and (ii) door-to-door sales where the 98-employee sales force physically visit clients at their homes and offices. Although still a minor channel, online sales are expected to grow rapidly as traffic on Tricom's website has been experiencing strong growth.

For the nine months ended September 30, 2013, Tricom generated revenues of approximately \$159 million and Adjusted EBITDA of approximately \$45 million and had capital expenditures of approximately \$28 million, in each case based on unaudited and unreviewed management accounts. Tricom defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortization and before management fees, other non-recurring expenses, impact of tower sale and leasebacks and installation costs relating to network roll-outs. Tricom prepares its financial statements under U.S. GAAP.

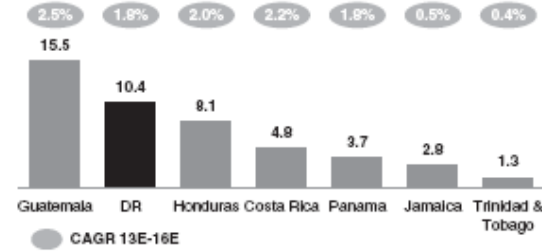
## **Industry Overview**

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

**Nominal GDP (in \$ billions)**



**Population (in millions)**



Source: International Monetary Fund (Nov-13)

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

#### Mobile Telephony

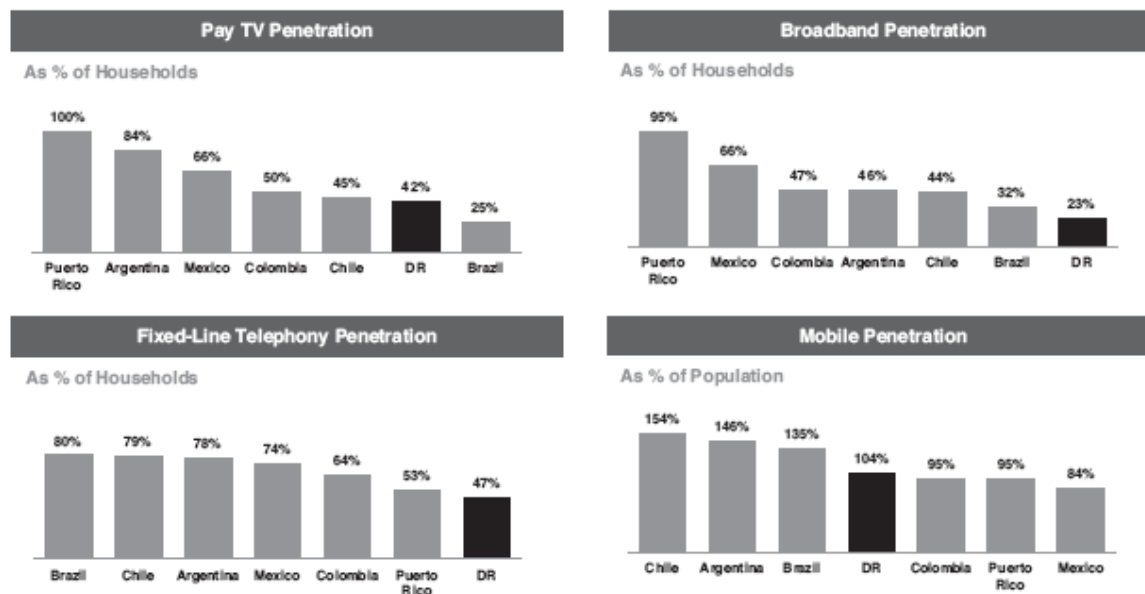
The mobile market is the largest telecom market in the Dominican Republic. Compared to other Western European markets, the Dominican Republic is characterised by a young population with lower purchasing power. According to Informa Telecoms & Media, the mobile penetration rate in the Dominican Republic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

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

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

#### Pay Television

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



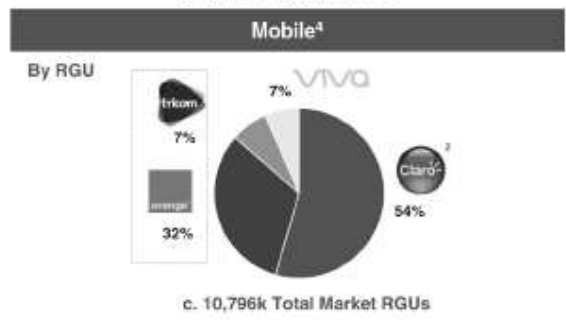
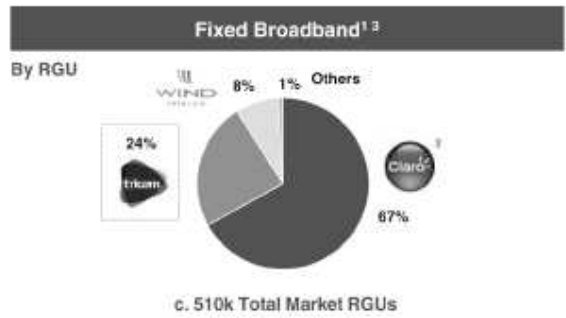
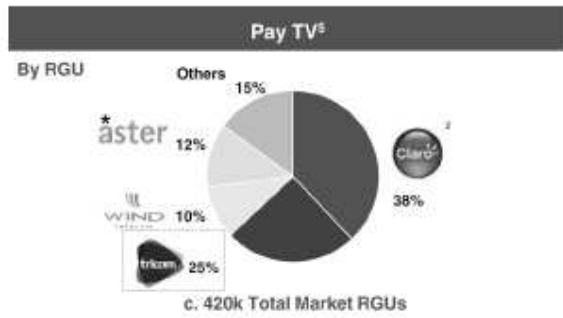
Source: Informa Telecoms & Media (June 2013).

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

#### *Broadband and Fixed Line Telephony*

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

The broadband and fixed telephony markets are relatively concentrated, with Claro and Tricom together accounting for approximately 90% market share (67% and 24% respectively in the broadband market excluding mobile and 68% and 25% respectively in the fixed telephony market) according to Indotel. Claro delivers broadband services through its xDSL and FTTx networks, while Tricom uses its xDSL and cable infrastructure. Both Claro and Tricom offer fixed-line telephony services using VoIP and PSTN. Other smaller players have a limited presence, with Wind Telecom taking 8% market share in the broadband market through its wireless technology and Viva 5% market share in the fixed-telephony market using its GSM infrastructure.



Source: Indotel, Informa Telecoms & Media, Analysys Mason

- (1) Excluding Mobile Broadband
- (2) Belongs to America Movil
- (3) Source: Indotel, as of June 2013
- (4) Source: Informa Telecoms & Media, as of June 2013
- (5) Source: Analysys Mason

## Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO

### Presentation of Financial Information

The standalone financial statements of the Company for the twelve months ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 have been prepared in accordance with IFRS as issued by IASB. The preparation of the financial statements did not therefore require any material allocation of assets and liabilities and income and expense items between Orange S.A., as indirect owner of the Company prior to the ODO Acquisition, and the Company.

### Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see "Risk Factors."

One of the key constituents of our revenue is network revenue, which contributed 87.7% and 86.9% of our total revenue for the twelve months ended December 31, 2012 and the nine months ended September 30, 2013, respectively. A major contributor to our network revenue is mobile subscriber revenue, which is principally driven by the number of mobile subscribers on our network (our mobile subscriber base), and the ARPU, or average revenue per user (see "—*Mobile ARPU*"), that they generate. Our subscriber base evolution is driven by market dynamics (including demographics, penetration rate, technical innovation and changing customer behavior) and gross connections market share (our ability to capture new subscribers). A key recent factor that has impacted our mobile subscriber revenue is the increasing use of data services linked to the popularity of smartphones and mobile computing devices, and our ability to successfully address this increasing demand. Furthermore, our mobile revenues are affected by macroeconomic trends, such as competition-driven price evolution and general macro-economic conditions. Network revenue also includes revenues from incoming voice traffic of other domestic and international operators, as well as roaming charges, and non-voice.

Our mobile costs of sale include (i) mobile termination rates payable to other operators for calls made by our subscribers that are terminated on networks belonging to other operators, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and retaining existing subscribers (prolonging the contract of an existing mobile subscriber, or mobile "renewal" for prepaid residential subscribers) (iii) network and IT expenses and (iv) other commercial expenses relating to advertising, promotion and other selling fees. Our primary subscriber acquisition and retention costs include agent commissions related to sales generated by dealers including franchises and wholesalers (together forming our indirect distribution channel) and the cost of handsets sold to our postpaid residential subscribers. Handsets are typically sold to our postpaid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commissions paid out varies depending on distribution channels (direct or indirect). Commissions, which are an operating expense, are paid for both, new and retained postpaid subscribers solicited through indirect distribution channels.

### Mobile Subscriber Base

The table below sets forth selected mobile subscriber data for the periods indicated, including an analysis by subscriber segment. Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls) and non-voice services (including SMS, MMS and data services for handsets).

	Mobile subscriber base			
	For the twelve months ended December 31,		For the nine months ended September 30,	
	2011	2012	2012	2013
	(subscribers in thousands)			
Postpaid subscribers <sup>(1)(2)(4)(5)</sup> .....	565	589	588	591
Prepaid residential subscribers <sup>(1)(3)(4)</sup> .....	2,482	2,504	2,414	2,587
<b>Subscribers at end of period<sup>(1)</sup> .....</b>	<b>3,047</b>	<b>3,093</b>	<b>3,002</b>	<b>3,178</b>

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

(2) All postpaid subscribers are considered as active

(3) Active prepaid subscribers exclusively. Prepaid subscribers are considered as inactive when connected on the home network more than 3 months without any outgoing traffic events or with fewer than four incoming traffic events

(4) Includes exclusively mobile subscribers. Mobile broadband/Internet subscribers excluded and analyzed separately in this section

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

We provide mobile services to prepaid residential customers, postpaid residential customers and postpaid business customers, constituting 81.0%, 13.0% and 6.0%, respectively, as of December 31, 2012 and 81.4%, 12.7% and 5.9%, respectively, as of September 30, 2013 of our mobile subscriber base. For the twelve months ended December 31, 2012 and the nine months ended September 30, 2013, prepaid residential subscribers formed the largest segment of our customer base, contributing 52.9% and 52.4% of total revenues, respectively, as compared to 28.6% and 28.5%, respectively, for postpaid residential subscribers and 8.2% and 8.3%, respectively, for postpaid business subscribers. Since contributions to revenue of subscribers in different segments are disproportionate (due to their different level of ARPU, see “—*Mobile ARPU*”), changes in the composition of our subscriber base in any financial period may have an impact on our revenue for such period.

Our mobile subscriber base increased by 1.5% and 5.9% for the twelve months ended December 31, 2012 and the nine months ended September 30, 2013, respectively, compared to the relevant period in the previous period. We believe the key drivers of this growth are: (i) favorable market dynamics, (ii) increased market share due to the positive perception of the “Orange” brand and the quality of our service, (iii) on-going network improvements, with the continuous roll-out of 2G, 3G and 4G, (iv) competitive prepaid and postpaid offers with the continuous expansion of our enterprise line, (v) anti-churn incentives geared at our prepaid residential subscribers to reduce the number of inactive customers, including automated reminders prompting the subscriber to top-up, simplified SIM swaps for customers who have lost their SIM cards and an automated credit top-up by us where a “zero balance” has been reached, and (vi) the strategic plan by our management to develop the business lines for our postpaid business subscribers with a sales team dedicated to this customer base as well as targeted offers.

As a result of the aforementioned factors, for the twelve months ended December 31, 2012, our postpaid business subscribers increased by 12.8% and our prepaid subscribers increased by 0.9% and for the nine months ended September 30, 2013, our postpaid business subscribers increased by 2.8% and our prepaid residential subscribers increased by 7% compared to the relevant period in the previous year. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 38.4% as of December 31, 2012 and 39.8% as of September 30, 2013.

Although we have seen a slight decrease in our postpaid residential subscriber base (0.5%) for the nine months ended September 30, 2013, we have recently initiated a revamp of our service offering, by introducing a more varied portfolio of price plans, allowing customers to add on additional services at their option while giving them the freedom of paying a low monthly fee on a postpaid basis. We believe that this will attract users of prepaid mobile phones to migrate to a postpaid subscription, as the difference between the monthly top-up and post-paid subscription fee is small. Furthermore, we offer substantial handset subsidies to our postpaid subscribers, which enables us to promote the usage of smartphones and associated voice and data usage. We aim to increase our market share in the postpaid residential segment in the future, especially in light of the increase in smartphone and data usage (which are less popular in the prepaid segment), and higher returns and retention rates in the long term.

### **Mobile ARPU**

ARPU (average revenue per user) represents the overall revenue for a specific segment divided by the number of subscribers for a given period. Since there may be disconnections and connections over a defined period, the overall revenue is divided by the average subscriber base for that particular period.

ARPU is primarily driven by prices of our services, traffic volume, data services utilization and revenue from interconnection rates for incoming calls. Our total ARPU was DOP 533 per month as of December 31, 2012, a decrease of 0.9% from ARPU of DOP 538 per month as of December 31, 2011. ARPU has been affected by a slight decrease in prices for voice services, largely reflecting the impact of decreasing mobile termination rates, which was partially offset by growth of revenue from non-voice services, in particular data ARPU in the twelve months ended December 31, 2012. Our ARPU for the nine months ended September 30, 2013 was DOP 526, a decrease of 1.1% from ARPU of DOP 531 for the nine months ended September 30, 2012 due to an increase in our prepaid segment at the lower end of our offerings (with comparatively lower ARPU than for our postpaid offerings) impacting the overall composition of our subscriber base. The table below sets out our ARPU for our prepaid and postpaid mobile subscribers:

	<b>Mobile ARPU</b>			
	<b>For the twelve months ended December 31,</b>		<b>For the nine months ended September 30,</b>	
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	<b>(in DOP per month/percentages)</b>			
Postpaid ARPU <sup>(3)</sup> .....	1,219	1,126	1,130	1,142
Increase/(decrease) from prior equivalent period .....		(7.6)%		1.1%
Prepaid residential ARPU <sup>(2)</sup> .....	391	393	390	386

Increase/(decrease) from prior equivalent period .....		0.5%		(1.7)%
<b>Total ARPU<sup>(1)</sup></b> .....	<b>538</b>	<b>533</b>	<b>531</b>	<b>526</b>
Increase/(decrease) from prior equivalent period .....	—	(0.4)%	—	(1.3)%

(1) We define total ARPU as the measure of the sum of our mobile revenues in the relevant period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

Our postpaid subscriber ARPU decreased by 7.6% from DOP 1,219 per month as of December 31, 2011 to DOP 1,126 per month as of December 31, 2012. This decline was due to a decrease in our postpaid residential ARPU by 8.2% due to (i) a substantial decrease in outgoing voice ARPU as a result of a change in our subscriber base (higher number of mid-range postpaid residential subscribers) and (ii) the substitution of voice to data ARPU with higher smartphone penetration. Furthermore, our postpaid business subscriber ARPU decreased by 4.3% due to an increase of larger businesses joining our network, resulting in a larger number of subscriptions and, in return, higher levels of discounts. In the nine months ended September 30, 2013, our postpaid subscriber ARPU increased by 1.1%, from DOP 1,130 per month for the nine months ended September 30, 2012 to DOP 1,141 per month in the nine months ended September 30, 2013. Despite the decline in our postpaid business subscriber ARPU by 4.8% due to larger businesses joining our network, this decrease was offset by an increase of 4.1% for our postpaid residential subscriber ARPU, due to the increase in higher value plans.

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

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

### **Termination Rates**

Mobile termination rates (MTR) contribute to our mobile revenues and costs. Fixed termination rates (FTR) contribute to our revenue and costs for our fixed line services. We receive revenues from other operators for calls terminated on our network and we are required to pay fees to other operators for calls terminated on their networks for both domestic and international calls.

Domestic MTR, local FTR and SMS termination rates result from negotiations between us and the three other main Dominican mobile operators. INDOTEL has the authority to challenge and/or validate these bilateral agreements. Domestic operators agreed to decrease national MTR and local FTR by 2% semiannually (in dollars), between 2010-2013. SMS termination rates remained unchanged between twelve months ended December 31, 2010 and the nine months ended September 30, 2013, at \$0.018 per SMS.

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

### **Internet**

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

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

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

	<b>Internet subscriber base</b>			
	<b>For the twelve months ended</b>		<b>For the nine months ended</b>	
	<b>December 31,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	(in thousands of subscribers)			
Postpaid residential subscribers <sup>(1)</sup> .....	41	62	56	78
Postpaid business subscribers <sup>(1)</sup> .....	12	59	48	47
<b>Subscribers at end of period<sup>(1)</sup> .....</b>	<b>54</b>	<b>121</b>	<b>104</b>	<b>125</b>

(1) All postpaid subscribers are considered as active

### ***Mobile Network Upgrade***

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network is key to the improvement of the services we offer to our customers. The perception of the network quality is an important factor in retaining our subscribers and is therefore a key element in preventing and reducing churn and attracting new customers.

The upgrade and maintenance of our network has a direct impact on the level of our expenses and the capital expenditures we incur each year. The 4G LTE roll-out which began in the first quarter of 2012 has been focused on certain regions with higher number of medium and large businesses. We believe that our infrastructure will be able to cope with the expected increased data-led capacity requirements and that architecture is scalable to support future traffic growth.

### ***Effects of the Transaction and Separation***

We have links with Orange S.A. at both operational and support levels, which are governed by group or bilateral agreements. Operational agreements are based on specific group terms while recharge agreements are usually based on a “cost plus” mechanism. Intragroup costs primarily include corporate fees such as brand fees and management fees (DOP 352 million and DOP 231 million, respectively, in the twelve months ended December 31, 2012 and DOP 275 million and DOP 188 million, respectively, in the nine months ended September 30, 2013). The transitional services agreement to be entered into between ODO and Orange S.A. is scheduled to be signed on or around December 10, 2013, after approval by Orange S.A.’s board. Final specific terms of the services to be rendered thereunder will be negotiated prior to completion of the ODO Acquisition in light of the synergies with Tricom and the Altice VII group which will be identified or confirmed and quantified during such period.

### **Key Income Statement Line Items**

#### ***Revenue***

Revenue from our activities includes:

- Mobile revenue, which consists of revenue from voice (including ingoing and outgoing calls) and non-voice (including SMS, MMS and data services for handsets);
- Internet revenue, which consists of mobile broadband facilities delivered to postpaid residential subscribers or business postpaid subscribers;
- Wholesale revenue, which consists of: (i) transit revenue consisting of fees charged to foreign competitors connecting to and using our telecommunication path and network to transit voice or data to another operators, and (ii) visitor roaming revenue representing revenue received from our roaming partners for their customers’ use of



services on our network. Roaming rates charged by various operators are determined according to the inter-operator tariffs (IOT) agreements between operators;

- Other revenue primarily includes (i) the sale of non-subsidized handsets (ii) fixed-data revenue corresponding to calls realized through IPVPN technology, which are primarily fixed calls for business subscribers and, to a lesser extent, (iii) global services revenue (mainly machine to machine (M2M) solutions e.g. industrialized private access point names (APN)) as well as other minor components;
- Equipment revenue consists of the sale of subsidized handsets and, to a lesser extent, mobile accessories.

### ***Operating costs***

Our operating costs include:

- Cost of equipment sold primarily consists of the costs arising from equipment sold to terminals, the sale of SIM cards and accessories, and import duties and freight costs;
- Selling, distribution and traffic costs mainly consist of access backbone and termination fees corresponding to costs incurred for terminating a call on another operator’s network. Cost is calculated based on the MTR or FTR tariffs which are agreed between operators;
- Advertising and sponsoring costs;
- Offices and technical sites costs;
- Labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;
- Corporate fees consist of (i) management fees, and (ii) brand fees based on the terms of the agreement with Orange S.A. regarding the rights to use the “Orange” brand;
- Maintenance costs;
- Other costs and income which include (i) purchase of services, (ii) consulting fees, (iii) network energy costs and (iv) bad debt expenses;
- Depreciation and amortization of fixed assets.

### ***Non-operating income/expense***

Non-operating income/expense mainly include financials items such as (i) foreign exchange gains and losses (mainly corresponding to unrealized translation gains on cash and cash equivalents), (ii) interest on net cash, and on the Orange Group current account (decreasing in line with cash and cash equivalents) and (iii) other financial charges concerning the discounting effect of the Asset Retirement Obligation (“ARO”) provision, whereby a discount is applied to the costs incurred in relation to the future dismantling of technical sites (the rate is calculated through applying intra-group measures and a discount rate set by the Dominican Central Bank).

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

	<b>For the twelve months ended December 31,</b>		<b>For the nine months ended September 30,</b>	
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
	<b>(in DOP million)</b>			
<b>Revenues</b> .....	22,184	22,754	16,943	17,954
Cost of equipment sold .....	(3,370)	(3,000)	(2,143)	(2,233)
Selling, distribution and traffic costs .....	(5,899)	(5,861)	(4,398)	(4,635)
Advertising and sponsoring costs .....	(1,054)	(937)	(695)	(559)
Offices and technical sites costs .....	(467)	(564)	(421)	(461)
Labor expenses .....	(1,061)	(1,175)	(880)	(913)
Corporate fees .....	(580)	(583)	(425)	(464)
Maintenance costs .....	(305)	(332)	(240)	(237)

Other costs and income.....	(1,975)	(2,573)	(1,863)	(1,759)
Depreciation and amortization.....	(3,355)	(3,509)	(2,545)	(2,565)
Total costs and operating expenses.....	(18,066)	(18,533)	(13,609)	(13,825)
<b>Operating income</b> .....	4,118	4,221	3,334	4,128
Bank commissions.....	(66)	(71)	(53)	(57)
Interest income.....	65	37	29	11
Foreign currency exchange gains (losses).....	17	70	28	17
Other.....	—	(20)	(11)	(13)
Non-operating income (expenses).....	15	15	(8)	(42)
<b>Profit before income tax</b> .....	4,133	4,236	3,326	4,086
Income tax.....	(8)	(790)	(678)	(1,158)
<b>Net income</b> .....	4,125	3,446	2,648	2,929
Other comprehensive income.....	—	—	—	—
<b>Total comprehensive income for the year</b> .....	4,125	3,446	2,648	2,929

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

Our total revenue increased by DOP 1,011 million (+6.0%) from DOP 16,943 million for the nine months ended September 30, 2012 to DOP 17,954 million for the nine months ended September 30, 2013, driven by an increase in our prepaid subscriber base and increased data usage.

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

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

*Mobile revenue*

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

Postpaid residential subscribers revenue increased by 3.1% in the nine months ended September 30, 2013 to DOP 4,717 million primarily driven by flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers.

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

Postpaid business subscribers revenue increased by 1.9% in the nine months ended September 30, 2013 to DOP 1,351 million primarily driven by a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. We also benefited from an overhaul in, and an increase of, the portfolio of services and integrated solutions we were able to offer to a broad variety of businesses (SMEs as well as larger business).

*Wholesale revenue*

Wholesale revenue was DOP 1,365 million for the nine months ended September 30, 2013, an increase of DOP 129 million, or 10.4%, from DOP 1,236 million for the nine months ended September 30, 2012. This increase was due to an increase in transit revenues by 41.4% to DOP 883 million for the nine months ended September 30, 2013, as a result of increased traffic of international telephone calls on our network, resulting in higher terminations. This trend was offset by a decrease in visitor roaming revenue of 21.2% to DOP 482 million for the nine months ended September 30, 2013, as result of the increase in network coverage of our competitors, thereby increasing competition and pushing down global inter-operator roaming rates, as well as macro economic conditions.

#### *Internet revenue*

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

#### *Equipment revenue*

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

#### *Other revenue*

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

#### ***Operating costs***

##### *Cost of equipment sold*

Cost of equipment sold were DOP 2,233 million for the nine months ended September 30, 2013, an increase of DOP 90 million, or 4.2%, from DOP 2,143 million for the nine months ended September 30, 2012. The increase in cost of equipment sold was mainly due to an increase in smartphone penetration as part of our retention strategy relating to our postpaid residential subscribers.

##### *Selling, distribution and traffic costs*

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

##### *Advertising and sponsoring costs*

Advertising and sponsoring costs decreased by 19.5% or DOP 136 million for the nine months ended September 30, 2013, due to measures implemented by management to optimize advertising costs and communication methods.

##### *Offices and technical sites costs*

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

##### *Labor expenses*

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

##### *Corporate fees*

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

*Maintenance costs*

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

*Other costs and income*

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

*Depreciation and amortization*

Depreciation and amortization were DOP 2,565 million for the nine months ended September 30, 2013, an increase of DOP 20 million, or 0.8%, from DOP 2,545 million for the nine months ended September 30, 2012. The increase in depreciation and amortization was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites.

*Operating income*

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

*Non-operating income/expenses*

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

*Income Tax*

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

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

Income tax increased by DOP 480 million from DOP 678 million for the nine months ended September 30, 2012 to DOP 1,158 million for the nine months ended September 30, 2013 mainly affected by dividend credits. Dividend credits went from negative DOP 136 million in the nine months ended September 30, 2012 to nil in the nine months ended September 30, 2013. Such credits relate mainly to the refund of dividend withholding tax which was terminated with the change in certain tax regulations in the Dominican Republic in November 2012. Furthermore, the increase can be attributed to an increase in profit before tax for the nine months ended September 30, 2013.

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

***Revenue***

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

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

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

#### *Mobile revenue*

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

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

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

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

#### *Wholesale revenue*

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

#### *Internet revenue*

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

#### *Equipment revenue*

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

#### *Other revenue*

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

#### ***Operating costs***

##### *Cost of equipment sold*

Cost of equipment sold was DOP 3,000 million for the twelve months ended December 31, 2012, a decrease of DOP 370 million, or 11.0% from DOP 3,370 million for the twelve months ended December 31, 2011. The decrease in cost of equipment sold was mainly due to streamlining and optimizing commercial costs, such as reducing subscriber acquisition cost subsidies, implementing a new commissioning scheme focused on retention and increasing loyalty program bonuses generating subscriber retentions.

##### *Selling, distribution and traffic costs*

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

##### *Advertising and sponsoring costs*

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

##### *Offices and technical sites costs*

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

##### *Labor expenses*

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

##### *Corporate fees*

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

##### *Maintenance costs*

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

##### *Other costs and income*

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

##### *Depreciation and amortization*

Depreciation and amortization were DOP 3,509 million for the twelve months ended December 31, 2012, an increase of DOP 155 million, or 4.6%, from DOP 3,355 million for the twelve months ended December 31, 2011. The increase in depreciation and amortization was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites.

#### *Operating income*

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

#### *Non-operating income*

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

#### *Income Tax*

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

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

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

### **Liquidity and Capital Resources**

#### *Capital Resources*

##### *Capital Resources prior to the ODO Acquisition*

Prior to the ODO Acquisition, our principal source of liquidity was cash flow generated from our operations.

## Cash Flows

The table below sets out information related to our cash flows:

	For the twelve months ended December 31,		For the nine months ended September 30,	
	2011	2012	2012	2013
	(in DOP million)			
<b>Operating activities</b>				
Net income.....	4,125	3,446	2,648	2,929
<i>Adjustments to reconcile net profit to cash provided by operating activities</i>				
Depreciation and amortization.....	3,355	3,509	2,545	2,565
Gains (losses) on disposal.....	—	1	0,7	—
Change in provisions (Litigations).....	(279)	68	6	(46)
Income tax.....	(413)	(333)	(315)	(67)
<i>Change in net working capital</i>				
Decrease (increase) in inventories, net.....	260	105	184	134
Decrease (increase) in trade receivables,.....	124	(59)	(57)	(227)
Decrease (increase) in other receivables,.....	493	(3)	(1,708)	(1,029)
Decrease (increase) in trade payables.....	152	(483)	(1,282)	(470)
<i>Other changes in working capital</i>				
Decrease (increase) in prepaid expenses.....	(57)	25	(17)	(183)
Decrease (increase) in other non-current.....	(29)	(2)	(0.8)	(0.6)
Decrease (increase) in other non-current.....	53	8	12	24
Decrease (increase) in other current.....	104	47	214	(58)
Deferred income.....	(59)	42	(111)	(94)
Income tax paid.....	(370)	625	559	506
<b>Net cash provided by operating activities.....</b>	<b>7,458</b>	<b>6,997</b>	<b>2,675</b>	<b>3,984</b>
<b>Investing activities</b>				
Purchase of PPE and intangible assets.....	(3,702)	(3,637)	(1,928)	(2,093)
<b>Net cash used in investing activities.....</b>	<b>(3,702)</b>	<b>(3,637)</b>	<b>(1,928)</b>	<b>(2,093)</b>
<b>Financing activities</b>				
Dividends paid.....	(3,252)	(3,345)	(1,137)	(1,855)
<b>Net cash used in financing activities.....</b>	<b>(3,252)</b>	<b>(3,345)</b>	<b>(1,137)</b>	<b>(1,855)</b>
Net increase (decrease) in cash and cash.....	504	15	(391)	36
Cash and cash equivalents—opening.....	641	1,145	1,145	1,160
<b>Cash and cash equivalents—closing.....</b>	<b>1,145</b>	<b>1,160</b>	<b>754</b>	<b>1,196</b>

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

#### *Net cash provided by operating activities*

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

For the nine months ended September 30, 2012, net cash provided by operating activities was DOP 2,675 million. Our net cash provided by operating activities for the nine months ended September 30, 2012 included net income of DOP 2,648 million and depreciation and amortization of DOP 2,545 million. Change in net working capital was negative DOP 2,768 million for this period, principally reflecting a decrease in other trade accounts receivable of DOP 1,708 million, due to improvements in our collection process in 2012 and a decrease in trade payables of DOP 1,282 million, due to a decrease in the level of delays we saw during this period.



#### *Net cash used in investing activities*

Net cash used in investing activities for the nine months ended September 30, 2013 and 2012 was DOP 2,093 million and DOP 1,928 million, respectively. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

#### *Net cash used in financing activities*

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

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

#### *Net cash provided by operating activities*

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

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

#### *Net cash used in investing activities*

For the twelve months ended December 31, 2012, net cash used in investing activities was DOP 3,637 million, compared to DOP 3,702 million for the twelve months ended December 31, 2011. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

#### *Net cash used in financing activities*

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

#### ***Off balance sheet commitments***

The following table summarizes our contractual commitments that we believe are likely to have a material effect on our current or future financial position as of September 30, 2013. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

	<b>As of December 31, 2012</b>		<b>As of September 30, 2013</b>	
	<b>(in DOP million/percentages)</b>			
Rental commitments <sup>(1)</sup> .....	1,975	49%	2,444	48%
Orders related to handset purchase .....	632	16%	1,095	22%
Firm supply and service order opex commitments .....	459	11%	401	8%
Total opex commitments .....	3,065	76%	3,941	78%
Capex commitments .....	966	24%	1,123	22%
<b>Total off-balance sheet commitments.....</b>	<b>4,031</b>	<b>—</b>	<b>5,063</b>	<b>—</b>

(1) Rental commitments primarily relate to rental commitments in respect of sites, premises (headquarters), shops, franchises, parking spaces and houses

### **Capital Expenditures and Investments**

The table below shows our capital expenditures defined as additions of network, customers, IT, shops and other items for the twelve months ended December 31, 2012 and 2013 and for the nine months ended September 30, 2012 and 2013:

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

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

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

### **Quantitative and Qualitative Disclosures about Market Risk**

We are, and upon completion of the ODO Acquisition will be, exposed to various market risks, including foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

#### **Foreign Exchange Rate Risk Management**

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

We are a net buyer of foreign currencies (in particular USD, and to a lesser extent euro via management and brand fees paid to the Orange Group). Our local interconnection costs are considered in both revenue and operating expenses in USD which typically limits our exposure due to a netting effect. A significant proportion of capital expenditures is denominated in foreign currency, mainly euro.

#### **Credit Risk Management**

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We believe that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential, and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value. Our gross trade receivables amounted to DOP 3,058 million as of December 31, 2012 and DOP 3,267 million as of September 30, 2013. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 488 million as of December 31, 2012 and DOP 469 million as of September 30, 2013. We also have provisions for

our postpaid subscribers, whereby we use certain statistics relating to the outstanding amount due and ageing analysis to establish the risk, with 210 days being the threshold for categorizing outstanding trade receivables as bad debt.

Prior to the ODO Acquisition, cash was historically centralized at the Orange Group level through cash pooling.

We seek to minimize credit risk through a preventative credit check process that aims to ensure that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Dominican Republic market.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate default payment, different measures may be implemented such as requiring deposits or advance payments of or limiting to prepaid offers;
- sending payment reminders to subscribers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and subscriber profiles (such as penalties, or reconnection letters with an option for a new contract); and
- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the ageing analysis of billed trade receivables as of December 31, 2012 and September 30, 2013 for both dealers and postpaid residential subscribers:

	<b>Dealers and others</b>			
	<b>As of December 31, 2012</b>		<b>As of September 30, 2013</b>	
	<b>(in DOP million/percentages)</b>			
Not due or less than 30 days .....	1,279	61%	1,663	77%
Between 31 and 60 days .....	538	26%	591	27%
Between 61 and 90 days .....	141	7%	(39)	-2%
More than 91 days .....	123	6%	(46)	-2%
<b>Total gross trade receivables past due .....</b>	<b>2,081</b>	<b>100%</b>	<b>2,169</b>	<b>100%</b>
Provisions for bad debt .....	(299)	—	(289)	—
<b>Net receivables .....</b>	<b>1,782</b>	<b>—</b>	<b>1,195</b>	<b>—</b>
	<b>Postpaid residential subscribers</b>			
	<b>As of December 31, 2012</b>		<b>As of September 30, 2013</b>	
	<b>(in DOP million/percentages)</b>			
Not due or less than 30 days .....	605	62%	670	61%
Between 31 and 60 days .....	116	12%	180	16%
Between 61 and 90 days .....	40	4%	28	3%
More than 91 days .....	216	22%	219	20%
<b>Total gross trade receivables past due .....</b>	<b>977</b>	<b>100%</b>	<b>1,097</b>	<b>100%</b>
Provisions for bad Debt .....	(189)	—	(179)	—
<b>Net receivables .....</b>	<b>788</b>	<b>—</b>	<b>918</b>	<b>—</b>

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

Due to the diverse portfolio of products and services we provide, we believe concentration of credit risk is limited.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Our assessment of bad debt provision is performed based on an individual basis. A 100% provision is recorded in the case of litigation with a supplier. As of December 31, 2012, such provision amounted to DOP 299 million consisting of (i) DOP 128 million wholesaler related provisions, (ii) DOP 79 million interconnection related provisions and (iii) DOP 89 million dealer

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

On the postpaid residential subscriber side, concentration of credit risk relating to accounts receivable from subscribers is limited due to our high volume of customers. Provision for postpaid residential subscribers' receivables is performed based on a statistical method, where a rate is applied according to the number of days overdue.

Credit risk relating to cash and cash equivalents, financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

**Liquidity Risk**

We do not have any financial liabilities, derivatives, hedging instruments or finance leases. Liquidity risk arises mostly in connection with all of our payment obligations that result from our business activities.

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

In general, we manage our liquidity risk by monitoring our cash flow and using a rolling liquidity reserve forecast. Nevertheless, the prime objective of our policy is to minimize risks and not to create or maximize interest earned on cash held in bank accounts. Accordingly, we transfer cash to the current account held by Orange Group, without incurring any additional costs. We have a limited policy for investments with banks, and deposits must be made in the functional currency; with foreign currency deposits made to set up a natural hedge. We manage our cash forecasting to determine a currency split of total cash in each currency in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

**Critical Accounting Estimates**

In preparing the financial statements, we make estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information. Consequently, such estimates made as of December 31, 2012 and as of September 30, 2013, respectively, may subsequently be changed.

We also use our judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

<u>Estimate</u>	<u>Nature of estimate</u>
Revenue .....	(i) Identification of separable components of a bundled offer based on the individual components' relative fair value. (ii) Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship. (iii) Reporting of revenue on a net versus gross basis (depending on an analysis of ODO's involvement as either principal or agent).
Purchases and other expenses .....	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Property, plant and equipment, intangible assets .....	Assessment of assets' useful life based on assessment of the technological, legal or economic environments

Income tax ..... (i) Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions  
(ii) Assumptions used for recognition of deferred tax assets arising

## INDUSTRY AND MARKET OVERVIEW

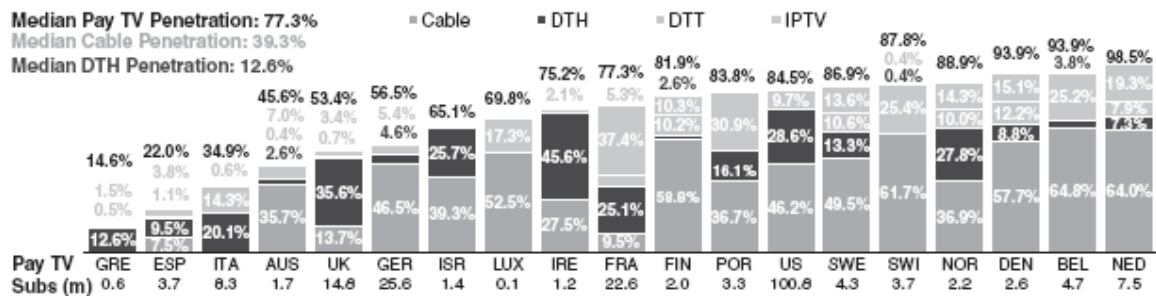
### Introduction

We mainly provide cable based services comprising high quality pay television, high speed broadband Internet and fixed-line telephony to residential customers, and, in certain countries, corporate customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the offering we can provide through our highly invested cable networks. This has enabled us to develop strong positions in multiple-play segments as selling various services as part of bundles has become a growing trend in the markets in which we operate (Israel, Western Europe and the French Overseas Territories).

### Pay television

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions (notably France where IPTV represents approximately 37.4% of the subscriber base, or Italy where cable has never been rolled out for certain specific reasons). Competing technologies are satellite, IPTV, over-the-top television and DTT. We believe that cable has certain advantages over these technologies, notably in terms of availability of interactive features, image quality and number of channels.

**2013E Pay TV Platforms—Western Europe and the US**



Source: IHS Screen Digest

Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers require a satellite dish, a satellite receiver and a set-top box. Pay television services provided via satellite typically require the viewers to use a conditional access smart card. Satellite providers of free-to-air satellite services typically do not have strong relationships with the viewers using their service as they do not receive subscription or other fees from them. Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programmes available to a wider geographic area, especially rural areas. However, given the lack of an integrated return path, satellite struggles to deliver easy-to-handle interactive television services, including VoD services, to subscribers who do not have a broadband Internet connection. We believe that satellite has the following additional disadvantages compared to cable: (i) the higher up-front cost of procuring and installing a satellite dish, as compared to the “plug-and-play” convenience of cable television; (ii) the lack of an on-going maintenance service, which cable network operators can offer to their subscribers and (iii) the exposure of satellite reception to external interference, such as adverse weather conditions.

DTT-based pay television packages benefit from the wide coverage of the terrestrial platform but suffer from the structurally limited number of channels available on DTT and the lack of interactive features. This explains why the success of pay DTT has so far been limited, even in geographies where free DTT is the primary television platform.

IPTV and over-the-top television typically rely on DSL networks, which present a number of disadvantages compared to cable: adding television services over a DSL network strains the network and decreases the amount of capacity available for other service offerings, particularly bandwidth-intensive broadband. Under currently available technology, we believe that DSL-based triple-play providers will have difficulty providing the same level of services that can be provided over fiber networks (in particular, for HDTV, viewing of TV and VoD on multiple screens, TV and VoD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber’s home.

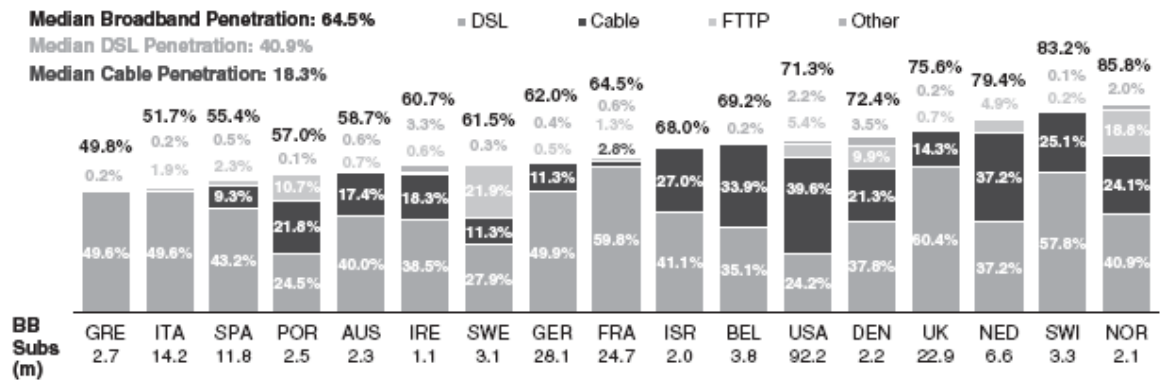
Services provided via cable networks are characterised by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of pay television distribution is expected to benefit from cable’s ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity. On a

standalone basis, namely without a broadband Internet connection, the number of advantages of bi-directional capabilities of digital cable television over DTH are substantial for both the users and the cable operator. Digital cable subscribers can order VoD products and use interactive television while the cable operator is able to track usage patterns and enable their customers, the television channels, to target advertising to customers more efficiently.

**Broadband Internet**

The main broadband access technologies are DSL and cable, with DSL being the leading platform in a number of countries for historical reasons stemming from the fact that Internet access was initially provided on telephony copper networks. We believe that increasing demand for very high speed broadband Internet to cope with advanced applications (multi-screen, multimedia) requiring higher bandwidth and greater download speeds offer a sizable growth opportunity for cable-based technologies in the near term. We expect substantial growth in demand for very high speed Internet and believe that we are well positioned to benefit from this trend, given that cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. According to IDC, demand for high-speed broadband Internet will increase 3.7 times between 2012 and 2015, a leap which we expect our networks can handle with limited additional upgrades while many DSL-based operators would need to make substantial investments in fiber to be able to match customer needs.

**2013 Fixed Broadband Platforms—Western Europe and the US**



Source: IHS Screen Digest

Existing DSL infrastructure offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of up to approximately 300 Mbps on U.S. Docsis 3.0 and 360 Mbps on Euro Docsis 3.0. The speeds effectively provided by DSL are, for most users, lower than the headline maximum speed possible as these are driven by the distance between the end users’ premises and DSL hubs. Furthermore, the maximum download speed of DSL networks has to be shared between broadband Internet and competing simultaneous users of the line such, as IPTV. According to the “Quality of Broadband Services in the EU” report by the European Commission, cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed.

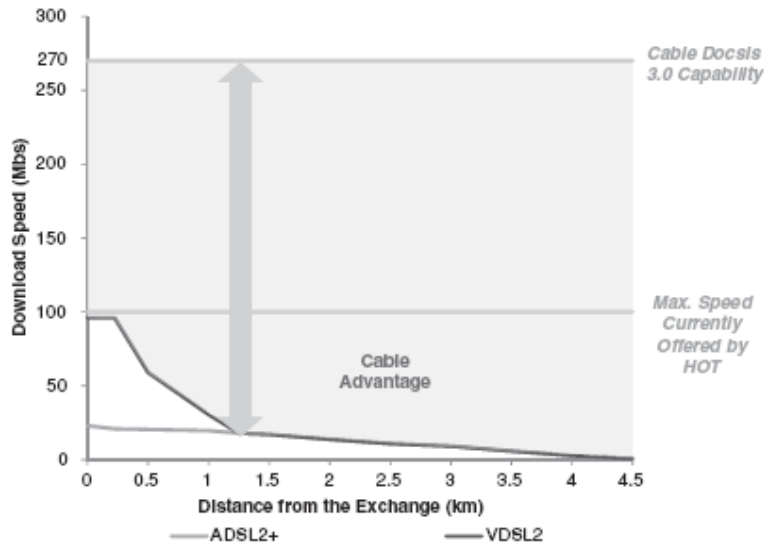
FTTH technology upgraded from DSL, which requires a direct fiber connection to the home of the user, currently offers consumers maximum speeds of 1 Gbps, with an estimated achievement of 84.4% of advertised download speeds according to the “Quality of Broadband Services in the EU” report by the European Commission. A substantial challenge facing the expansion of FTTH or FTTB is that such technology is capital and time intensive, requiring significant digging and rewiring.

Cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. We currently offer download speeds of at least 100 Mbps to all Docsis 3.0 enabled homes passed in our footprint.

The Docsis 3.1 standard, which is being developed by CableLabs, is a new Docsis specification enabling higher spectral efficiency support of up to 10 Gbps downstream and 1 Gbps upstream speeds. Docsis 3.1 is expected to work on existing hybrid fiber-coaxial (HFC) plant and be backwardly compatible with previous Docsis standards. This double backward compatibility will allow a smooth migration strategy and no plant changes required to deploy Docsis 3.1 equipment. Furthermore, limited investment will be needed to further maximize the capacity in the future. Trials are planned for 2014, and commercially available products are expected in 2015.

VDSL2 is the latest and most advanced technology for DSL broadband wireline communications. It was originally designed to support the wide deployment of triple-play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost-efficiently upgrade existing xDSL infrastructure. VDSL2 allows the transmission of asymmetric and symmetric aggregate data rates of up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and further, allows for significantly lower signal deterioration caused by the distance between the cabinet and the customer's premises when compared to older DSL technologies. VDSL2-enabled networks could theoretically allow for up to 100 Mbps at 0.4 km, 40-50 Mbps at 0.7km and approximately 30 Mbps at 1 km.

**Cable allows parallel usage of Broadcast TV and High Speed Broadband Internet**



**Fixed-Line Telephony**

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multiple-play packages. Fixed-line services have therefore become dependent on the quality of the broadband offering. Flat-rate pricing for fixed-line telephony has become the market standard.

**Mobile Telephony and Mobile Broadband**

Consumption of mobile telephony and data services has continued to rise globally, driven by a growing penetration and a wider availability of smart phones. Mobile Internet traffic is forecasted to grow at an average of 66% rate between 2012 and 2017 according to the Cisco VNI 2013 study, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile Internet usage is mainly in vicinity of home or office, we believe that operators' success in the mobile telephony services business will largely rely on their ability to access a high capacity backbone with compelling mobile tower backhaul offload solutions and a strong integration of their mobile telephony offers with residential broadband-based offload capabilities to cope with increasing data consumption.

Despite this general trend, each mobile telephony market has a different structure and dynamics, depending on a variety of certain factors including, among other factors, the number of mobile network operators versus mobile virtual network operators, penetration of post-paid vs. pre-paid subscription, regulation, available spectrum, commercial strategies of operators such as handset subsidies. The success of mobile operators in the various markets is largely dependent on the overall environment and its competitive advantages to its competitors.

In light of the various trends and the importance of the market structure for successful mobile operations, in order to reliably take advantage of the fixed- mobile convergence, we have decided to implement a versatile mobile strategy by owning and operating a mobile network in Israel and by acquiring a mobile network in the French Overseas Territories that, in each case, we expect to benefit from synergies with our scalable cable networks in these countries, and by complementing our fixed-line products with mobile offerings through an MVNO arrangement in Belgium.

**Israel**

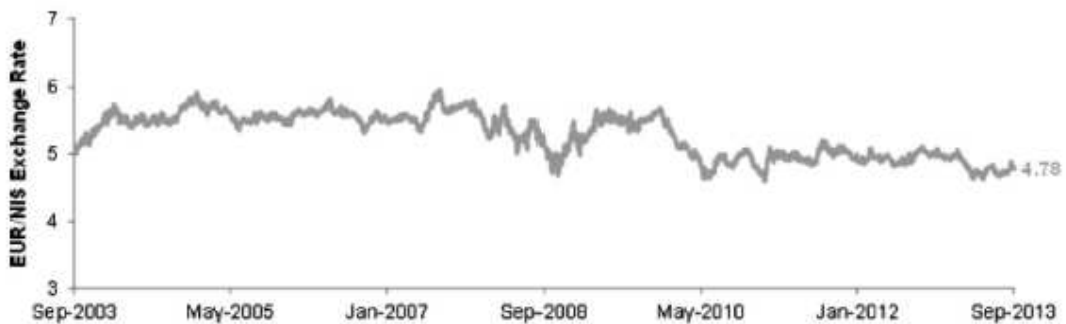


**Macroeconomic Overview**

We operate a significant portion of our business in Israel, which had a population of approximately 8.2 million and approximately 2.2 million households as of December 31, 2012. According to the IMF, between 2009 and 2012, the population of Israel grew at an average rate of 2.2% per annum and is expected to continue to grow at an average rate of 2.2% per annum from 2012 to 2016, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our cable based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the Organisation for Economic Co-operation and Development (“OECD”) and in 2012 had a GDP per capita (based on purchasing power parity) of €32,312, compared to other European countries such as €39,028 for Germany, €35,548 for France and €36,941 for the UK, according to the IMF. Since 1991, Israeli real GDP has grown at a rate of 4.4%. This compares favorably as against the average real GDP growth rate in other European countries such as 1.3% for Germany (1.3%), 1.5% for France (1.5%) and 2.3% for UK (2.3%) and of 2.6% in the U.S. in the same period. During this period, Israel faced a decline in real GDP for only two years, in 2001 and 2002. Since the beginning of the global economic slowdown in 2007, the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.6%. Israel maintains a sovereign A+ and A1 rating from S&P and Moody’s, respectively. Israel’s real GDP is expected to grow at an average rate of 3.6% per annum from 2012 to 2016 versus an average of 1.5% for the UK and 1.0% for France according to the IMF. Israel also enjoys high levels of literacy, life expectancy and disposable income as attested by it being ranked at 16 on the Human Development Index (“HDI”), ahead of countries such as Belgium, France and Austria. Israel’s economy is diversified and competitive on an international platform with a significant level of exports focused around high-technology equipment, cut diamonds and agricultural products. Israel usually posts sizable trade deficits, as it imports crude oil, grains, raw materials, and military equipment, predominately offset by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments, and a relatively stable currency.

**Evolution of the EUR/NIS Exchange Rate over the last 5 Years**



Source: Datastream

**Industry Convergence**

The Israeli media and telecommunications markets has, over the past several years, slowly been converging as customers were inclined to subscribe to their media and telecommunications services from a single provider. Israel currently has relatively high estimated penetration rates for pay television, broadband Internet infrastructure access and mobile telephony of 65%, 68% and 126%, respectively, according to IHS Screen Digest which compares favorably against Western Europe. This environment fosters a market for packaged offerings or “multiple play”, whereby television, broadband Internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as “dual-play” or “double-play” (two services provided together), or “triple-play” (three services provided together). When mobile telephony subscriptions are added to “triple play” packages, these are known as “quad-play” or “quadruple play” packages, but currently such packages are prohibited by law in Israel under certain operators’ licenses, including ours.

**Side by Side Comparison of Bundles in Israel**

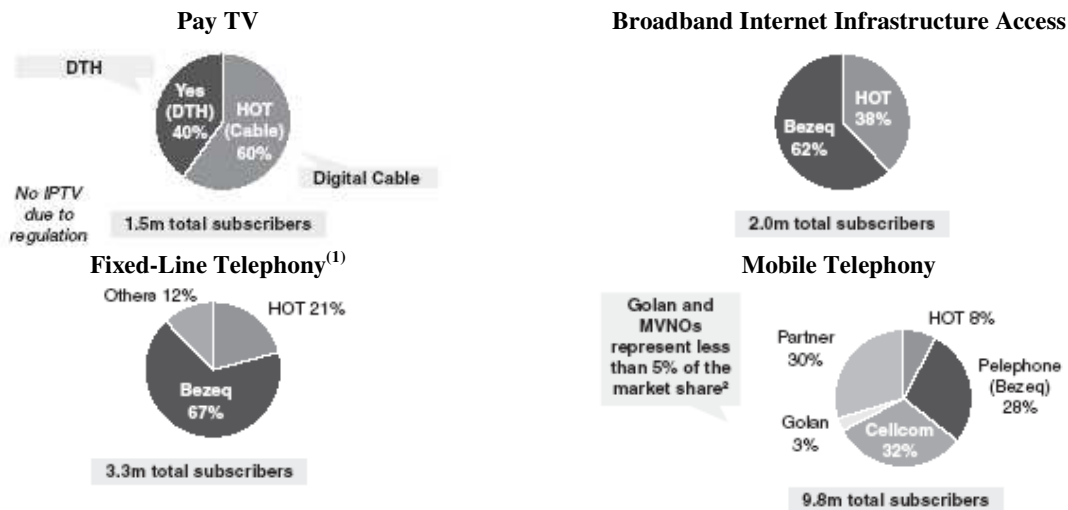
Offer	HOT (Cable)	Bezeq (xDSL / DTH)	DTT
<b>Bundling</b>	✓ Triple play	* No triple play packages allowed	* No multiple play
	✓ Mobile offered separately	✓ Mobile offered separately	

The only operator currently offering triple-play packages including pay television, broadband Internet infrastructure access and fixed-line telephony in Israel is HOT, with approximately 39% of its Cable Customer Relationships subscribing to its triple-play offerings, as of September 30, 2013. While convergence has occurred at a relatively fast pace in a number of Western European markets, notably in France and in the UK, a series of regulations, notably those affecting the integrated telecommunications operator Bezeq's ability to bundle products, have historically prevented such convergence to occur en masse in Israel, and still are a significant impediment to a broader convergence. For example, Bezeq is forced by current regulation to maintain a structural separation between its various subsidiaries. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced.

*Competitive Overview*

Below is an overview of HOT's main competitors in Israel

**Cable-based Services Market Shares by Subscribers in Israel**



Source: Company information, IHS Screen Digest.

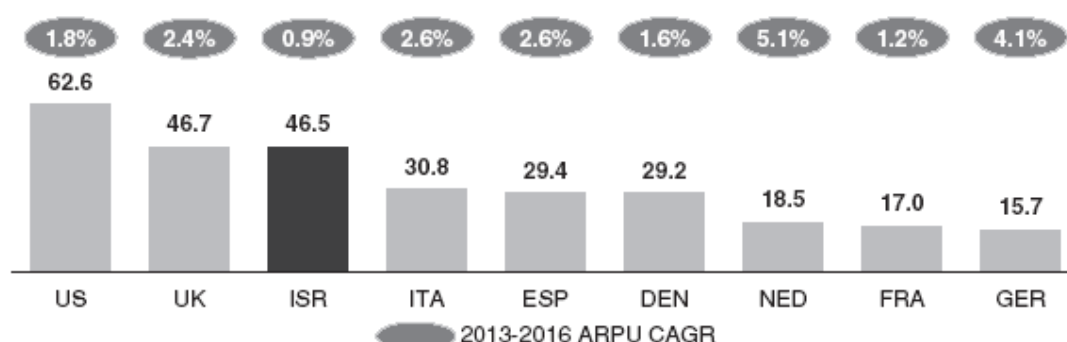
- (1) Others include Netvision, Partner/Smile and others, all with relatively small market shares
- (2) According to management estimates.

**Pay Television**

*Introduction*

Israel's primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free to air platforms being relatively unattractive given access to only 6 channels offered by DTT and limited local content for free DTH, Israel's pay television market currently has an estimated penetration level of approximately 65% compared to 56%, 77%, 82% and 84% in Western European peers Germany, France, Finland and Portugal respectively according to IHS Screen Digest. While the Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.5 million subscribers, according to IHS Screen Digest, the market revenues have expanded from €771 million in 2010 to an annualized figure of €803 million for the nine months ended September 30, 2013 as market pay television ARPUs have grown from €43.7 in 2010 to €45.4 for the nine months ended September 30, 2013. Similar to Western European markets, television consumer behaviour in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and "start over".

### Israel Pay TV ARPUs vs. Peer Countries



Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, an associate of Bezeq, respectively. Free DTT service started in 2009 but has achieved a limited primary penetration of TV households of approximately 13% based on IHS Screen Digest’s current reports, although we believe these numbers include numerous Haredi or ultra orthodox Jewish households who do not watch television. While the established pay television operators face competition from free television (including DTT) and alternative ways of accessing television channels (such as “over-the-top” (“OTT”) television), the competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more prevalent. According to IHS Screen Digest, there would be an estimated 2.3 million television households in Israel of which approximately 1.5 million would subscribe to pay television as their primary means of watching television, split into approximately 60% through cable and 40% through satellite based on the split as of September 30, 2013.

The penetration of pay television could increase in the coming years as cheaper packages with less channels have been recently introduced by HOT and YES.

Offer	HOT (Cable)	Bezeq (xDSL/DTH)	DTT
<b>Television</b>	<ul style="list-style-type: none"> <li>✓ 78 Basic TV channels / 20 HDTV channels / 67 Premium TV / 13 Interactive channels</li> <li>✓ Standalone VoD</li> <li>✓ A la carte / “TV Everywhere” second screen</li> <li>✓ Startover function</li> <li>✓ Latest generation set-top-box being introduced in 2014 (“LaBox”)</li> </ul>	<ul style="list-style-type: none"> <li>✓ 45 Basic TV channels / 19 HDTV channels / 50 Premium TV</li> <li>✓ Pay Per View</li> <li>✗ No standalone VoD (without internet)</li> <li>✗ No startover function</li> </ul>	<ul style="list-style-type: none"> <li>✓ 6 Basic channels</li> <li>✗ No VoD</li> <li>✗ No foreign language channels</li> <li>✗ No premium content</li> </ul>
<b>Internet</b>	<ul style="list-style-type: none"> <li>✓ Up to 100Mbps download speed advertised</li> <li>✓ Up to 2Mbps upload speeds</li> <li>✓ Effective speed advertised is typically achieved</li> </ul>	<ul style="list-style-type: none"> <li>✓ Up to 60-100Mbps download speed advertised</li> <li>✓ Up to 1Mbps upload speeds</li> <li>✗ Effective speed advertised based on an ‘Up to Basis’</li> </ul>	<ul style="list-style-type: none"> <li>✗ No internet</li> </ul>
<b>Telephony</b>	<ul style="list-style-type: none"> <li>✓ Digital telephony</li> </ul>	<ul style="list-style-type: none"> <li>✓ Digital telephony</li> </ul>	<ul style="list-style-type: none"> <li>✗ No telephony</li> </ul>
<b>Bundling</b>	<ul style="list-style-type: none"> <li>✓ Triple play</li> <li>✓ Mobile offered separately</li> </ul>	<ul style="list-style-type: none"> <li>✗ No triple play packages allowed</li> <li>✓ Mobile offered separately</li> </ul>	<ul style="list-style-type: none"> <li>✗ No multiple play</li> </ul>

Source: Company information and Bezeq website

#### Cable

HOT is the sole cable operator in Israel with a network covering nearly all Israeli homes—a unique situation in OECD countries, and generates revenues principally from subscription fees paid by customers for the services provided. HOT

co-develops and co-owns a number of popular shows, movies and series. It offers a number of proprietary channels as part of its packages giving them a competitive advantage. Cable's share of the pay television market has remained relatively stable over the last three years at approximately 60% with total pay TV subscribers also remaining relatively stable.

The ARPU generated by cable television customers in Israel has increased from €43.7 per month in 2010 to €45.4 per month for the nine months ended September 30, 2013.

#### *Satellite*

Satellite television is the main alternative to cable television in Israel. Television viewers can receive 'free-to-air' or paid satellite television, which is offered by YES. Satellite's share of the pay television market has remained relatively stable over the last three years at approximately 40%. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU, with forecasts showing some compression for 2013, while cable ARPU is expected to expand, according to IHS Screen Digest, notably on the back of digitalisation and the emergence of a broader offering of channels and additional services.

#### *DTT*

Subscribers are also able to receive television services through DTT, an alternative way of watching certain television channels. Current penetration rates of DTT are low due to several reasons: (i) DTT currently offers access to six channels only, (ii) there is no access to premium or thematic content, such as sports, movies or children's programming, (iii) DTT has no interactive functionalities such as VoD or "start over", (iv) DTT has limited capacity to transfer significant number of channels simultaneously and (v) the quality of its transmission can be affected by weather. DTT could become more attractive in the future as a total of two multiplexers (MUXes) allowing for 18 channels have recently been approved by the Israeli government and are being rolled out. The Ministry of Communications is expecting that by the end of 2013 or the first quarter of 2014 at the latest, the DTT platform will be offering 18 channels, up from the current six, for free. The expanded service will use three multiplexes up from the current one. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels does not fundamentally address some of the key customers' requirements such as interactivity and ability to choose individualised content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscriptions charges.

#### *Other Emerging Technologies*

We face a growing but limited competition from other technologies in Israel when compared to the European markets. Our incumbent competitor is currently lobbying to offer IPTV which is currently prohibited by law. Other players, such as websites and online aggregators of content that deliver broadcasts "over-the-top" of existing broadband networks may become significant competitors in the future. The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including the (i) availability of certain local language content available through cable or satellite only, (ii) quality of the signal on certain DSL-enabled connections located far from exchanges, (iii) inability to access HDTV content on most DSL connections during peak times and (iv) ability of cable operators to bundle pay television with other fixed-line products.

### ***Broadband Internet***

#### *Introduction*

Israel is a mid-sized broadband Internet market based on penetration compared to the large Western European or North American peer countries, with approximately 2.0 million broadband subscriptions (residential and business) as of September 30, 2013. The current broadband penetration rate in Israel (being the number of broadband subscriptions per 100 households in Israel) is above the Western European average of 63%. The broadband penetration rate in Israel, which has increased by 2.6% since 2009, is estimated by IHS Screen Digest to be approximately 68% compared to approximately 65% as of December 31, 2009. On the other hand broadband penetration rates are estimated by IHS Screen Digest to be approximately 52% in Italy, 57% in Portugal, and 62% in Germany. However, download speeds continue to lag behind other Western European countries due to lower speeds offered over DSL.

Broadband Internet in Israel is uniquely structured as households wishing to subscribe to broadband Internet are required to purchase an Internet access service from a licensed Internet Service Provider ("ISP") and a broadband Internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

## Side by Side Comparison of Cable-based Services Offerings in Israel

HOT (Cable)	Bezeq (xDSL / DTH)	DTT
✓ Up to 100Mb/s download speed advertised	✓ Up to 60-100Mb/s download speed advertised	* No internet
✓ Up to 2Mb/s upload speeds	✓ Up to 1Mb/s upload speeds	
✓ Effective speed advertised is typically achieved	* Effective speed advertised based on an 'Up to Basis'	

### Broadband Internet Infrastructure Access

Currently HOT and Bezeq are the only fixed infrastructure owners nationwide. HOT uses cable, while Bezeq's network is mainly composed of DSL technology, although it is currently also building out a fiber network. Growth in the Israel broadband Internet infrastructure access market has been driven by (i) the number of subscribers to broadband Internet infrastructure access increasing steadily from 1.8 million to 2.0 million from 2010 to the second quarter of 2013 and (ii) a significant growth in broadband Internet ARPUs, which have grown from €13.3 in 2010 to €16.3 for the nine months ended September 30, 2013. Primarily as a result of growth in broadband Internet ARPU, the broadband Internet market has expanded from €290 million in 2010 to an annualized figure of €389 million for the nine month ended September 30, 2013.

Bezeq, through DSL, is the leading broadband Internet infrastructure access provider in Israel, with 1.2 million subscriptions as of June 30, 2013 including business and residential customers. Based on our estimates, HOT and Bezeq have approximately 50% market share when business customers (which HOT does not address) are excluded. Including business customers, Bezeq represents approximately 61% of the total broadband Internet infrastructure access market by total number of subscribers which has remained relatively stable over the last three years.

Based on Bezeq's public filings, Bezeq is currently rolling out a Fiber- to-the-Cabinet (FTTC) infrastructure. Bezeq has reported that, as of September 30, 2013, approximately 98% of its 1.2 million broadband customers have been migrated to its next generation network.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber- to-the-Building (FTTB), to form the basis for the future supply of advanced communication services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had deployed FTTH to 200,000 households and businesses in Israel and that it was planning to reach 400,000 homes and businesses with fiber by the end of 2013.

Our ability to offer the highest speeds in Israel on a large scale allows our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) simultaneously without impairing the quality of television signals or the speed and quality of the Internet connections. We believe that this differentiates us from our nearest competitors.

Over the last three years, our market share of the overall broadband Internet infrastructure access market has remained relatively stable at approximately 39% and we believe it has also been stable at approximately 50% when business customers are excluded.

### ISPs

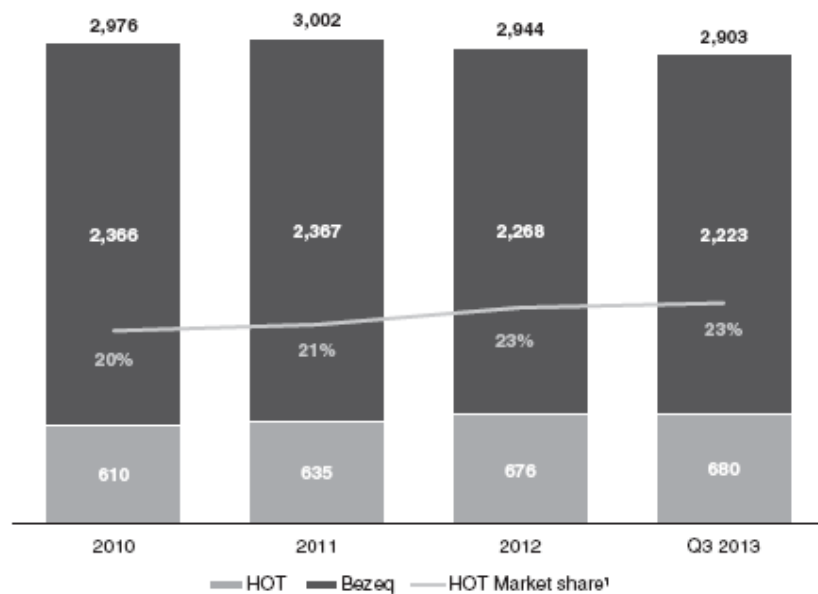
There are numerous ISP providers in Israel, although Netvision (a subsidiary of Cellcom), 012 Smile (a subsidiary of Partner Communications) and Bezeq accounted for approximately 98% of the total subscriptions. As of June 30, 2013, Netvision was the largest provider with a market share of 31.0%, Bezeq had a market share of 38.0% and 012 Smile had a market share of 28.6%, according to IHS Screen Digest.

The ISP subscription varies depending on numerous parameters such as the speed of access, the ISP provider or the broadband Internet access infrastructure which the customers use to purchase their access to the ISP subscription from. In February 2012, we launched an ISP product, through our subsidiary HOT Net, priced at a flat rate of NIS 20 per month irrespective of the speed or the package, a significant discount to the prices offered by competitors. We have been able to grow our market share since the launch of our ISP product to approximately 10%, with approximately 220,000 subscribers and total connections of 2.1 million. Recently, ISP providers have experienced fee pressure as broadband infrastructure companies increase access fees.

**Fixed-Line Telephony**

As of September 30, 2013, there were approximately 3.3 million fixed-line telephony lines in Israel. Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly since 2010, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use mobile phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services, with 2.2 million fixed telephony lines or approximately 67% market share as of September 30, 2013. Also in line with Western European trends, the incumbent, Bezeq, saw a decline in its market share over the past years. In addition to Bezeq and HOT, who are by far the largest operators, fixed-line telephony can also be purchased from VOBs who cumulatively hold approximately 12% of the market share. As of September 30, 2013, HOT had approximately 21% of the fixed-line telephony market share.

**Fixed Line Telephony Subscribers and Market Share  
Among Top Two Israeli Players Since 2010**



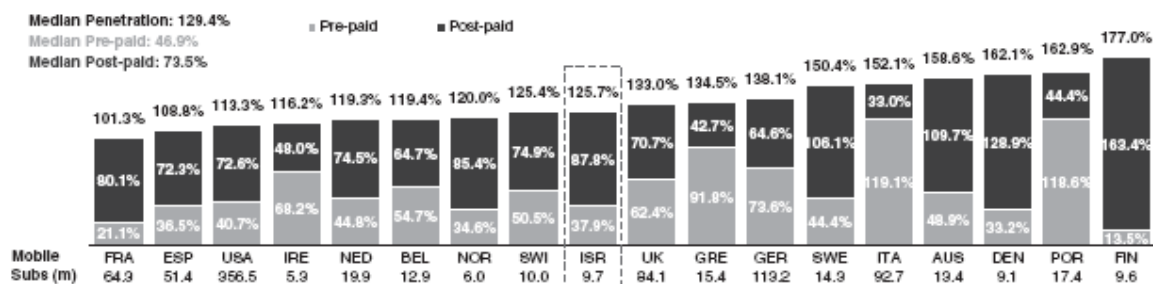
(1) HOT market share illustratively based on HOT and Bezeq total markets shares.

The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake has become increasingly dependent on a quality broadband Internet offering by the same provider. Fixed-line telephony is increasingly included in bundles which benefit HOT as a result of its ability to provide attractive bundles offerings. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination fees and pressure from to bundle discount, and resulted in the decline in Bezeq and HOT’s fixed-line telephony ARPUs.

**Mobile Telephony**

As of June 30, 2013, there were approximately 9.8 million mobile telephony customers in Israel (excluding MVNOs), and the penetration as of 2012 was estimated to be 126%, according to IHS Screen Digest, broadly in line with countries such as Switzerland, Great Britain, Belgium and Germany. As of December 31, 2012, approximately 70% of the customers were “post-paid,” (purchased subscriptions rather than pre-paid cards fixed number of minutes of use), according to IHS Screen Digest. On average Israeli mobile phone users spent approximately €19 per month (excluding VAT) on their mobile telephony services in 2012, according to IHS Screen Digest, a relatively modest figure when compared to most Western European and US markets.

## 2012 Israeli Cellular Telephony Penetration vs. Western European and US



Source: IHS Screen Digest

There are currently five licensed Mobile Network Operators (“MNOs”) which offer mobile telephony services to the public and several players who operate Mobile Virtual Network Operators (“MVNOs”), although MVNOs currently have insignificant market share of the mobile telephony market. Market shares of the top three mobile operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 30% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted UMTS licenses in 2011 with services launched in the second quarter of 2012 through a combination of proprietary networks and national roaming agreements with existing operators. As of June 30, 2013, HOT Mobile had approximately 761,000 mobile subscribers, corresponding to a market share of approximately 8% compared to 4% as of December 31, 2011. As of June 30, 2013, the combined ARPU for mobile telephony subscribers of all mobile operators in Israel declined to €21.6 per month primarily driven by a new mobile termination fee regulation in September 2010 which reduced mobile termination rates from NIS 0.25 to NIS 0.0687 per minute from the beginning of 2011, with further reductions to NIS 0.0634 per minute from January 1, 2012 and to NIS 0.0591 per minute from January 1, 2013. The final reduction, to NIS 0.0555 is set to come into force on or about January 1, 2014.

The Israeli mobile communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli mobile market now offers fewer barriers to entry for the new mobile license owners HOT Mobile and Golan Telecom.

Informa Telecoms & Media estimates that the Israeli mobile telephony market will grow at 2.6% per annum between 2013 and 2016, i.e. faster than the markets of other countries such as Germany, France, UK or Italy whose mobile markets are expected to achieve growth rates of (2.2)%, (0.7)%, 0.9% and (0.9)% respectively.

The Israeli market features lower ARPUs than in most of the other developed markets, which makes mobile telecom services more attractive to consumers.

### Mobile Broadband

As of June 30, 2013, there were 6.3 million active 3G mobile subscribers in the Israeli market, according to IHS Screen Digest. Mobile operators’ network capability can be further enhanced by Long-Term Evolution (“LTE”) network roll-out, although the Ministry of Communications has not yet tendered for the frequencies necessary for LTE-based services, which would enable higher speeds for mobile broadband Internet. Mobile broadband Internet operators, however, currently only offer speeds and capacities that are significantly lower than those offered by cable and DSL operators. As a result, we believe that, in the medium term, HFC cable will be the only broadband Internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

### Portugal

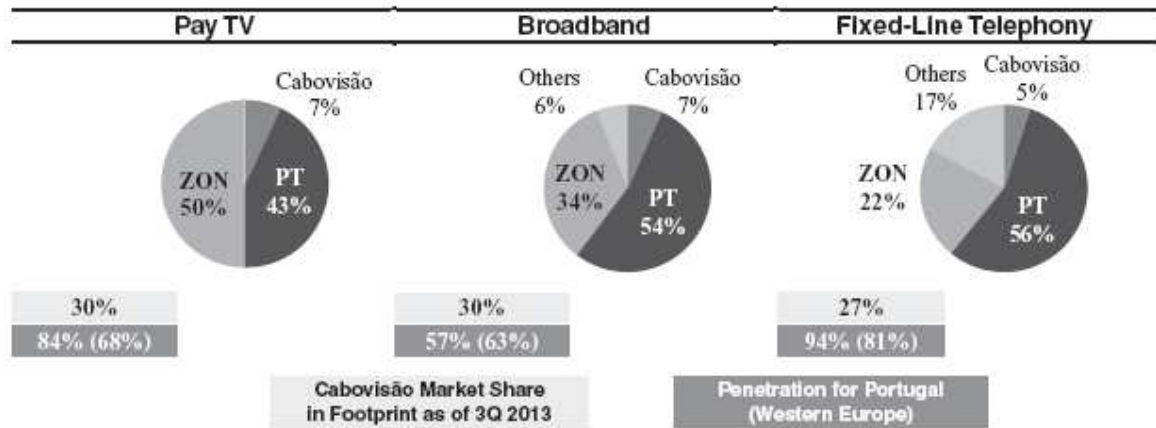
Portugal’s economy is projected to contract in 2013 by 2.3% according to the IMF due to the ongoing fiscal consolidation and both weak domestic and external demand. However, there are early signs of recovery in economic activity as GDP is expected to gradually pick up and stabilize towards the end of 2013. Recently, Portugal has gradually regained access to the sovereign-bond market at more favorable interest rates. If this trend continues, financing conditions could also improve for the private sector.

The outlook for GDP is positive as it is expected to grow at an average rate of 1.7% from 2014 to 2018 according to the IMF, as global conditions improve and demand recovers.

The population of Portugal reached approximately 10.5 million in 2012 and enjoys a stable outlook as it is expected to grow at an average rate of 0.1% from 2013 to 2018.

**Cable-based Services**

*Competition Overview*

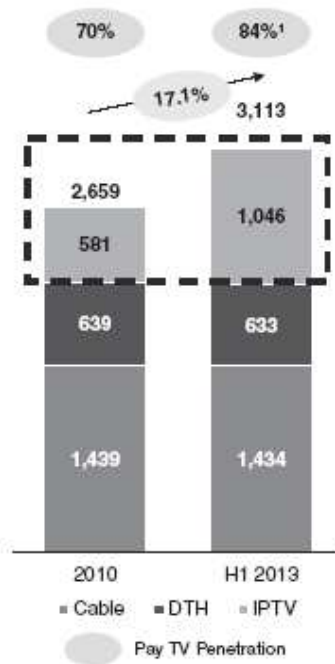


Source: Company information; PT, ZON, Vodafone and Sonaecom filings; IHS Screen Digest; Telegeography

According to IHS Screen Digest, Portugal has an estimated 83.8% penetration rate in pay television, comparable with the US (84.5%) and most advanced EU peers. Pay television penetration has been stable or rising over the past three years driven by the high demand for a broad range of pay television channels and the relative weakness of free terrestrial television which only transmits five channels. Pay television has historically been primarily provided over the cable platform, which has a higher roll-out rate than many Western European countries, with DTH, a complementary platform in rural areas, and more recently, IPTV, primarily in areas where fiber is present. Most of the pay television market is divided between three operators: ZON Multimedia (“ZON”) (the largest player by number of subscribers), Portugal Telecom (as a challenger to ZON), and Cabovisão (which provides cable services within its footprint). Based on these companies’ filings and excluding other small providers like Vodafone or Sonaecom, as of September 30, 2013 ZON, Portugal Telecom and Cabovisão had approximately 50%, 43% and 7% of market share nationwide, respectively. Cabovisão’s market share within its footprint was 30%. Portugal Telecom primarily offers low priced IPTV, predominately in fiber areas and to a lesser extent on its DSL network. However, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. Portugal Telecom’s IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable. However, it has driven the increase in pay television penetration. Pay television ARPU has increased from €23.5 in 2010 to approximately €24.5 currently according to IHS Screen Digest, and is expected to increase going forward.



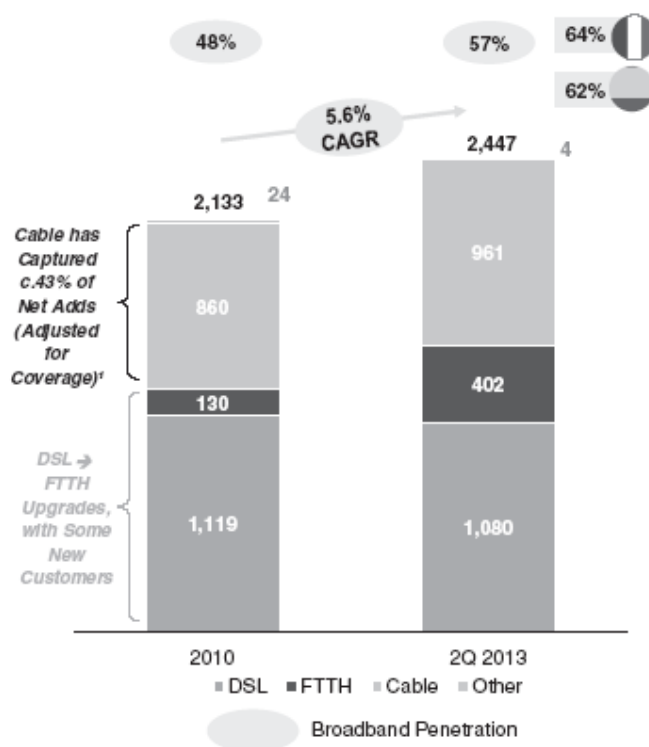
### Pay TV penetration in Portugal since 2010



(1) As of December 31, 2013E.

In broadband Internet access, penetration is slightly lower than the European average (63%) growing fast currently reaching an estimated rate of 57%, according to IHS Screen Digest. There are a number of operators providing broadband services to residential clients in Portugal. Portugal Telecom is the incumbent communications operator, historically a monopoly in fixed line telephony and broadband Internet access with a market share of 54% as of September 30, 2013. ZON and Cabovisão have grown their broadband presences on the back of Docsis networks and, over the years, have become large competitors of Portugal Telecom in broadband Internet access and telephony, with nationwide broadband Internet access market shares at 34% and 7% (and 30% within its footprint) respectively as of September 30, 2013. Mobile operators Sonaecom and Vodafone also have large mobile operations but a limited (although growing) fixed line network. In December 2012, Sonaecom and ZON announced their intentions to combine some of their operations, allowing ZON to offer quadruple-play bundles combining cable based triple-play and mobile. In fixed-line telephony, Portugal Telecom maintains a market share of 56%, while ZON and Cabovisão have market shares of 22% and 5% (and 27% within its footprint), respectively, as of September 30, 2013.

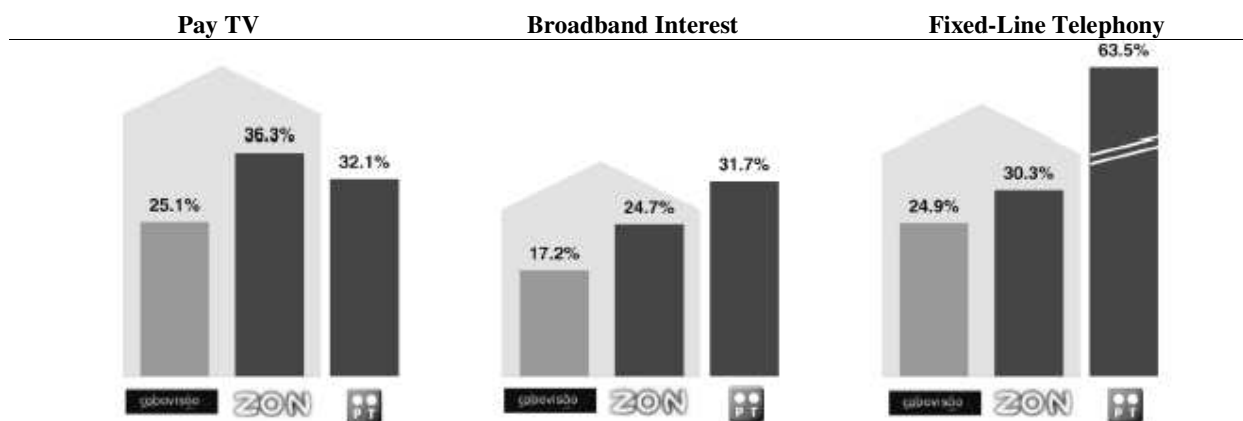
### Broadband penetration in Portugal since 2010



(1) Penetration rates as of December 31, 2013E, unless for 2010.

Portugal has an estimated fixed-line telephony penetration of 94% compared to the Western European average of 81%, according to Gartner. Penetration is increasing since 2009, primarily driven by ZON’s drive to up- sell fixed telephony. At the same time, PT’s number of subscribers remains stable due to an increase in multiple-play penetration.

### Cable-based Services Penetration by Player in Portugal<sup>(1)</sup>



Source: Company information (Cabovisão), PT and ZON filings.

(1) Penetration of homes passed; ZON penetration excludes DTH customers; PT penetration calculated as percentage of total households in Portugal.

Triple-play is increasingly becoming the norm in Portugal, with ZON and Cabovisão emerging as the leaders as a result of their early entry in to the multiple-play markets. Portugal Telecom is rapidly catching up with its M4O offer, which reached 1.3 million RGUs nine months after launching, and its M3O offer each introduced to address the decline in its fixed-line telephony customer base. As at September 30, 2013, the penetration of triple-play customers in PT’s unique customers was approximately 44%, compared with approximately 40% a year earlier. Quadruple play offers are also common in the market with PT and ZON (which has merged with Sonaecom) leading the market.

Given the relatively wide availability of content, the quality of the network infrastructure underpinning the broadband Internet access product remains an important asset for operators. Since 2008, Portugal Telecom has engaged in significant fiber deployment, primarily overbuilding ZON’s network, notably benefiting from government subsidies. As at June 30, 2013, Portugal Telecom estimated that it had passed 1.6 million homes with 890,000 km of fiber, supporting 100 Gbps download speed. In the meantime, Docsis 3.0 networks, as owned and operated by ZON and Cabovisão, allow of high download speeds, which are likely to remain far above effective speeds offered to or used by residential customers for several years to come and, as a result, remain largely able to compete against most of fiber deployed by Portugal Telecom, including fiber to the home, available only in certain areas. We have the possibility to upgrade to the upcoming Docsis 3.1 standard, making it possible for us to increase broadband Internet download and upload speeds towards levels exceeding those offered by the FTTH technologies, without incurring significant investments.

While the austerity measures in place and the uncertain economic situation in Portugal continue to weigh on the telecommunications market, as customers and businesses shy away from premium service subscriptions leading to somewhat lower ARPUs and revenues, certain segments, such as pay television, and cable operators overall have continued to perform better than fixed line telecom operators in terms of headline growth performance, notably due to the loyalty of their customer base on the back of high penetration of bundled products.

Cabovisão primarily competes in areas where it has a network which accounted for approximately 906 thousand homes passed as of September 30, 2013, including large cities/regions such as Palmela, Estarreja, Caldas da Rainha, Araiollos and others covering approximately 22% of Portuguese households. As its network remains outside the main cities of Lisbon and Porto, it is overbuilt by ZON and Portugal Telecom (fiber) on only approximately 55% and 36% of its network, respectively, according to management estimates. Within its footprint, Cabovisão has high market shares of 30% in pay television, 30% in broadband Internet access and 27% in fixed-line telephony, in each case as of September 30, 2013.

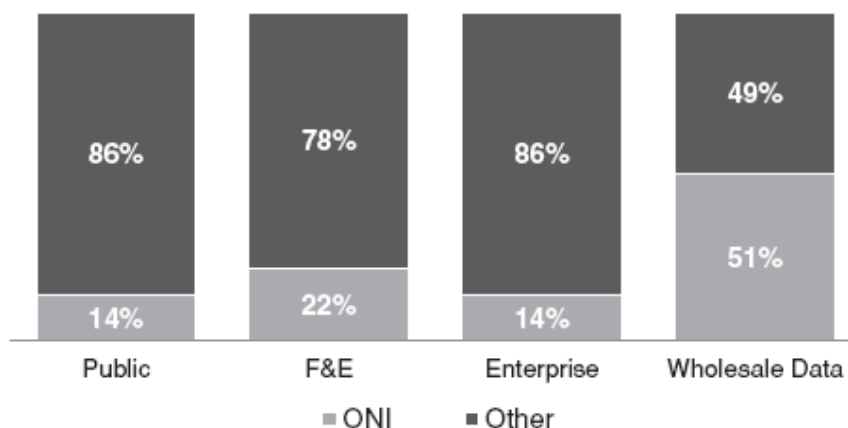
**B2B Telecom**

We own the second largest B2B telecom services provider in Portugal, operating under the ONI brand. In 2012, the market addressable by ONI was estimated at approximately €402 million, based on management estimates. This market includes wholesale data, enterprise, finance and energy (F&E), and government segments, which accounted for 51%, 14%, 22% and 14% of the B2B market in 2012 (excluding wholesale voice in which ONI has a limited presence), respectively. Portugal Telecom’s revenues in ONI’s addressable market have slowly declined over the past few years from €796 million in 2009 to €719 million in 2011 according to management estimates, as a result of a decline in voice services, a relatively slow growth in demand for data services and the overall macroeconomic climate.

Portuguese operators are also increasingly looking to B2B as an integral part of their strategy. B2B operators are looking to move away from voice services to higher margin data services and, increasingly, integrated solutions for customers including ICT and outsourcing.

Portugal Telecom, the incumbent telecom operator and largest provider of B2B telecom services is facing a growing competition from ONI, the historical challenger and largest competitor, ZON/Optimus, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom. According to management estimates, ONI’s addressable market share for the B2B wholesale data market is 51%.

**B2B Market Shares in Portugal<sup>(1)</sup>**



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Source: ONI estimation based on competitor financial information and customer surveys

(1) Shows addressable market for ONI. Does not include Wholesale Voice, which represented approximately €650 million in 2012, according to management estimates.

Portugal Telecom has been active in this segment for the past two decades, with a wide range of customers (SMEs, as well as large organisations), and has stated that it is targeting for 50% of its B2B revenues to come from IT, outsourcing and managed services in the future, with the rest of revenues equally split between equipment sales, data and voice. Its offering focuses on fixed-mobile solutions leveraging its fiber network. It has a large sales force with strong distribution capabilities in the banking and public administrations sectors and leverages its supplier relationships to enrich the range of its services. However, it has historically lost market share due to its low flexibility to address specific customer requirements and its unwillingness to reduce prices to capture volume market share.

ONI has focused primarily on its strategy on quality of service to retain existing customers, investments in both enterprise and wholesale markets and partnerships to ensure that it captures the limited demand it cannot address on its own through partners' relationships. Furthermore, it is able to leverage its access to Cabovisão's last mile HFC network to restore profitability and be able to connect client sites at a limited cost.

Optimus has historically been one of the most aggressive competitors regarding pricing and, through its merger with ZON, has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies.

Vodafone and AR Telecom have adopted different strategies to realise B2B opportunities, however, with limited success to date, due to their lack of knowledge of fixed networks and lack of credibility in the corporate market.

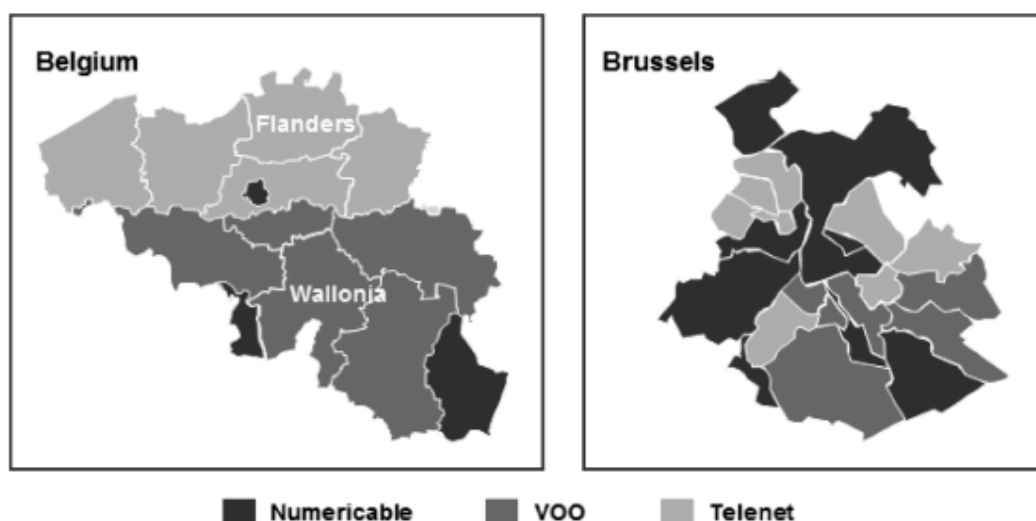
## **Belgium**

We believe that Belgium is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate, and a highly productive work force, generating high GDP and high exports per capita. The population density of Belgium reached 364 inhabitants per square kilometre in 2013, one of the highest in Europe, according to the United Nations database, and is surpassed only by The Netherlands and some microstates such as Malta. Belgium is one of the most prosperous countries in Europe, according to data published by the International Monetary Fund, with a GDP per capita of approximately \$45,537 in 2013 compared to \$42,991, \$39,049 and \$29,409 respectively for France, the U.K. and Spain for the same period.

According to IHS Screen Digest, as of December 31, 2013, Belgium will have an estimated 94% penetration rate in pay television, significantly above the average Western European penetration rate of 68%, according to IHS Screen Digest. Cable has historically enjoyed significant market share due to the deployment of cable in Belgium as early as the 1960s. Cable captured 69% of the pay television market as at September 30, 2013, followed by IPTV (27% market share) and satellite (4%), according to IHS Screen Digest.

The Belgian media and telecommunications sector has been converging as customers are increasingly seeking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing television, broadband Internet access and fixed-line telephony services bundled into integrated offerings referred to as "dual-play" (two of the three services provided together) or "triple-play" (all three services provided together). The addition of mobile telephony services further gives rise to "quad-play" offerings.

## Overview of Geographical Presence in Belgium



Competition in the pay television market is currently limited, due to a lack of overlap among cable operators. Telenet operates predominantly in Flanders, VOO in the French speaking part of Belgium and Numericable in Brussels (with Telenet and VOO also present in the capital). In 2012, Numericable acquired from local municipalities the AIESH networks (approximately 12 thousand cable subscribers) located in the County of Hainaut in the French speaking part of Belgium. Belgacom, through its DSL-based network, is the only operator that offers national coverage, although we believe it currently has an inferior ability to provide a good quality pay television product via IPTV technology when compared to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom and VOO have a pay television subscription market shares of 44%, 24% and 22% respectively according to IHS Screen Digest, while Numericable has a 2% market share nationally, however, a 62% market share within its footprint, according to management estimates. The importance of cable operators in pay television may be affected going forward by changes to the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013 in accordance with the CRC's decision of September 3, 2013 on Numericable (Coditel)'s wholesale offer, although such wholesale access would provide cable operators with stable, albeit somewhat lower, wholesale revenues. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content. This together with the reach of its network across Belgium is likely to help Belgacom increase its strength going forward. A competitive presence in the Belgian television market, although smaller compared to cable, is satellite television, which can be divided into two types of access: (i) "free-to-air" satellite and (ii) paid satellite television. In addition, certain operators in the Belgian market deliver television services via DTT, allowing customers who purchase the necessary equipment to watch television in areas where cable connection is difficult or impossible.

Broadband access in Belgium is well established, with penetration rates estimated to be higher than in most other major European markets as of December 31, 2013 (approximately 69% compared to 63% in Western Europe, according to IHS Screen Digest). DSL (predominantly offered by Belgacom) is the leading broadband Internet access platform in Belgium, with approximately 51% of the total broadband Internet market, with cable taking up the remaining 49%, according to IHS Screen Digest. Fiber-to-the-home (FTTH) is yet to be widely deployed in Belgium, as this technology is capital—and time-intensive, requiring significant digging and re-wiring. While FTTH needs to make heavy investments to catch up, we believe that greater speed of cable and higher reliability in delivering promised speeds to subscribers as compared to DSL has contributed to cable overtaking DSL in Flanders and certain other areas of Belgium. The largest operators are Belgacom (45%), Telenet (37%), VOO (10%) and Numericable (1% nationally and 36% within its footprint, according to IHS Screen Digest and management estimates). In addition, the increased download speeds offered by mobile Internet technologies such as the established high-speed package access and the emerging LTE technology have presented a viable alternative to DSL and cable. Although penetration of mobile broadband is currently still low in Belgium, it has been growing strongly on the back of a larger share of smartphones sold. As at March 2013, mobile broadband penetration in Belgium reached approximately 48% of the total population compared to approximately 15% as at March 2011, according to Informa Telecom & Media and Euromonitor International.

Fixed Telephony penetration was 87% as at December 2012 according to Informa Telecom & Media, in what can be considered a mature market that has seen declines year on year, in line with other Western European markets. The incumbent, Belgacom (67% market share, according to IHS Screen Digest) has been losing market share in recent years particularly to cable operators and other access technologies, such as VoIP, while Telenet and Numericable, according to

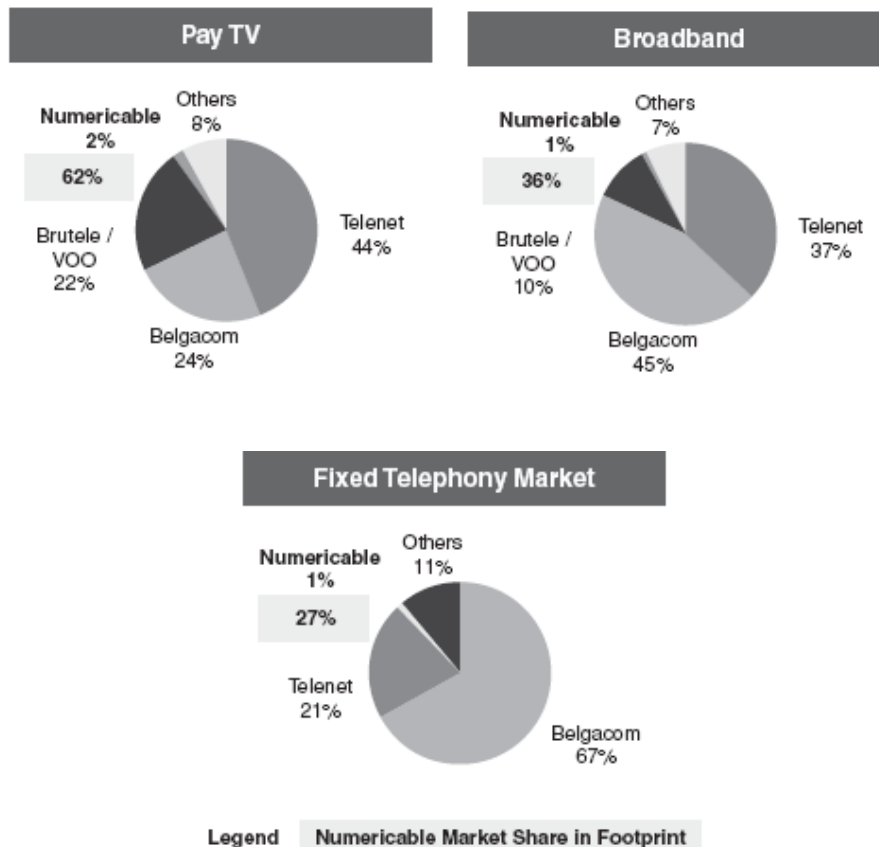
IHS Screen Digest and management estimates, have market shares of 21% and 1%, respectively. According to management estimates, Numericable has a 27% market share within its footprint. Telephony is also increasingly bundled together with other fixed-line products rather than sold as a standalone service. This explains the rise in market share in telephony of players such as Telenet, with its wide range of multiple-play offerings.

The Belgian mobile telephony market is valued at approximately €2.7 billion based on data gathered by the Belgian Institute for Post and Telecommunications (BIPT) as of and for the year ended December 31, 2012. Hence, the Belgian mobile telephony market is approximately equivalent in size to the national fixed-line telephony and broadband markets. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 111% at the end of 2012 according to the BIPT. In 2012, the total number of registered SIM cards in Belgium decreased 0.5% as compared to the prior year period to 12.3 million (including mobile virtual network operators (MVNOs)), equivalent to 1.11 SIM cards per inhabitant. For a long time, the Belgian mobile telephony market has been a three player market, dominated by Belgacom, and challenged by Mobistar and BASE. According to the BIPT, Belgacom had an estimated national market share of 40.3% in terms of active mobile subscribers at the end of 2012, followed by Mobistar (30.9%) and BASE (24.6%). In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 1.9 million subscribers at the end of 2012 according to data gathered by the BIPT, an increase of 27% as compared to the prior year.

Triple-play products are offered by all of the main cable operators (Telenet, VOO and Numericable), as well as the incumbent, Belgacom. Belgacom has also invested significantly in upgrading to VDSL and adding other services (e.g. WiFi hotspots), in order to better compete with cable operators on fixed-line bundle offerings, as the higher quality of cable operators' network has meant that Belgacom has lagged behind, both in terms of convergence and ability to capture growth. Quadruple-play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as Telenet and Numericable.

Belgium enjoys a high GDP, as well as positive demographics, with the population expected to grow at a CAGR of 0.8% and GDP at 1.0% over 2013- 2016, according to Euromonitor International. This together with the resilience of the Belgium economy during the economic downturn and high presence of expatriates and foreign communities is driving the uptake in bundled projects, as well as supporting ARPU. These positive trends make Belgium an attractive market in which to operate.

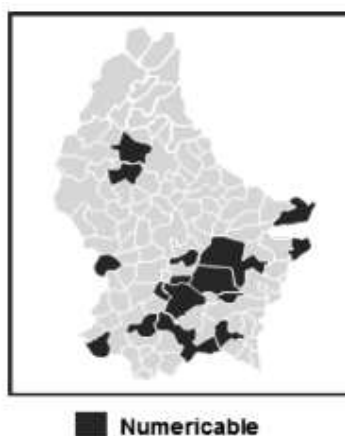
### 2012 Market Shares by Subscribers



## Luxembourg

As at September 30, 2013, Luxembourg had an estimated 70% penetration rate in pay television, according to IHS Screen Digest. Cable captured 75% of the pay television market as at September 30, 2013, followed by IPTV (25%), according to IHS. The largest player in pay television subscriptions is Eltrona (34%), followed by Numericable (16% nationally and 83% within its footprint) and POST (20%), as at December 31, 2012, according to IHS Screen Digest and management estimates. Importantly, due to POST's significant market power across fixed-line in Luxembourg, it is prohibited from bundling its television offering with its broadband and fixed-line telephony services. Only Eltrona and Numericable, together with some smaller operators, are able to offer triple-play bundles.

### Overview of Geographical Presence in Luxembourg



Broadband access is well established with an estimated penetration of 86% as at December 2013, among the highest in Western Europe, according to IHS Screen Digest. DSL is the leading broadband Internet access platform, capturing approximately 75% of the total broadband market, followed by cable with 20% market share as at September 30, 2013, according to IHS. POST, the incumbent, is the largest player, capturing 59% market share, followed by Eltrona (6%) and Numericable (4% nationally and 25% within its footprint), as at December 31, 2012 according to IHS Screen Digest and management estimates. There is increasing pressure from consumers for greater speed and lower prices, in particular as Luxembourg is the only country in the EU where the regulator does not set wholesale prices for DSL access, enabling POST to dictate the terms. Furthermore, the government announced plans in 2010 for FTTH to be implemented nationally and to provide at least 100Mbs connectivity by 2015. In practice, POST is the only operator able to undertake these investments, leading the regulator to put in place measures guaranteeing access to fiber infrastructure for alternative operators. Despite these developments, FTTH deployment remains very limited.

Telephony penetration is high, estimated at 84% as at December 31, 2012 by Informa Telecom & Media. POST is the largest provider of fixed-line telephony in the Luxembourg market, with 81% market share, according to IHS Screen Digest, while Numericable has a 2% market share, and a 23% market share within its footprint, according to management estimates.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 1.7% over 2013-2016, according to Euromonitor International), as well as positive demographics (population CAGR of 1.3% over 2013-2016, according to Euromonitor International) and a significant number of expatriates and foreign communities. This together with Luxembourg's topology and high population density, make it an attractive market in which to operate.

## French Overseas Territories

The telecom sector in the French Overseas Territories is a niche market serving a population of approximately 2.2 million according to Euromonitor and the United Nations database. Mobile and broadband Internet access represent the bulk of the market, with total revenues of €1.3 billion (of which mobile represents approximately two-thirds), with pay television also constituting an adjacent service with total revenues of approximately €0.4 billion, in each case according to management estimates.

The French Overseas Territories markets are characterised by a young population (approximately 35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 24% in mainland France, according to the United Nations database as of June 2013), price sensitivity and a strong demand for access technologies. In addition, these markets benefit from attractive demographic trends as birth rates are twice as high in the French Overseas Territories as in mainland France, according to the United Nations database (World Population Prospects: The 2012

Revision). Furthermore, the development and infrastructure improvements in the French Overseas Territories are supported by subsidies from mainland France which result in additional economic benefits to the economies of the French Overseas Territories. Importantly, mobile telephony licenses have so far been granted for free to the various operators and the upcoming grants of 4G licenses are expected to be no different. Investment by operators in the telecom sector in the Territories in new technologies and infrastructure is supported by certain tax subsidies.

Prior to 2004, the telecommunications market in the French Overseas Territories was extremely concentrated with limited competition and was marked by high prices. Orange controlled the fixed-line and Internet markets, while mobile was offered by Orange and Bouygues in the Caribbean area and SRR and Orange in the Indian Ocean area. Given the limited relative importance of the French Overseas Territories to the incumbents' overall operations and the benign competitive environment, the incumbent players did not adapt their organisation and cost structure in order to generate the necessary scale effects in the French Overseas Territories. This created an important market opportunity for other potential operators, in particular for Outremer, which entered the mobile market in 2005. By providing a comprehensive offer at attractive prices, Outremer was able to rapidly capture significant market share. Today, the competitive landscape is categorised by operators that offer a smaller range of services at competitive prices (Digicel) and by the incumbent operators (Orange and SRR) that have a wider range of services, with certain players falling somewhere between the two types of operators (Mediaserv, IZI). We believe that only OMT and Le Cable have been able to offer a large product and service offering, while still maintaining competitive prices.

Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 124% compared to an estimated penetration rate of approximately 111% in 2009 according to management estimates. This compares favorably to mobile penetration in France of approximately 114% as of June 2013 (according to ARCEP, the French communications regulator), and in line with Western Europe penetration of approximately 121% for the same period (according to Informa Telecoms & Media). However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn higher than for operators in continental Europe. The main players in the mobile telephony market include Orange, OMT, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

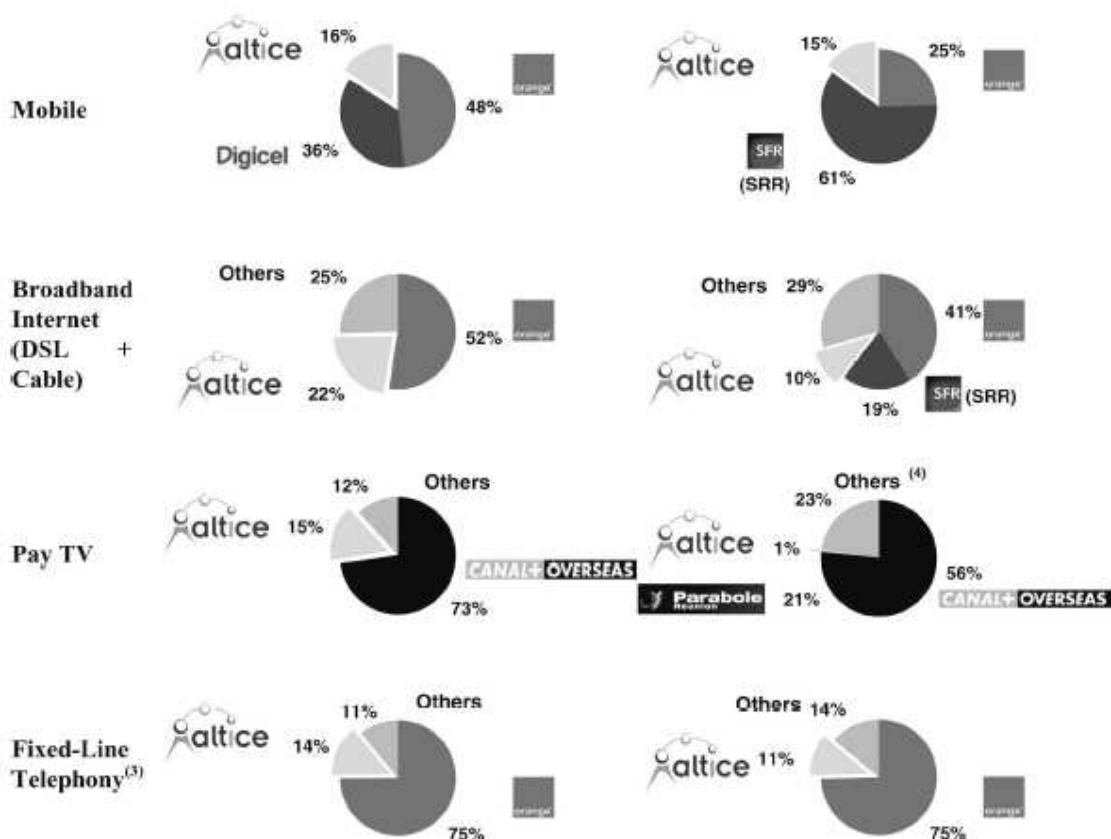
Broadband Internet access in the French Overseas Territories remains underpenetrated (55% according to management estimates) versus IHS Screen Digest reported rates for the same period for mainland France (64%) and Western Europe (64%). DSL is by far the dominant technology, with limited announced plans for technology upgrades or the deployment of other access technologies, such as cable. The main players in the broadband Internet access market are Orange and OMT (and SRR to some extent in the Indian Ocean area), although there are a significant number of local DSL players, most of which offer unbundled local loop DSL services while renting Orange last mile on a wholesale basis. Presence of cable is so far limited in broadband Internet access but is growing rapidly in Martinique and Guadeloupe where Le Cable, the only cable operator with a network covering approximately half of the households, is rapidly upgrading its network and offers a growing number of homes the possibility to subscribe to high speed Docsis 3.0-enabled broadband.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 67% according to ARCEP; in line with IHS Screen Digest reported rates for the same period for Western Europe (58%) but below France (77%). The market is dominated by satellite TV, with Canal Plus and Parabole Réunion among the strongest players, and cable, with Le Cable. We believe growing demand for bandwidth and triple-play packages is likely to increase demand for alternative access technologies with the ability to provide interactive services such as video on demand.

As in mainland France and Western Europe, multiple-play and convergence have increasingly become important. However, triple-play penetration lags behind that of more developed economies. While quadruple-play penetration is expected to remain limited in the French Overseas Territories as a whole, as only we can currently offer such bundles, the ability to provide quadruple-play bundles is expected to become a way for us to differentiate our offering in Martinique and Guadeloupe, where other players are either only mobile or DSL operators (Digicel, MediaServ), while large players are considered dominant and are not allowed by local regulation to bundle products (Orange, SRR).



Market shares in French Overseas Territories, as of June 30, 2013



(1) Based on a subscriber-based weighted average for Martinique, Guadeloupe and F. Guiana.

(2) Based on a subscriber-based weighted average for Reunion and Mayotte.

(3) Based on population-based weighted average market shares for Outremer Telecom only.

(4) Mainly Broadband Internet access providers.

The French Overseas Territories enjoy a growing GDP (GDP CAGR of 3.2% over 2013-2016, according to Euromonitor International, excluding Martinique, Réunion and Mayotte) making it an attractive market in which to operate.

## DESCRIPTION OF OUR BUSINESS

*In this section, references to “we”, “us”, “our”, and the “Company” refers to Altice VII and its subsidiaries as of the date of this Offering Memorandum, but excludes Tricom/ODO, unless the context otherwise requires.*

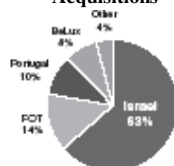
### Overview

We are a multinational cable and telecommunications company with presence in three regions—Israel, Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland) and the French Overseas Territories (currently comprising the Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential customers and corporate customers. Our cable networks enable us to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. We have expanded internationally through price-disciplined acquisitions and have recently entered into agreements to acquire Tricom and Orange Dominicana (“ODO”) in the Dominican Republic. Both of these transactions are subject to regulatory approval and are expected to be completed in the first quarter of 2014. The completion of the ODO Acquisition is also subject to approval by the board of directors of Orange S.A. and Wirefree Services Denmark A/S. Prior to the ODO Acquisition and the Tricom Acquisition, we passed 3.6 million homes with 1.5 million Cable Customer Relationships, 3.2 million cable-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1.1 million mobile telephony RGUs and had 0.1 million xDSL / non-cable RGUs, as at September 30, 2013. Pro forma for the ODO Acquisition and the Tricom Acquisition, as at September 30, 2013, we passed approximately 4.0 million homes with 1.7 million Cable Customer Relationships, 3.4 million cable-based RGUs, an average of 2.0 RGUs per Cable Customer Relationship, 4.4 million mobile telephony RGUs and had 0.5 million xDSL / non-cable based RGUs. We target cable operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. We aim to substantially improve the operational performance of businesses we acquire, thereby providing the cash flow generation to help fund future growth. We are the largest cable television operator and the second largest broadband Internet access services provider and a leading provider of multiple-play services in our service areas. We offer bundled triple-play services, and where possible, quadruple-play services, at attractive prices, and focus our marketing efforts on our multiple-play offerings. Our service portfolio in each of the regions in which we operate is set forth below. Our last three quarters annualized Pro Forma Adjusted EBITDA was €862.6 million (which excludes the EBITDA of Green Datacenter and Auberimmo and includes expected synergies from the acquisitions of Outremer, ONI, Tricom and ODO, the estimated EBITDA of Tricom and cost savings expected to be realized as a result of our Network Sharing Agreement). Please refer to “—*Pro Forma Adjusted EBITDA*” for further details. The table below shows the Pre-Transaction Pro Forma EBITDA and Post-Transaction Pro Forma EBITDA splits by geography for the Last Three Quarters Annualized, as applicable.

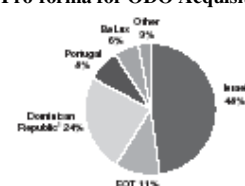
**Altice VII Restricted Group  
Pre Fold-in of Assets**



**Altice VII Restricted Group  
Before Dominican Republic  
Acquisitions**








**Altice VII Restricted Group  
Before Tricom Acquisition  
Pro-forma for ODO Acquisition**



(1) Excludes Tricom EBITDA of €37.5 million for the nine months ended September 30, 2013

We believe that we benefit from a significant fixed network advantage. Our cable based services are delivered over hybrid fiber coaxial (“HFC”) cable networks that are among the most technically advanced in the markets in which we operate. Our networks benefit from substantial spectrum availability and, on a blended basis, we are 98% Docsis 3.0 enabled (excluding the Dominican Republic), allowing us to offer advanced triple-play services to our customers. The fiber-rich characteristic of our network gives it capacity, speed and quality advantages as compared to copper based DSL networks. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. We believe that our networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard. We expect to be able to increase broadband Internet download and upload speeds beyond those offered by the FTTH technologies without incurring significant investments, providing us with further competitive advantage to capture new bandwidth-intensive usages such as multimedia and multi-screen.



Geographic Area	Israel	Western Europe		Overseas Territories		Other
Countries of Operation	 Israel	 Belgium and Luxembourg <sup>2</sup>	 Portugal	 French Overseas Territories <sup>2,3</sup>	 Dominican Republic <sup>5</sup>	Various
Bundling Strategy	3P + Mobile	4P/3P	3P	4P	4P	NA
Cable Services Offered	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet infrastructure access</li> <li>■ Fixed line telephony</li> <li>■ ISP</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay television</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	
Mobile Services Offered	<ul style="list-style-type: none"> <li>■ UMTS 3G Mobile services</li> <li>■ B2B iDEN mobile services<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ MVNO mobile services (Belgium only)</li> </ul>	<ul style="list-style-type: none"> <li>■ NA</li> </ul>	<ul style="list-style-type: none"> <li>■ UMTS 3G mobile services<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ 2G mobile services</li> <li>■ 3G mobile services</li> <li>■ 4G LTE mobile services</li> </ul>	
xDSL Based Services / Other Services	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Pay television</li> <li>■ Internet access</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Pay television</li> <li>■ Internet access</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B Services</li> <li>■ Television content</li> </ul>

- (1) We continue to provide our iDEN mobile services under the “MIRS” brand.
- (2) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand licensed from Numericable France.
- (3) We provide pay television, fixed-line telephony and Internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories. In Guadeloupe and Martinique we have begun to market these services under the Numericable brand which we have historically used for services provided via our cable network but we continue to use the ONLY brand in French Guiana, Mayotte and La Réunion.
- (4) In La Réunion, Mayotte and French Guiana, we continue to market our mobile services under the “ONLY” brand.
- (5) On October 31, 2013 we entered into agreements to acquire Tricom, a cable and fixed-line as well as mobile services provider in the Dominican Republic. On November 26, 2013, we entered into an agreement to acquire ODO, a mobile and wireless broadband services provider in the Dominican Republic.

## Our Competitive Strengths

We believe that we benefit from the following key strengths:

*We enjoy leading positions in pay television and broadband Internet services in well diversified markets with favorable dynamics for cable operators.* We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In a significant majority of our footprint, we are the sole cable operator and are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In Israel, our largest geography by revenue and EBITDA, we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. In a significant majority of our footprint we benefit from relatively high levels of GDP per capita, high population density and strong demographic and population growth trends. All of the countries in which we currently operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. Broadband penetration in our footprint, and in particular in Israel, Belgium and Luxembourg, also compares favorably with most other West European markets. Following the ODO Acquisition and the Tricom Acquisition, we will also own the leading cable operator in the Dominican Republic and believe we are well-positioned to capture growth from increased penetration of our cable based services.

**We believe that we benefit from a fixed network advantage in each of our markets.** We own our HFC networks that, on a blended basis, are 98% Docsis 3.0 enabled, excluding the Dominican Republic, where network upgrades are underway. Our state-of-the-art networks allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. In a significant majority of our footprint, we are the sole end-to-end fixed infrastructure alternative to the incumbent operator. In addition, compared to DSL-based and satellite infrastructures of our competitors in our service area, we believe we benefit from important efficiencies in our operations. We are able to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades, given the existing technological capability of our networks. At these speeds, we believe that our broadband service will exceed the performance of the current fastest competitive technologies (VDSL, VDSL2). We currently have a network advantage in terms of download speed across approximately 80% of our service area across geographies (excluding the Dominican Republic) and, specifically in Israel, where we expect to continue offering faster speeds than our competitor's legacy technology and at par with it in areas where it has deployed FTTH. We believe that with our HFC technology we are well positioned for future technological developments making it possible for us to increase broadband Internet download and upload speeds exceeding those offered by the FTTH technologies, without making significant additional investments.

### Network Key Characteristics

	Altice Key Geographies					European Peers		
	Israel	Belgium/ Luxembourg	Portugal	French Overseas Territories <sup>(1)</sup>	Dominican Republic	Ziggo	Telenet	KDG
Cable Network Capacity .....	600-862 MHz	550-860 MHz	750 MHz	550MHz	750-1,000 MHz <sup>(2)</sup>	862 MHz	600 MHz	Mainly 641 MHz
Docsis 3.0 Upgrade.....	100%	100%	99%	49%	78% <sup>(3)</sup>	100%	100%	95%
Homes Passed per node.....	~1,250	~645	~1,092	~140	~750	1,500	~650	>1,000
Advertised Speed (Mbps).....	30-100	50-200	30-360	20-30	1-100	20-150	60-120	10-100

(1) Only relates to the cable based services we provide in Guadeloupe and Martinique and excludes services provided over our xDSL platform.

(2) 80% of Tricom's cable network as of June 2013.

(3) As of September 2013.

**We are a leading multiple-play provider of cable based services in our markets with substantial cross-sell and up-sell opportunities.** Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multiple-play offerings by selling our differentiated pay television, high speed broadband Internet, fixed line telephony and, in some instances, mobile telephony services as bundles which we offer to our customers at attractive prices. We believe the strength of our pay television, broadband and fixed telephony businesses and our ability to offer advanced mobile telephony services makes us well positioned to increase penetration of multiple-play and premium packages. We believe continued focus on our bundling strategy and increasing our triple-play or, where possible, quadruple-play penetration will enable us to grow our cable based services ARPU. In addition, we intend where possible to convert our more than 480 thousand xDSL / non-cable based subscribers in the French Overseas Territories and the Dominican Republic into Docsis 3.0 cable-based subscribers by upgrading these networks. We believe that this conversion of customers from xDSL to cable will be less challenging. In Israel, we co-develop and co-own high-quality original local content together with local producers and broadcast it on our proprietary channels. We believe our high-quality proprietary local content, along with high-quality local content we purchase and our distinctive brands enable us to attract new and retain existing subscribers to our cable based services. Similarly we expect substantial growth in demand for high speed Internet. According to IDC, worldwide demand for high-speed broadband Internet is expected to increase by 2.6 times between 2013 and 2016. We believe that we are well positioned to capitalize on this trend as we offer download speeds of at least 100 Mbps to a significant majority of homes passed in our footprint. In order to take advantage of fixed mobile convergence trends and competitive market dynamics, we are selectively implementing a mobile strategy in certain of our territories. We own and operate a 3G mobile network in Israel and in the French Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in Belgium we complement our fixed-line products with mobile offerings through an MVNO arrangement. Following the Tricom Acquisition and the ODO Acquisition, we believe that we will benefit from cross-selling Tricom's high speed broadband and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks.

**We benefit from strong EBITDA margin and scalable capital expenditures translating into strong organic cash flow growth.** On a historical consolidated basis, our EBITDA as a percentage of revenues increased from 28.8% in fiscal year ended December 31, 2010 to 40.6% in the nine months ended September 30, 2013, primarily as a result of operational efficiencies implemented by us across the organization, in addition to acquisitions of higher margin businesses. The operational efficiencies have been complemented by efficient capital expenditure as, on a blended basis, 98% of our

networks are already upgraded to Docsis 3.0, making cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. For the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively, based on the Pre-Transaction Pro Forma Financial Information, we generated Adjusted EBITDA as a percentage of revenues of 34.5% and 39.0% and Adjusted EBITDA less capital expenditure, as a percentage of Adjusted EBITDA of 20.2% and 50.8%. We will continue to invest in selected areas where we believe there are attractive opportunities to generate superior return over time and further increase our cash conversion, including the upgrade of our cable network in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic.

***We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence.*** Our entrepreneurial culture and efficient decision making processes are designed to allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We believe a key driver of our success is our ability to identify attractive acquisition targets and assess the associated potential for value creation, consummate the acquisitions on terms economically attractive to us and consistently and timely implement best operational practices that drive the previously identified improvements in the profitability of acquired businesses. We have historically been able to acquire fixed 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, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by the Company over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 40.5% in the nine months ended September 30, 2013 compared to 14.2% in 2011. More recently, we have identified attractive assets in the Dominican Republic, which we believe will be synergistic and may benefit from certain cost advantages as part of the Group, including technological know-how and improved procurement terms.

***We have an experienced management team with a long term industry track record.*** We manage our business by combining the expertise of Altice senior management with the local expertise of the managers of our operating subsidiaries who have significant experience managing day-to-day operations at cable and telecommunications companies. We are supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally. Among Mr. Drahi's achievements is the roll-up of the French cable and telecom market into Numericable and Completel, in which an entity controlled by Mr. Drahi currently controls 30% of the voting shares (including certain call options) and has entered into agreements to increase its ownership to 40% of these entities, subject to regulatory approval. The Altice senior management team has extensive experience in the cable and telecommunications sectors. Before joining Altice in 2009, Dexter Goei (CEO) worked for 15 years in investment banking, most recently as Co-Head of the Media & Telecommunications Group for Europe, Middle East and Africa at Morgan Stanley. Before joining Altice in 2012, Dennis Okhuijsen (CFO) worked for 17 years in the cable sector with UPC, UGC and Liberty Global, most recently as Group Treasurer of Liberty Global. Before joining Altice in 2005, Jérémie Bonnin (General Secretary) worked for 7 years at KPMG in Transaction Services. Before joining Altice in 2013, Max Aaron (General Counsel) was a partner at Allen & Overy for over 14 years focusing on capital markets transactions.

## **Our Strategy**

The key components of our strategy are to:

***Organically grow operating margins and cash flow by leveraging our operational expertise and group synergies.*** We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as our group develops. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin. Furthermore, we expect to realize further economies of scale in capital expenditures as our Group expands and our bargaining power increases. In addition, we believe in-market consolidation opportunities and related synergies will continue to drive our profitability and cash-flow expansion. For example, we believe our recent acquisition of Outremer Telecom, a mobile and fixed-line player in the French Overseas Territories, and ONI, a leading B2B telecom provider in Portugal, are highly complementary to our existing cable operations in these geographies. In the French Overseas Territories, we hope to realize cost savings by reducing duplicative cost structures, leveraging a combined distribution and customer care network, harmonizing marketing campaigns and benefitting from international connectivity as a result of Outremer's international backbone, as well as benefit from cross-selling and up-selling opportunities between our cable, DSL and mobile customer bases. In Portugal, we expect the acquisition of ONI will allow us to leverage our extensive fiber-backbone and cable network in Portugal to help optimize our penetration of the B2B market and to benefit from cost synergies by improving the operating processes and combining overlapping

functions. In the Dominican Republic, we have entered into agreements to acquire Tricom, a cable and fixed line as well as mobile services provider, and ODO, a mobile and wireless broadband services provider, which we believe will enable us to build an integrated fixed line and mobile infrastructure, provide us with substantial cross-sell and up-sell opportunities and we believe will allow us to grow operating margins by realizing operating expense and capital expenditure savings in the Dominican Republic.

***Further increase multiple-play penetration and ARPU by providing new and existing customers with additional products and services, including attractive mobile products wherever profitable.*** We believe that our state-of-the-art networks across our markets provide us with a strong technological infrastructure for delivering high-quality television, higher speed Internet and triple and, where permitted, quadruple-play services at attractive prices. We believe that fixed network leadership, operational excellence and multiple-play strategy are key success factors in our end markets. We have successfully increased triple-play penetration, as reflected by the growing number of RGUs per customer relationship across geographies from 1.96x as of December 31, 2011 to 2.10x as of September 30, 2013 (without giving effect to the ODO Acquisition and the Tricom Acquisition). Our strategy is to continue to increase our multiple-play customer bases by attracting new customers and cross-selling our existing cable-based services customer base with mobile services in the jurisdictions in which we offer those services. We will also exploit up-selling opportunities to maximize ARPU by increasing penetration of certain services, such as higher speed broadband Internet, premium content or value added interactive services, such as VoD and PVR. In addition, as the Group continues to roll out its cable network in the French Overseas Territories and the Dominican Republic in addition to its existing xDSL network, we believe that we will be able to more easily convert some of our existing xDSL customer relationships into cable-based customer relationships with additional services and potentially higher ARPU.

***Leverage our networks to address new growth opportunities including B2B and mobility.*** We believe that our dense cable network infrastructures supported by fiber backbones ideally position us to service new demand arising from corporate customers and to benefit from the convergence of fixed-mobile usage without significant capital investment and at very competitive pricing. We aim to leverage our cost-efficient infrastructures to offer tailored data solutions and capture profitable growth in these markets, thereby maximizing the return on our network assets. As the B2B telecommunications market shifts to next generation services, including IP VPN, hosting or cloud services, which are more bandwidth-intensive and complex, we will look to expand opportunistically in the B2B businesses, which offer important economies of scale and synergies with our B2C operations. In addition, as mobile Internet traffic is expected to grow at an average 68% growth rate between 2012 and 2017 (according to a Cisco VNI 2013 study) primarily driven by development of smart devices supporting multiple wireless technologies, we believe our high capacity backbone will be differentiating as it enables us to offer a compelling backhaul offload offering at limited cost to MNOs.

***Generate value through disciplined acquisition strategy and proven integration capabilities.*** We deploy capital opportunistically across our portfolio through value enhancing acquisitions with the aim of generating strong cash flow and operational synergies in the cable and telecommunication sector. We target operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Our acquisition strategy also benefits from our flexible capital structure, which features no material near term maturities, ability to opportunistically access the capital markets and incurrence-based covenants that permit incurrence of debt up to four times our last two quarters annualized EBITDA and, subject to certain limitations, have carve-outs and exceptions allowing us to make investments and other distributions. Our capital structure and the terms of the agreements governing our debt enable us to execute our acquisition strategy by being agile and opportunistic in a fast evolving environment.

## **History**

Altice VII, the parent company of the Group, was incorporated under the laws of the Grand Duchy of Luxembourg in 2008. Since its inception, Altice VII has made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe and the French Overseas Territories. 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, well-established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.
- In May 2010, we acquired MIRS Communications Ltd. (“MIRS”), an Israeli company providing iDEN based mobile services. In July 2009, we began acquiring equity interests in HOT-Telecommunications Systems Ltd. and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS based 3G mobile services in Israel under our “HOT” brand. In December 2012, we completed the take-private transaction of the HOT group whereby we acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. we did not previously own.

- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B and B2C solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacentre in the Zurich region. We began providing datacentre services in 2011. We have completed the construction of 3,600 square meters and a new build-out phase is currently in progress.
- In 2011, we acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg, cable operators in Belgium and Luxembourg. We entered into an agreement to buy out the 40% stake in Coditel Holding Lux II held by one of the minority shareholders. This transaction was consummated on November 29, 2013.
- In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.
- In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda.
- In July 2013, we expanded our presence in the French Overseas Territories by acquiring approximately 77% of the equity interests in Outremer, a leading mobile services provider and xDSL provider of telecommunications services, the remaining 23% of the company's equity being held by local management.
- In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.
- In October 2013, we acquired Ma Chaîne Sport (a producer of sports related content) and Sportv (a producer of sport related content).
- On October 22, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.
- In October 2013, we entered into agreements to acquire Tricom, a provider of telecommunications services operating in the Dominican Republic.
- In November 2013, we entered into an agreement to acquire ODO, a provider of telecommunication services in the Dominican Republic.

### **Products and Services**

We offer a variety of services over our fixed and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent and depending on the geography, B2B telecom services to corporate customers. We provide our residential cable based services primarily as part of double- or triple-play packages and, in the French Overseas Territories and Belgium, quadruple-play packages which include mobile services in addition to our cable based services. Available cable based service offerings depend on the bandwidth capacity of our cable networks, which consist primarily of hybrid fiber-coaxial ("HFC") cable infrastructure.

Our television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand ("VoD") and near-video-on-demand ("NVoD"), digital video recorders ("DVR"), high definition ("HD") television services and, in some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

We offer broadband Internet access services and fixed-line telephony in all of our broadband communications markets.

We also own and operate mobile infrastructure in Israel and the French Overseas Territories and offer mobile services through an MVNO arrangement in Belgium.

We offer some B2B telecom services in all our geographies. However, we service large corporate customers with a focused B2B offering only in Portugal, Switzerland, Belgium and the French Overseas Territories. In Israel, our B2B services primarily consists of enhanced versions of our residential products which are adapted to the needs of small and medium sized businesses.

## ***Cable Based Services***

### ***Multiple-Play***

We offer our customers bundled triple-play services comprising pay television, broadband Internet access and fixed-line telephony services at what we believe are attractive prices. We also offer various double-play packages comprising a combination of two of these services. Furthermore, we continue to introduce quadruple-play services, which include a combination of cable based triple-play and mobile packages, in a growing number of geographies, which currently consists of Belgium and the French Overseas Territories.

We believe the demand for our multiple play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money when purchased as part of triple-play packages, we typically also offer most of these services on a standalone basis in most of our geographies.

Our digital television offering includes theme and premium content packages, HDTV channels, channels with start-over functionality, radio channels, VoD services and premium digital services such as DVR. Our cable networks enable us to offer interactive digital services to most of our customers. Our digital television offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast it on our proprietary suite of channels which, along with our distinctive brand, enables us to attract new subscribers to our cable-based services.

We offer broadband Internet access services across our cable footprint and a majority of homes passed by our cable networks benefit from download speeds of at least 100 Mbps. Our networks benefit from substantial spectrum availability and, on a blended basis, the majority of the homes we pass are Docsis 3.0 enabled, including 100% in Israel. In the short to medium term, we expect that the portions of our networks that are Docsis 3.0 enabled can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realised with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. As opposed to some of our competitors, we do not generally restrict maximum volume of data or the speed at which our customers can access the Internet. We also offer broadband Internet access services based on xDSL technology in areas of the French Overseas Territories which are not passed by our HFC networks.

Our fixed line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages, and our triple-play offers tend to include flat rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out standalone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our triple-play packages rather than as a standalone product.

Our customers can achieve significant savings by purchasing pay television, broadband Internet and fixed-line telephony as part of our bundles as opposed to separately from us or from our competitors. For example, our Israeli customers currently save approximately NIS 108 per month by subscribing to one of our top-tier triple-play packages, Triple iTop, currently priced at NIS 352, instead of separately purchasing the same products the price of which would amount to approximately NIS 460 in the aggregate.

While a focus on multiple-play offerings constitutes an integral part of our customer acquisition strategy, we also continue to offer stand alone pay television, broadband Internet access and fixed-line telephony services to our customers.

### ***Pay Television***

#### ***Western Europe***

***Portugal.*** In Portugal, we offer subscribers analog and both basic and premium digital television services under our “Cabovisão” brand. Our analog television service includes access to over 30 television channels. Subscribers to our basic digital television service have access to 95 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VoD and catch-up TV. Our premium television service provides customers access to 142 digital television channels, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services. As of September 30, 2013, we provided cable television services to approximately 609,000 RGUs in Portugal.



**Belgium and Luxembourg.** We offer subscribers analog and both basic and premium digital television services in the Brussels region of Belgium and Luxembourg under the “Numericable” brand. We believe we are the leading provider of pay television services within our footprint in Belgium. Subscribers to our basic digital television service can choose from a range of approximately 100 digital television channels in Brussels and approximately 110 channels in Luxembourg and are also able to access certain premium content and interactive services, such as VoD, HDTV and catch-up TV. Our premium television service provides customers approximately 130 digital channels in Belgium and approximately 155 digital channels in Luxembourg, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. To cater to culturally and linguistically diverse customers in the region, we include in our pay television packages various foreign language channels, including English, Arabic, Spanish, Italian and Turkish-speaking channels in Belgium, and English, Italian and Portuguese-speaking channels in Luxembourg. As of September 30, 2013, we provided cable television services to 239,000 RGUs in Belgium and Luxembourg, of which approximately 200,285 were in Brussels and approximately 38,827 were in Luxembourg.

**Israel.** We are the largest provider of pay television services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the HOT brand. While we continue to offer analog television services to a decreasing number of customers (13,000 as of September 30, 2013), we are in the process of phasing out this service, which will free up bandwidth over our network enabling us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Our standard digital television package consists of 78 base television channels, two extra content packages, each of which adds 5 to 17 channels to the subscription depending on the content packages chosen by the customer, and 32 radio channels. Subscribers to our standard digital package can also purchase extra content packages giving them access to additional channels. We believe our standard offering includes more channels than the number of channels offered by our competitor in its standard pay television offering. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. We include in our standard package the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as all the “must carry” channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and include 34 to 42 premium channels, depending on the subscription. We also offer up to 20 television channels in HD that have enhanced picture and sound quality compared to regular television channels. Under Israeli regulation, we are required to include in our portfolio of pay television offerings a low-priced basic package. This package currently provides subscribers access to 16 basic channels.

In addition to a high quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity, which are available even to customers not purchasing our broadband services. We also provide our digital customers with a start-over service for over 25 television channels, which is included in all of our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while the broadcast is in progress. Our digital television offering also includes VoD. Our VoD library is extensive containing over 30,000 hours of content as of June 30, 2013. In addition, we offer access to additional content libraries not included in our standard VoD service on a pay-per-view or monthly subscription basis. As of June 30, 2013, our VoD penetration rate was 54% of our pay television RGUs, which we believe is the highest in Israel. We also offer digital customers our PVR service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. In 2011, we commenced offering digital customers the HOT Magic HD set-top box, which combines VoD functionality, HD technology and recording capabilities in a single set-top box. We expect to roll out La Box, one of the most advanced set-top boxes currently on the market, from early 2014.

We bolster our Israeli pay television service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of content which we undertake in partnership with local production partners. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children’s channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season, TLV, Redband and Mehubarot 2. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2012 was NIS 667 million (€134.6 million equivalent, calculated based on the average exchange rate for the year ended December 31, 2012 of €0.2018 = NIS 1.00). We believe the quality of content we provide over our network generally, and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a

minimum of 8% of our annual pay television revenues from subscriber fees in the production of original local content. We have been in compliance with these regulatory requirements in all material respects. For further details, see “*Regulatory—Television—Minimum Investment in Local Content Productions*”.

As of September 30, 2013, we had 881,000 pay television RGUs in Israel, representing approximately 77% of our Cable Customer Relationships in Israel.

***French Overseas Territories.*** We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique under the “Numericable” brand. As of September 30, 2013, we provided cable television services to approximately 69,000 RGUs in Guadeloupe and Martinique. Our pay television offering includes up to 179 channels and radio stations including 31 HDTV channels. Our basic cable-based pay television package, Prima, priced at €29 per month, provides our subscribers with 102 channels and radio stations, including nine HD channels. Our premium cable-based pay television package, Premium+, offered for €49 per month, provides our subscribers with 179 channels and radio stations, including 31 HD channels.

We also offer, primarily outside of our cable footprint, our broadband Internet subscribers IPTV services via an unbundled xDSL network across the French Overseas Territories. Our xDSL-based pay television offering is offered as part of a triple-play package, Prima ADSL, priced at €29 per month. This package provides our subscribers with 35 TV channels and radio stations, broadband Internet access with download speeds of up to 20 Mbps and unlimited fixed line calls to landline and mobile number in the French Antilles region, French Guiana, mainland France and 47 international destinations.

#### ***Broadband Internet Access and Fixed-Line Telephony***

We provide broadband Internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint. We typically sell these services as components of our triple-play bundles which we believe are cheaper than the comparable services currently offered by our competitors.

#### ***Western Europe***

***Portugal.*** In Portugal, we offer customers various broadband packages under our “Cabovisão” brand with advertised download speeds ranging from 30 Mbps in our low-tier packages to 360 Mbps in our top-tier packages. Our cable network is approximately 99% upgraded to EuroDocsis. 3.0. We also offer subscribers local, national and international long distance fixed-line telephony services and a variety of value added telephony features using VoIP under the “Cabovisão” brand. As of September 30, 2013, we provided broadband Internet access services to approximately 156,000 RGUs in Portugal. As of September 30, 2013, we provided fixed-line telephony services to approximately 226,000 RGUs in Portugal.

***Belgium and Luxembourg.*** We are a leading provider of broadband Internet access services in our footprint in Belgium and Luxembourg. We offer customers various broadband packages under the “Numericable” brand with advertised download speeds ranging from 50 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is fully upgraded to EuroDocsis. 3.0, allowing us to provide up to 200 Mbps download speeds to all upgraded households. Within our network areas in both Belgium and Luxembourg, we are currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. Our fixed-line telephony offering includes local, national and international long distance fixed-line telephony services, as well as value added telephony features using VoIP under the “Numericable” brand. We use VoIP technology, which utilizes the open standards EuroDocsis 3.0 protocol in Brussels and EuroDocsis 2.0 (currently being upgraded to EuroDocsis 3.0) in Luxembourg, and through which we are able to provide both Internet and fixed-line telephony services. Customers in both Belgium and Luxembourg who subscribe to our broadband Internet access or fixed-line telephony services as part of a triple-play package, in the mid-tier segment, benefit from lower prices than those currently offered by our main competitors. As of September 30, 2013, we provided broadband Internet access services to approximately 56,000 RGUs in Belgium and Luxembourg, of which approximately 47,321 were in Belgium and approximately 8,836 were in Luxembourg. As of September 30, 2013, we provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg, of which approximately 45,739 were in Belgium and approximately 7,550 were in Luxembourg.

***Israel.*** Internet service in Israel is uniquely structured in as much as it is segregated into two separate elements comprised of infrastructure or network access services and ISP services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer’s device to the infrastructure access provider’s operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider’s operator, through its own operator, to the local and global Internet network. ISPs generally also provide certain value added services such as data

protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to Internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e., it may choose to subscribe to the broadband Internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband Internet infrastructure access providers, on equal terms. For further details, see “*Regulatory—Internet Service Providers*.”

We offer broadband Internet infrastructure access services to our residential customers under our “HOT” brand over our U.S. Docsis 3.0-enabled cable network which allows us to provide ultra fast services with limited or no degradation in speed. Our U.S. Docsis 3.0-enabled cable network can theoretically support download speeds of up to 360 Mbps with new CPEs and certain limited modification to network equipment, which will allow us to easily upgrade our services in the future. Approximately 41% of our Israeli customers have customer services equipment in their homes which could support download speeds up to 270 Mbps. We currently provide our customers with options to purchase broadband Internet infrastructure access services with advertised download speeds ranging from 30 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband Internet infrastructure access services along with our television and fixed-line telephony services. As of September 30, 2013, we had approximately 755,000 RGUs to our broadband Internet infrastructure access service in Israel, representing approximately 66% of our Cable Customer Relationships in Israel. As of June 30, 2013 we had approximately 39% market share of the broadband Internet infrastructure access market in Israel based on the total number of subscribers.

In February 2012, we started providing ISP services to our customers under the “HOTnet” brand. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 (equivalent of €5.72, calculated on the basis of the September 30, 2013 exchange rate of €0.2086 = NIS 1.00) per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand alone basis and as part of a package with mobile services, and not as a part of our other multiple-play packages.

We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to our residential customers under our “HOT” brand. Our services include several ancillary value added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. We provide our fixed-line telephony services on a stand alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1,000 free minutes to land line (calls to mobile not included) for NIS 56. As of September 30, 2013, we had 680,000 RGUs to our fixed-line telephony service in Israel, representing approximately 59% of our Cable Customer Relationships in Israel. As of June 30, 2013, we had 21% market share of fixed-line telephony market in Israel based on number of subscribers.

Customers who subscribe to our broadband Internet infrastructure access or fixed-line telephony services as part of a triple-play package benefit from lower prices than those currently offered by our main competitor.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long distance operators and mobile operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli Ministry of Communications has recently reviewed the interconnection fees paid to domestic fixed-line operators and set the interconnection rate at 0.99 agorot per minute irrespective of whether calls are made during peak or off-peak times.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long distance services, each of which requires a separate license. We are currently licensed to provide both domestic and international long distance telephony services. The domestic license is valid until 2023 and the international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

***French Overseas Territories.*** We provide broadband Internet access services within our network area offering subscribers monthly rate plans. In Martinique and Guadeloupe, we offer such services over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband Internet access services over our xDSL network. We offer advertised maximum download speeds of 30 Mbps and 20 Mbps over our cable and xDSL networks, respectively. Within our footprint, the download speeds of our broadband and xDSL Internet access services

are at least on par with those offered by our competitors since all of our competitors rely exclusively on xDSL technologies. Further, our product portfolio also includes narrowband Internet access (dial-up) services. As of September 30, 2013, we provided broadband Internet services to approximately 70,000 subscribers (including 15,000 cable based subscribers and 55,000 xDSL subscribers).

In Guadeloupe and Martinique, we offer subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value added telephony features over our cable network and, following the acquisition of Outremer, our unbundled xDSL network. We offer the same services in French Guiana, Mayotte and La Réunion solely over our unbundled xDSL network since we do not own a cable network in those territories. As of September 30, 2013, we provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 15,000 cable based subscribers and 80,000 xDSL subscribers).

### ***Customer Premises Equipment***

We believe that advanced customer premises equipment is playing an increasingly crucial role in our cable-based business as it enhances the customer experience in various ways including by facilitating access to a wide range of user friendly features and services, it offers a reliable channel for selling add-on and on-demand services, it allows for multi-screen television viewing and broadband usage by multiple parties and, when the set top box and the modem are combined in one box, it allows cable operators to significantly reduce customer service expenses. We optimize the customer premises equipment we purchase by relying on our in-house design and development capability to build the user interface of our set-top boxes.

Accordingly, we have decided to roll out “La Box”, our most advanced set top box, in our Western European businesses (“One Box” in Portugal). Since its introduction in the first half of 2013, we have already installed approximately 8,400 La Boxes in Belgium and Luxembourg. We expect to introduce it to Israel in the early part of 2014. La Box is an innovative integrated set-top box and cable router offered to our customers subscribed to our premium multiple-play packages. We believe that La Box is one of the most powerful and interactive set-top boxes currently available in the markets where it is offered. It can deliver very-high-speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines. La Box has four tuners that allow subscribers to record two television programs simultaneously while watching a television program, as well as watching different channels in different parts of a house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has HD and 3D capability and also includes an 802.11n Wi-Fi router, and a removable 160 GB PVR or optional 500 GB PVR which allows it to hold over 125 hours of HD or approximately 190 hours of SD programming. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search. Smart phones and tablets can act as “remote controls” for La Box, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application “TV Mobile”. We expect that the introduction of La Box will result in the increase of our ARPU by attracting new premium package customers and prompting existing customers to upgrade to our premium packages, which offer La Box as standard. We expect that La Box will also promote the sales of our other premium services.

### ***Mobile Services***

#### *Israel*

We provide mobile services in Israel to residential subscribers under the “HOT Mobile” brand on our UMTS-based 3G network, which we launched in May 2012, and mobile services targeted primarily at business subscribers under the “MIRS” brand on our iDEN network. Due to current regulations, we currently offer our mobile services only on a stand alone basis and, for a limited time, in a bundle with ISP services.

Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll out of our 3G mobile services has enabled us to compete effectively in the mobile services market in Israel as we are able to provide up-to-date services to customers, including faster data transmission services (up to 42 Mbps) with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android based and Apple branded handsets. Consequently, we will also be able to expand the range of value added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our UMTS network already extends to approximately 50% of the inhabited territory of Israel and covers over 60% of the Israeli population. We rely on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone’s in-country roaming services to service our customers while we build-out our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and

frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see "*—Material Contracts—Agreement with Pelephone and Vodafone relating to UMTS mobile roaming services*" and "*—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". Our Israeli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

We currently offer to private subscribers unlimited local calls, text messaging and Internet access for what we believe to be an attractive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. We believe our monthly fixed prices are more competitive than those offered by our large incumbent competitors. These prices are subject to changes, predominately driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages, which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the mobile market in Israel as of December 31, 2012 according to Informa Telecoms & Media. Since the launch of our UMTS based 3G mobile services in May 2012, we have added approximately net 539,000 UMTS RGUs as of September 30, 2013.

We also continue to provide mobile services using iDEN technology. As of September 30, 2013, we had approximately 234,000 RGUs who subscribed to this service, most of whom are business customers. We expect the number of iDEN customers to continue to decline in future periods.

In the event that the regulator releases spectrum for 4G LTE services and we successfully bid for a part of such spectrum, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. In the event that we are awarded spectrum and decide to commercialize 4G LTE services, we believe that upgrading our UMTS 3G network to 4G LTE capability would be possible with limited incremental capital expenditure or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner.

#### *Belgium*

We began providing mobile services in Belgium in September 2012 under the "Numericable" brand through an MVNO agreement with Mobistar. Our portfolio of mobile packages includes basic as well as premium offerings. Our basic package, Mobile Start, is attractively priced at €9.90 and includes 60 minutes of domestic calls, 50 text messages and 5 MB of Internet data. Customers may elect to purchase certain add-on packages to increase their allowance, including 1000 text messages for €10 or 500 MB of data for €10. Our higher- end packages include Mobile Extra which is currently priced at €29.90 and comes with an allowance for 1000 domestic texts, 150 minutes of national calls and 500 MB of Internet data, and Mobile Max, which currently costs €59.90 and includes unlimited domestic texts and calls and 2 GB of Internet data. When purchased along with any one of our triple-play packages, Mobile Max costs only €29.95 which we believe to be the best-value-for-money mobile package currently offered on the Belgian mobile telephony market. As of September 30, 2013, we had approximately 3,000 mobile RGUs in Belgium.

#### *French Overseas Territories*

Prior to its acquisition by us, Outremer launched its mobile services in December 2004 and has increased its market share, in part, through its attractively priced propositions. We currently provide subscribers 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process at the end of 2013. We are currently the sole operator to offer quadruple-play services in the French Overseas Territories. We currently offer mobile subscribers a variety of monthly rate plans and pay- as-you-go plans. For example, our basic monthly mobile plan in Guadeloupe is priced at €15.99 (not including a handset) and includes unlimited texts, 500 Mb of Internet data, one hour of calls to mobile numbers in the French Antilles, French Guiana and mainland France and unlimited calls between 3 p.m. and 7 p.m. to one other ONLY customer nominated by the subscriber. Our high-end monthly plan in Guadeloupe is priced at €59.99 (including a handset), has a 24-month lock-in period and includes unlimited calls to other mobiles in Guadeloupe, 24/7 unlimited calls to landline and mobile numbers in the French Antilles, mainland France, French Guiana and 40 other international destinations, 24/7 unlimited texts to all mobile numbers in the French Antilles, mainland France and French Guiana as well as 1 GB of Internet data. As of September 30, 2013, we had approximately 367,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 188,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 179,000 pre-paid subscribers. Our mobile ARPU in the French Overseas

Territories was €26.8 and €26.7 for the nine months ended September 30, 2013 and for the year ended December 31, 2012.

### ***Business-to-Business Services***

#### *Israel*

We provide broadband Internet access, pay television, fixed-line and mobile telephony services and a range of advanced telecommunications solutions to our business customers in Israel. Other than our iDEN based mobile services which we market under the “MIRS” brand, we market all of our business-to-business services in Israel under the “HOT” brand. Our fixed-line telephony services include offering individual lines to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at business customers and other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the Internet and remote business access services. As our Israeli B2B business remains operationally integrated in our residential cable business and mobile business, we recognize Israeli B2B revenue within revenues from cable based services and revenues from mobile services, as applicable.

In addition, we also license the pay television content formats that we create and own to other telecommunications providers around the world. For example, we have in the past sold our popular television series Split to providers in 72 countries.

#### *Portugal*

Our recent acquisition of ONI, a leading B2B services provider in Portugal, has brought a strong B2B sales and marketing force and diverse customer base as well as attractive service offerings and distribution capabilities to our Group. As a result of the acquisition, we are now the second largest B2B services provider in Portugal. We believe that this acquisition will continue to allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully-owned last mile cable network throughout Portugal. Our B2B services offered in Portugal include broadband Internet access, telephony, virtual private network, leased lines, data centre services and other corporate fixed-line services to small and large businesses. Our customers include European Maritime Safety Agency, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finances, Turismo de Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, Viagens Abreu, Grupo Auto Sueco and Radio Televisao Portuguesa.

#### *Belgium and Luxembourg*

In Belgium and Luxembourg, we offer a range of dark fiber, Internet links and other fiber based network services to telecommunications operators, financial institutions, public service customers and multinational companies. Our customers include Telenet, Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police in Belgium. We do not directly provide value-added services. Our business customers evaluate our offerings based on price, technology, security, reliability and customer service. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which we sell to our business customers who may require enhanced capacity or security.

#### *Switzerland*

We are one of the leading providers of information and communications technology services aimed at business customers in Switzerland. Our portfolio of service offerings includes broadband Internet access, hosting, multimedia and data backup solutions. We conduct our B2B business in Switzerland under the “green.ch” brand, with the exception of our datacentre services, which we also provide under the “Green Datacenter” brand.

#### *Content Subsidiaries*

In October 2013, we acquired the French operators of sports themed television channels Ma Chaîne Sport and Sportv. Ma Chaîne Sport produces and assembles a diverse range of content including live broadcasts of sports events and other programmes relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialised French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien Etre. Sportv produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by

Ma Chaîne Sport and Sportv as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and Sportv also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream.

## **Marketing and Sales**

While historically the marketing and sales functions of our Group were carried out entirely by locally managed teams, we are currently in the process of establishing a monitoring and benchmarking system at Group level which will allow us to better track monthly marketing and sales performance metrics on a Group-wide basis. We expect that this initiative will allow us to tailor our marketing and sales strategy in better accordance with the trends in the markets in which we compete.

The marketing departments at our businesses are responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We target our marketing efforts at residential customers in single dwelling units and multiple dwelling units such as apartment buildings. We also market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door- to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently. Marketing is a key focus of our businesses, with €102.8 million spent on sales and marketing efforts by the Group in the year ended December 31, 2012, out of which our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €63.7 million, €4.4 million, €12.6 million and €19.5 million, respectively.

In Israel, we market and sell our cable-based services under the “HOT” brand and in 2012 we began to also market our 3G mobile services aimed at residential customers under the “HOT Mobile” brand which allows us to leverage the recognition associated with the “HOT” brand. We continue to market our iDEN based mobile services to business customers under the “MIRS” brand. As part of our commercial television advertising strategy, we contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the “HOT” brand.

In Portugal, we market and sell our cable-based services under our “Cabovisão” brand. Our marketing department at Cabovisão is divided into two groups, a communication team responsible for designing our advertising and a product management team responsible for developing our product offerings and overall marketing strategy. Our marketing efforts leverage our strong local presence and the reliability of our customer service functions, and are focused on a simplified new offer for easier comparison with our peers’ products. In Portugal, we market and sell our B2B services under our “ONI” brand. Our marketing strategy in respect of our B2B customers revolves around branding, promotion and customized product offerings addressed to the corporate and public sector. We offer a global and integrated portfolio of tailor-made B2B services to customers operating in multiple locations with often complex business requirements. Our sales team is organized by the products we offer and tailored to the business partners we serve. We aim to promote our services through one-to-one marketing, business and technological events, selective corporate publications and publishing product information on our website and through business and technological publications.

In Luxembourg and Belgium, we market and sell our cable-based services under the “Numericable” brand which we have licensed from Numericable France. Our primary marketing channels include Internet and radio advertisements and billboard advertisements.

We have recently also begun to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the “Numericable” brand name. We continue to use the “ONLY” brand to market our mobile services across the French Overseas Territories and our xDSL- based services in French Guiana, La Réunion and Mayotte. In the French Overseas Territories, we use comparative adverts and promotions as part of our mass media advertising campaign to promote our low prices, proximity and quality.

Our marketing strategy is based on increasing the penetration of multiple-play services within our subscriber base, increasing distribution of television based value added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and

other types of shops, door-to-door sales agents who are either employed by us or are paid a commission based on sales closed, inbound and outbound telesales and, in certain countries, our websites.

Our sales distribution channels in Israel include 35 dedicated sales booths owned by the Group and operated by external dealers (the "HOT Booths"), other dealer outlets, telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales closed. Our largest distribution channel is telemarketing, while door to door sales and dealer sales also accounted for a significant portion of our sales. In Israel, we target our marketing efforts for our 3G mobile services primarily at individual customers and our iDEN mobile services primarily at institutional and business customers. We use a broad range of distribution channels to sell our mobile services, with the majority of our sales through the HOT Booths and approximately 17 sales and service centres, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores located at Delek gas stations, our HOT Mobile website, inbound and outbound telesales and door to door sales. In the ultra orthodox sector, we market our mobile services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

In the French Overseas Territories, we have attractive distribution capabilities with 81 points of sale for approximately two million inhabitants across the region. Our recent acquisition of Outremer has allowed us to gain access to this high-density distribution network with excellent cross-selling and up-selling opportunities. While most of our competitors externalize distribution, we believe our distribution network is a key competitive advantage as it enables us to better control sales and costs and to better service our customers as our service offerings become increasingly more complex, while also facilitating cross-selling. We have progressively increased the range of products we sell in our retail outlets starting from mobile, fixed-line telephony and xDSL-based services to, more recently, mobile accessories, handset insurance and new subscription-based services payment services. We have also integrated our cable and mobile distribution networks following our acquisition of Outremer which allows us to sell cable-based services in our shops in Martinique and Guadeloupe.

We have a distribution network of four retailers in Belgium and two retailers in Luxembourg. We make both inbound and outbound telesales through our customer call centres in Brussels for Dutch-and English-speaking customers, Casablanca, Morocco for French-speaking customers in Brussels, and Differdange, Luxembourg for Luxembourg customers. We encourage customers to purchase our products and services through our website, which we believe provides customers a clear understanding of our product prices and features, and results in lower subscriber acquisition costs.

In Portugal, we have two different sales teams, one focused on residential cable customers and the other one targeting B2B customers. For the year ended December 31, 2012, door to door sales accounted for the majority of our sales of residential cable television services, followed by sales through our 19 retail stores and inbound/outbound telesales. We incentivize our sales force through aggressive commission rates based on number of sales closed. We are undertaking measures to shift our distribution channels from door to door channels to call centres and stores as we believe that this will help us more optimally capture our target customers. Our B2B sales force consists of a dedicated team of 49 (including 11 presales agents) covering our entire footprint and focuses on small offices, home offices, small and medium enterprises, large corporates and public entities. Our B2B sales team is supported by a call centre function.

### **Customer Contracts and Billing**

We typically enter into standard form contracts with our residential customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate.

In Israel, we offer our residential cable customers commitment free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end-user equipment such as set-top boxes. We have recently become subject to new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 18 months. Since January 2013, we have limited the duration of our contracts to 12 months. Although in Israel we are generally locked into the prices we offer for the entire duration of the contract, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and in certain offers, we reserve the right to increase prices subject to certain terms. The price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 13,000 pay television RGUs in Israel as of September 30, 2013. The prices of our other cable based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment free, provided the



amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates.

We also offer our Hot Mobile residential mobile customers commitment free contracts meaning that they can terminate the contract without paying an exit fee at any time. We were among the first mobile operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our mobile customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

In Portugal, we offer our residential cable customers contracts with a duration of 12 to 24 months. New customers are typically locked in for a 24-month period. Monthly fees typically include our rates as of the date of subscription plus a rental fee for end-user equipment. While we typically provide customers with modems free of charge, we offer set-top boxes either free of charge or subject to a discount or a deposit, depending on the offer. In line with market practices in Portugal, we usually do not charge our customers any connection fees. We are permitted to increase prices without any limitation imposed by the regulatory authority, however, we are required to provide our customers with one month's prior notice. Contracts with business customers are individually negotiated, the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract. Business customer retention is high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Long term business customer relationships usually last on average for six years with contract terms ranging between 24 to 36 months.

In Belgium and Luxembourg, we offer our residential cable contracts with a maximum duration of six months due to regulation. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices (and subject to the approval of such price increase by the Minister of Economy in Belgium). For regulatory reasons, we do not charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

In the French Overseas Territories, we typically offer residential cable and xDSL customers contracts with a duration of 12 months, while our mobile customer contracts typically have a duration of 24 months. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices. We charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

Our billing system for cable based services in Israel has been developed by Convergys Solutions Limited ("Convergys") and we receive certain consulting, support and maintenance services from Convergys. Our billing system for our 3G mobile operations in Israel is an integrated billing and customer contact management system developed by Comverse Ltd. ("Comverse"). Our billing system for our iDEN mobile operations has been developed by Motorola Israel Ltd. Our billing system, ProCable, used in our cable operations in Portugal, Belgium and Luxembourg has been developed by InfoCABLYS, a Canadian provider of customer care and billing systems. In our Portuguese B2B operations, we use Stratus RedKnee's billing system as well as our own in-house billing system to a smaller extent. Our business in the French Overseas Territories continues to use a billing system which it has developed in-house. We generally offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third party collection agencies and pursuing legal remedies in certain cases.

## **Customer Service**

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable based and mobile services is carried out by approximately 5 call centres located in Yakum, Beer Sheva, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call centre located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call centre located in Brussels (servicing our Dutch-speaking customers in Belgium), a call centre in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centres in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call centre in Lisbon, Portugal (servicing our business customers in Portugal) and a call centre in Mauritius (servicing our customers in the French Overseas Territories). We also provide our customers with access to technical support help desks which operate at substantially all times.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimizes our operational risks and costs.

In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centres.

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 Israel, we believe we have substantially improved customer care as a result of the introduction of new processes resulting in shorter waiting times in call centres, new ways of servicing customers including via Facebook and live chat functions, the development of self-service applications, increased automation, a closer relationship with our subscribers through an increased number of interactions and the 24/7 availability of our technical support representatives. We believe a large proportion of our customers are loyal to our brands thereby reducing churn. For example, as of December 31, 2012, approximately 62%, 46% and 34% of our Israeli pay television, broadband Internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years, and approximately 55%, 54% and 53% of our Portuguese residential pay television, broadband Internet access and fixed-line telephony customers, respectively, have been our customers for over four years.

With respect to the majority of our operations, we outsource our customer service functions to third-party providers. Such providers use operating procedures, tools and training that are provided by the Group. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimizing these for several years.

We believe that the high-density distribution network we have in the French Overseas Territories as a result of the recent acquisition of Outremer enables us to provide better service to our customers as they can easily reach our stores. This will be particularly useful as our product and service offerings become increasingly broad and complex. As part of Outremer's integration into our Group, we are currently in the process of rolling out our customer service practices, including customer service functions relating to quadruple-play services, across our retail network.

## **Network**

### *Israel*

We provide our pay television, broadband Internet infrastructure access and fixed-line telephony services through our extensive fully owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.2 million households. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper based xDSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network, 4 Nortel CS2000 telephony switches and an advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network. Our network supports minimum capacity per household of 862MGhz, 750 MGhz and 600 MGhz in 41%, 45% and 14% of our homes passed, respectively.

Our cable network enables us to deliver broadband Internet infrastructure access, fixed-line telephony and other interactive services such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0 enabled allowing us provide ultra fast broadband Internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades, which involved replacing existing copper wires used for local loop connectivity with optical fiber to reach the end user's street or home. We have already deployed FTTx to approximately 170,000 of our homes passed. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VoD services, increase the number of television channels we are able to offer and increase the speed of our Internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 43 million, NIS 46 million and NIS 48 million in 2010, 2011

and 2012 respectively for services provided by Bezeq under these arrangements. For further details, see “—*Material Contracts—Agreements with Bezeq relating to installation and maintenance of portions of our cable network*”.

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which as of June 30, 2013 comprised of 640 network sites distributed throughout Israel providing nationwide coverage. In relation to the roll out of our UMTS-based 3G mobile services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2013—coverage of 20% of the settled area of Israel and where at least 20% of the Israeli population is residing; by September 2015—coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016—coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017—coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and by September 2018—coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We have expanded our UMTS network coverage through a combination of modifying our existing mobile network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. Our UMTS network already extends to approximately 50% of the inhabited territory of Israel and covers over 60% of the Israeli population. Of the approximately 1,800 sites needed to cover the entire Israeli territory, we expect to complete the roll-out of 1,100 sites by the end of 2013. We rely on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone’s in-country roaming services to service our customers while we build-out our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner’s mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license described above.

Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, if the Israeli Ministry of Communications tenders frequencies for LTE and if we acquire such frequencies, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. We believe that, because of our extensive fixed-line network and our advanced UMTS network, upgrading our mobile network to the 4G standard will involve significantly less capital expenditure (or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner) than we incurred to roll out our 3G network because our mobile network infrastructure will require minimal upgrading as compared to some of our competitors. We believe these factors will allow us to quickly market the newest LTE-based packages to our customers. The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of mobile services.

<u>Service Provider</u>	<u>UMTS Bandwidth (Mhz)</u>	<u>GSM Bandwidth (Mhz)</u>
Hot Mobile.....	2,100	—
Pelephone.....	850 - 2,100	—
Cellcom.....	850 - 2,100	1,800
Partner.....	900 - 2,100	900 - 1,800
Golan .....	2,100	—

We expect that the Israeli Ministry of Communications will tender LTE frequencies in the 1,800 Mhz and 2,500 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand that some of the relevant frequencies are used by the Israeli Ministry of Defense and may only be allocated for commercial use once the frequencies are released by the Israeli Ministry of Defense.

### *Portugal*

In Portugal, we benefit from a state-of-the-art HFC cable network that passed 906,000 homes as of September 30, 2013 covering certain Portuguese cities in over 60 districts and 200 municipalities. We use this network to provide residential pay television, broadband Internet access and fixed-line telephony services. It extends over 3,647 km and includes 224,000 km of optical fiber. We have upgraded approximately 99% of our network to Docsis 3.0 and expect to reach 99.7% following certain upgrades that are currently underway. We fully own our distribution networks, head-ends and drops, which gives us significant flexibility to deploy and constantly improve our product offering.

Our recent acquisition of ONI enriched our assets base with the second largest B2B cable network in Portugal covering approximately 85% of the Portuguese population. We operate a nationwide backbone supported by approximately 9,000 km of fiber and 427 points of presence supporting 1,600 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fiber pair with speeds between 155 Mbit/s and 10 Gbit/s. Radio links complement our access portfolio, with 174 point-to-point systems in service. In addition, our network is connected to Spain through the 10G Iberian ring. Furthermore, we use SDH to support Ethernet services to provide automatic protection in case of failure by switching to an alternative route in less than 50 ms. In the two main metropolitan regions, Lisbon and Porto, Packet Transport Network (PTN) technology backbones are providing native Ethernet clients accesses through optic-fiber, usually with 1 Gbit/s of bandwidth. Within the cities and in the B2B environment, FTTH is deployed with direct extension of PTN, enabling up-to 100 Mbps and 1G VPN/VLAN services. A wider coverage is attained with xDSL technologies in operation in 130 co-location sites and since June 2013, symmetric Ethernet services are supported through Ethernet Last Mile (EFM) technology, with a theoretical reach of 120 Mbps but being deployed for 10Mbps (four pairs).

#### *Belgium and Luxembourg*

We provide our pay television, broadband Internet access and fixed telephony services to both residential and business customers who reside in our service area through our combined broadband HFC network which consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 860 MHz in Brussels and 550 MHz in Luxembourg. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which can be used to exchange all channels carried in France, Belgium or Luxembourg.

In Brussels, our network assets include approximately 513 kilometres of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometres of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable.

Our fiber backbone is currently running All-IP and carries all of our communications traffic with dedicated bandwidth for the various types of traffic. Customers connect to the network through a coaxial connection from one of our nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 191,000 homes in Brussels and 42,000 homes in Luxembourg are served by each of the approximately 240 optical nodes in the Brussels region, approximately 30 optical nodes in the AIESH region and approximately 96 optical nodes in Luxembourg. Network quality can deteriorate as customer penetration rates on any particular node increase above a certain number. When required, the scalability of our network enables us to address this problem, within limits, through node “splits” in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes.

In Brussels and in Luxembourg, we built our network pursuant to agreements with municipalities which authorized us to build and operate a television cable network over the territory of the municipality. In Luxembourg, in certain municipalities, we directly acquired the network from private owners; while in other instances the network is owned by the municipality which we operate pursuant to a concession agreement. Ownership of the network between the cable operator and the municipality during the term of the agreement can also depend on who originally invested in the network.

As of September 30, 2013, our HFC cable network passed 171,000 homes in Brussels and 42,000 homes in Luxembourg. Our entire cable network in Brussels and Luxembourg is nearly fully EuroDcois 3.0-enabled. Within the network we acquired in late 2012 in the County of Hainaut in Belgium, we have already upgraded approximately 95% of homes passed to triple-play capability, approximately 10% of our subscribers in the area are already subscribed to one of our multiple-play products and approximately 30% now receive digital services. We provide mobile services utilizing the mobile network of Mobistar in Belgium (the second largest mobile service provider in Belgium) pursuant to mobile virtual network operator (“MVNO”) agreements.

#### *French Overseas Territories*

Following our acquisition of Outremer, our proprietary infrastructure in the French Overseas Territories now includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling us to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Our acquisition of Outremer also enriched our asset base with fixed-line xDSL networks, over which we provide Internet, fixed-line telephony and IP television services which are available to most households in the region. In Guadeloupe, Martinique and La Réunion, our fixed-line xDSL network is supplemented by WiMAX capability enabling the delivery of last mile wireless broadband access. In addition, we have invested in IRUs and leases of submarine cable capacity, which connect our terrestrial mobile and xDSL fixed-line networks to international routes.

In addition to mobile and fixed-line xDSL networks, we also own a HFC cable network in Martinique and Guadeloupe, which passed 73,312 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 80,831 homes in Guadeloupe (covering approximately 53% of Guadeloupe by homes passed) as of June 30, 2013. We are currently in the process of upgrading our network to EuroDocsis 3.0 and expect to complete the process by the end of 2014.

It is expected that ARCEP will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the French Overseas Territories by the end of 2013. In case of a successful award, our ability to provide LTE mobile services to complement our existing 2G and 3G mobile services in the French Overseas Territories will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which could involve a significant amount of capital expenditure. Based on current plans, we expect that we would need to invest approximately €30 million (net of tax subsidies) in 2014 and 2015 to upgrade our networks to roll-out LTE mobile services.

## **Suppliers**

While historically purchasing activities were typically carried out locally at the various entities comprising our business, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power. The purpose of our centralization efforts is to leverage the combined scale of our operations located in different geographies and thus negotiate more favorable pricing and other commercial terms from suppliers of certain hardware, software, pay television content and other products used in all of our operations than each of our businesses could individually secure. In order to put the centralization process on a more formal footing, we are currently in the process of establishing a global purchasing subsidiary. We believe that the continued integration and streamlining of our global procurement processes will allow us to realize significant cost savings going forward.

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

We currently deploy the set-top box La Box in our operations in Belgium, Luxembourg and Portugal, and we expect to introduce the same device to our Israeli operations in the early part of 2014. We purchase La Box set-top boxes from Sagemcom for use across our operations. We also continue to procure set-top boxes for use in certain of our operations from Technicolor. Although we have not to date entered into a global supply contract with either of Technicolor or Sagemcom, we weigh in on the negotiation of each individual contract entered into by our businesses in order to leverage our combined purchasing power and generally ensure the same terms and conditions are agreed upon across our operations. Further examples of globally negotiated but locally entered supply arrangements include contracts with NagraVision for the purchase of its set-top box software Nagra CAS and contracts with Cisco and Casa Systems for services relating to the deployment and maintenance of our networks across our operations. While we progress the globalization of our procurement functions, our businesses continue to purchase certain of the products and services required for their operation under locally negotiated contracts for a variety of reasons, including the need for such products and services being specific to each locality.

In Israel, our key infrastructure, hardware and software suppliers for our cable based operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Genband, Bynet and BroadSoft which provide us with equipment and services relating to telephony switches; NDS Limited, a subsidiary of Cisco, which provides us with equipment and services relating to unified encryption systems; Technicolor and Sagemcom, which provide us with set-top boxes including, in respect of Sagemcom, the HOT Box; and NagraVision, which provides us with software for set-top boxes.

We have entered into a number of reciprocal interconnection agreements with fixed-line telephony providers in Israel, mobile operators in Israel and internal long distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VoD service. We use a limited number of subcontractors to install broadband Internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of the service provided by our subcontractors on a regular basis. With respect to our mobile operations, we have engaged Nokia Solutions and Networks (“NSN”) as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which provides us with in-country roaming services for our 3G mobile operations and also have roaming agreements with several foreign mobile

operators. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management ("CRM") system for our 3G mobile operations. The main suppliers for our iDEN based mobile operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility which manufactures end-user equipment for iDEN technology.

The suppliers to our residential business in Portugal include Portugal Telecom and EDP, which provide us with services relating to certain parts of our cable network which pass through ducts and poles owned by them; Fibnet and Aveicabo, which provide us with installation services and services relating to the maintenance of our network; Randstad, which provides us with contract and payroll management services relating to our sales agents as well as call centre functions; as well as NSN and Genband, which provide us with hardware as well as maintenance and support for network equipment. For our recently acquired Portuguese B2B business, we have a set of long-term contracts for our main infrastructure (sites and fiber) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibers, and a contract for ducts and land with BRISA, the main Portuguese highway operator. In Spain, we lease bandwidth and optical wave-lengths from British Telecom and UFINET enabling our presence in the Iberian Peninsula and Madrid. Further key suppliers of our Portuguese B2B business include Alcatel-Lucent, Cisco, Corient, Sonus.HP, Ruckus, Dell and Axis.

In Belgium and Luxembourg, Numericable France is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement we entered into with Numericable France on the date of the acquisition of Coditel by us, Numericable France provides us technical, engineering and support services, while also allowing us to benefit from its purchasing power for equipment, in particular set-top boxes, content and IP traffic. Other key suppliers of our IT needs include InfoCABLYS, which provides us with hardware and the billing and customer care software "ProCable", and Sage, which provides us with support for its enterprise resource planning system that we use. In Belgium, we use subcontractors to install Internet, fixed-line telephony and digital TV equipment in subscriber homes, in addition to having a small portion of installations performed by our own employees. In Luxembourg, we use both our own employees and subcontractors to perform installation services. Certain services can be self-installed by our customers but most require a professional installer. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange, SRR and Digicel to which we pay interconnection fees and purchase capacities from for both our cable-based and mobile activities. With respect to our recently acquired mobile operations, we historically source our handsets from Samsung and Alcatel and purchase our network infrastructure and 2G/3G base stations from ZTE. In anticipation of a potential release of frequencies for 4G LTE, we have requested quotes from major original equipment manufacturers. Regarding our cable-based operations, we purchase rights to broadcast channels on our network and content for our TV service and we use only one subcontractor, ERT, to install broadband Internet, telephony and digital television equipment in subscriber homes. We procure our xDSL modems and set-top boxes from Pace (formerly known as Bewan) and Sagemcom, while we purchase our cable modems and set-top boxes from Numericable France which sources from Netgear and Technicolor, respectively.

## **Material Contracts**

The agreements described below are of material importance to our Group. The summary of each agreement set forth below is a summary of the material terms of such agreement as in effect as of the date of this Offering Memorandum.

### ***Agreement with the State of Israel relating to ownership of our cable network***

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all right and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Israeli cable consolidation process, sets out a payment

mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011 and 2012, we paid the State of Israel over NIS 58 million under this agreement. We have provided a second ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

#### ***Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms***

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every percent of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile is calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of mobile subscribers in the private sector; (ii) the ratio of the number of outgoing mobile call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing mobile call minutes (including call minutes in the same network) by all mobile subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all mobile subscribers in the private sector. In April 2013 HOT Mobile received a notification from the Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely “subscribers in the private sector”, “number of outgoing mobile call minutes” and “revenues”. The two measuring periods for market share gain run from the date of the license to September 26, 2013 and September 26, 2016, respectively and the remaining license fee, which is the lowest fee as calculated on each of the testing dates, would be payable three months after the second testing date. As a condition for such bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the mobile license and have entered into an insurance agreement to be insured for any such liability. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that entitles us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and \$8.4 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

#### ***Agreements with Bezeq relating to installation and maintenance of portions of our cable network***

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses. For further details regarding the term of our broadcasting licenses, see “*Regulatory—Television—Overview*”.

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and new neighbourhoods. Bezeq is permitted to terminate the agreement in case we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12 year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 43 million, NIS 46 million and NIS 48 million in 2010, 2011 and 2012 respectively for services provided by Bezeq under these agreements.

#### ***Agreement with Nokia Solutions and Networks relating to installation of the UMTS network***

In June 2011 we entered into an agreement with NSN for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. In the first stage completed in 2012, NSN met its requirement to complete the network with coverage extending to 20% of the Israel population according to our mobile license requirements regarding the first check point. We estimate that the amount payable for all of NNS' commitments will be approximately \$39.8 million. The agreement is for a term of 15 years. NSN has agreed to provide certain warranties for the repair or replacement of network components that do not meet the functionality and capacity requirements established under the agreement. NSN has also agreed to provide maintenance with respect to our mobile network. On January 31, 2013, the agreement with NSN was amended to change payment terms of certain amounts due under the agreement.

### ***Interconnection Agreements***

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the year ended December 31, 2012, on an aggregated basis, we incurred interconnection fees of €51.4 million.

### ***Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services***

In November 2011, HOT Mobile entered into an agreement with the mobile operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement enables us to provide 3G mobile services to our mobile customers while we continue to build-out our UMTS network in Israel. The cost for the services provided by Pelephone is based on agreed rates and depends on the actual usage of Pelephone's mobile network by our 3G customers in Israel. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice.

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 mobile networks. We are also in the process of negotiating roaming contracts directly with individual mobile operators in various countries. Our roaming agreement with Vodafone enables our Israeli 3G mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

In November 2012, our recently acquired French Overseas Territories business entered into an international roaming agreement with Belgacom International Carrier Services ("BICS") for the benefit of our 2G and 3G subscribers. The agreement is scheduled to expire in November 2015. The cost for the services provided by BICS is based on agreed rates and depends on the actual usage of BICS' mobile network by our customers travelling abroad.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our Israeli iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

### ***Mobile Network Sharing Agreement with Partner in Israel***

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the "Network Sharing Agreement") with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership ("JV Entity") that will hold, develop and operate an advanced shared mobile network for both companies. Each party is



required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile is required to pay Partner a specified one-time amount by January 1, 2017, and thereafter, each party will bear half of the capital expenditures required for the purpose of establishment and upgrade of the shared network, while the shared network operational expenditures will be allocated in accordance with a prescribed mechanism based, inter alia, on the traffic volume usage of each party of the shared network. HOT has issued a guarantee for HOT Mobile's obligations under the Network Sharing Agreement and the Group may be required to provide an additional guarantee or a bank guarantee to Partner in the event of the downgrade of the Group's corporate rating by certain specified levels.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028 (unless either party notified its intention to terminate the agreement by a 24 months' notice prior to each extension period). However, at any time after the eight anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months' prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party's license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

HOT Mobile and Partner have also entered into a right of use agreement (the "RoU Agreement") granting HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers pending implementation of the Network Sharing Agreement. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation.

#### ***Agreement with NDS relating to purchase of a unified encryption system***

In February 2007 we entered into an agreement with NDS Limited pursuant to which NDS Limited supplies certain software and services for the implementation of a unified encryption system which enables us to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS Limited to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although we have the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS Limited in order to include encryption systems for a new type of set-top box provided by Technicolor. We are required to pay NDS Limited an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT Telecom sent a notice of termination of the agreement to NDS Limited. The notice was sent in view of negotiations between the Group and the Cisco group, the parent of NDS Limited, regarding a new global contract. In response to the notice, HOT Telecom received a letter from NDS Limited on March 5, 2013 stating that in its view the agreement could not be cancelled before July 2015.

We are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions. While we have not yet entered into a Group-wide supply contract with Cisco, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

#### ***Agreements with Technicolor relating to purchase of set-top boxes***

In October 2007 we entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. We formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the HD-PVR set top-box. In consideration, we are obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

We are party to similar agreements with Technicolor for the purchase of set-top boxes across our operations. While we have not yet entered into a Group-wide supply contract with Technicolor, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

#### ***Agreements with Sagemcom relating to purchase of equipment***

In March 2011 in Israel, we entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an Internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, we are obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We plan to introduce LaBox in Israel in early 2014. While we have not yet entered into a Group-wide supply contract with Sagemcom, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

#### ***Agreement with Bezeq for the Provision of Transmission Services***

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio mobile telephone services provided by HOT Mobile. The agreement's validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days' prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

#### ***Agreement with Comverse***

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd., pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of \$12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of \$500,000.

#### ***Content Purchase Agreements***

Several different relationships govern the content that we provide to our cable television subscribers. We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers' usage of on-demand content. In Israel, we have entered into agreements with two authors' right societies, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014.

The terms and conditions of our contracts governing the payments of copyright fees to broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster's signal from the head end station to our

cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future. Our main content providers include Dori Media Spike Ltd., Sport Channel Ltd. and Noga Communications (1995) Ltd.

In addition to content purchasing, in Israel, we have co-developed shows and have also developed several show platforms for our HOT suite of channels. We believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings. Further, in October 2013, we acquired Ma Chaîne Sport and SPORTV, French operators of sports-themed Francophone television channels which produce and assemble their content.

#### ***Content Distribution Agreements***

In October 2013, we acquired Ma Chaîne Sport and Sportv. Ma Chaîne Sport and Sportv entered into agreements with Numericable, Valvision, as well as certain of our subsidiaries, for the non-exclusive distribution of Kombat Sport, Ma Chaîne Sport, Ma Chaîne Sport Extreme, Ma Chaîne Sport Bien Etre and Ma Chaîne Sport Tennis television channels in Belgium, Luxembourg, France, Martinique and Guadeloupe. The contracts have a duration of 5 years with retroactive effect from January 1, 2013. Pursuant to these agreements, Ma Chaîne Sport and Sportv receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma Chaîne Sport and Sportv are entitled to advertising revenues received from the broadcast of their television channels. The contracts can be terminated by any party in case of a breach of the contract by the other party not remedied within 60 days.

#### ***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.

### ***Outremer Shareholders' Agreement***

On July 5, 2013, Altice VII, through its wholly owned subsidiary Altice Caribbean, acquired approximately 77% of the equity interests in Altice Blue Two. (the "Outremer Acquisition"), a holding company for our operations in the French Overseas Territories, with the remaining equity interest being held by certain members of Outremer's management at the time of the Outremer Acquisition (the "Outremer Minority Shareholders"). In connection with the Outremer Acquisition, Altice Caribbean entered into a shareholders' agreement with the Outremer Minority Shareholders (the "Outremer Shareholders' Agreement"), which includes certain limitations on Altice Caribbean's rights as a majority shareholder of Altice Blue Two. The Outremer Minority Shareholders and Altice Caribbean have certain veto and consent rights. The Outremer Shareholders' Agreement contains certain restrictions to the transfer of Altice Blue Two's shares, including (i) an inalienability period of five years (subject to certain exceptions) and (ii) pre-emption rights in case of partial transfers of shares. Further, the Outremer Shareholders' Agreement grants certain liquidity rights to the Outremer Minority Shareholders on their shares in Altice Blue Two, including by providing for (A) a buy-back plan for a portion of the shares of Altice Blue Two issued to the Outremer Minority Shareholders in remuneration of their contributions in kind and (B) put option arrangements pursuant to which the Outremer Minority Shareholders may sell to Altice Caribbean (i) up to one third of their shares in Altice Blue Two in 2016, (ii) an additional one third of their shares in 2017 (plus all shares covered by the 2016 put option arrangement but not sold in 2016) and (iii) the remaining of their shares in 2018. The Outremer Shareholders' Agreement also provides that Altice Blue Two will annually distribute 50% of its consolidated net income to its shareholders, after deduction of the amounts necessary to satisfy the requirements of Altice Blue Two and its subsidiaries under certain intercompany proceeds loans, the payment of management fees and the share buy-back plan. In addition, the Outremer Shareholders' Agreement provides that, in case of an indirect change of control of Altice Blue Two occurring while Altice Blue Two and its subsidiaries are not in default under certain intercompany proceeds loans, including as a result of enforcement by creditors of Altice Caribbean, the Outremer Minority Shareholders shall have a put option and a drag along right on all of their shares in Altice Blue Two, exercisable directly vis à vis Altice VII.

### ***MVNO Agreement***

In Belgium, we offer mobile telephony services to our customers as MVNO operators.

In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason.

### ***Seasonality***

Although our businesses are not subject to significant seasonal effects, revenue from our pay television, broadband Internet access and fixed-line telephony operations tend to be slightly higher in the fourth quarter of the year and slightly lower in the third quarter of the year.

### ***Intellectual Property***

We use a variety of trade names and trademarks in our business, including "HOT" in Israel, "Numericable" in Belgium, Luxembourg and the French Overseas Territories, "ONLY" in the French Overseas Territories, "Cabovisão" and "ONI" in Portugal and, in each case, several associated trademarks. We use the "Numericable" brand, a trademark belonging to Numericable France, pursuant to a trademark licensing agreement. Other than "Numericable" and certain associated trademarks, we own all of the trademarks we use. 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 television offering from third party providers. In addition, in Israel, we co-develop shows and have also developed several show platforms for our "HOT" suite of channels. Further, we have recently acquired Ma Chaîne Sport and Sportv, French producers of sports-themed pay television content which they distribute via their television channels. We own the copyright that subsists in the content developed or co-developed by us.

### ***Employees***

The following tables show our employees by country of employment.

	As of September 30, 2013	As of December 31, 2012	As of December 31, 2011
Israel .....	3,099	5,121	5,814
Belgium and Luxembourg .....	66	72	80

Portugal.....	504	528	674
Switzerland.....	93	81	81
French Overseas Territories.....	829	869	953
Total.....	4,591	8,649	7,602

Certain of our subsidiaries also use contract and temporary employees, which are not included in the above number, for various projects.

We are subject to various labour laws in each of the jurisdictions in which we operate. Labour laws typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees currently belong to organized unions and works councils. We consider our employee relations to be good.

### Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centres, communication rooms, customer service centres, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at 3, boulevard royal, L-2449 Luxembourg. With respect to our Israeli operations, our main corporate offices are located in Yakum and Airport City, both located in proximity to Tel Aviv. With respect to our Belgian operations, our main corporate offices are located in Brussels, Belgium. With respect to our Luxembourg operations, our main corporate offices are located in Strassen, Luxembourg. With respect to our Portuguese operations, our main corporate offices are located in Lisbon, Portugal and Pamela, Portugal. With respect to our operations in the French Overseas Territories, our main corporate offices are located in Paris, France. We believe that our properties meet their present needs and are generally well—maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

### Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in *“Risk Factors—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.”*

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the new LaBox represents a significant advance, since it combines several functions (Blu-Ray™ reader, TV-HD decoder and removable hard drive).

### Insurance

We maintain a property insurance policy with wide coverage based on “extended fire” wording to cover our property on a new replacement basis. In certain of our geographies including Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third party liability, products liability & professional liability, multimedia liability and employer’s liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors’ and officers’ liability insurance policies that cover all members of our Group executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and

exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, however, we believe we are covered in Israel by the Property Tax and Compensation Fund Law, 1961.

### **Legal Proceedings**

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date of this Offering Memorandum, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have or have had over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

#### ***AGICOA Litigation Relating to Copyright Infringement***

In March 2000, the Association for the International Collective Management of Audiovisual Works (“AGICOA”), a society engaged in the collection and distribution of payments of royalties to the producers of audiovisual works, initiated legal proceedings in the Central District Court against HOT relating to a copyright infringement claim, seeking monetary damages of approximately \$20 million. In September 2010, the court ruled in favor of AGICOA and instructed HOT to pay damages of approximately NIS 10 million plus linkage differences, interest from the date of filing the claim and plaintiff’s expenses and attorney fees. Appeals were filed by both parties to the Supreme Court regarding the ruling. The parties have submitted to the Supreme Court a settlement agreement which has been approved. Under the settlement agreement, HOT will pay AGICOA for the use between 1993 and 2015 of AGICOA’s repertoire a total sum that is less than the provision booked by HOT in its financial statements.

#### ***Litigation Relating to Coditel Network in Luxembourg***

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel’s network operation agreements. Coditel refused to comply with the municipalities’ request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending. Coditel is involved in a number of other legal proceedings in the ordinary course of its business.

#### ***Certain class action suits in Israel***

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of this Offering Memorandum, a settlement agreement including a contribution to the community valued at NIS 7.5 million and certain benefits to subscribers was filed to the Central District Court but has been denied by the Central District Court. A motion to appeal on the same decision was filed to the Supreme Court. The matter is still pending.

In June 2010, a suit seeking certification as a class action was filed against us in the Tel Aviv District Court, relating to alleged breach of certain provisions of the Communications Law when sending short message service (SMS) notices, which included advertising material to some of our subscribers' without receiving such subscribers' prior consent. The applicants estimate damages in the suit of no less than NIS 754 million. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging at the following month. The applicant has estimated damages in the suit of NIS 433 million. The matter is still pending.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. The matter is still pending.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. The matter is still pending.

In June 2012, a suit seeking certification as a class action was filed against HOT in the Jerusalem District Court relating to an alleged misleading of its "HOT Mega" package subscribers. The applicant estimates damages of NIS 240 million. The matter is still pending.

On November 20, 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of the board of directors of HOT in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012 challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction is unfair and asking the court to appoint an expert to determine a fair price; this claim seeks total damages of up to NIS 195 million. The matter is still pending.

In November 2013, a class action suit was filed against HOT and certain other telecommunications operators by Roli Kleiman and certain others, alleging breach by HOT and the other defendants of certain Israeli laws including the Equality Law, the Regulations of Equality for People with Disabilities, the Torts Ordinance and the Consumer Protection Law by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. The plaintiffs are representing all people with disabilities who were customers of HOT and the other defendants during the period at issue. The compensation being sought from HOT is NIS 97 million (€20.3 million based on the September 30, 2013 exchange rate). The proceedings are still pending.

## 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 jurisdiction in which we operate. The ever changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in Israel, Portugal, Belgium, Luxembourg, the French Overseas Territories and the Dominican Republic as at the date of this Offering Memorandum are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

### Israel

The communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and policy statements of, the Israeli Ministry of Communications or the Broadcasting Council with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever changing regulatory environment can have a material effect on our activities. In this section only, references to 'we', 'us', 'our', 'HOT' and the 'Company' may refer to HOT-Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT- Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the "Knesset"), primarily the Communications Law (Telecommunication and Broadcasting), 5742 - 1982 (the "Communications Law"), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication's policy with respect to certain basic issues in the relevant market.

### Television

#### *Overview*

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761-2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub-Titles and Sign Language), 5765- 2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub-titles and translation into sign language).

We provide our television services pursuant to a non-exclusive general cable broadcasting license applying to all areas of Israel and a non- exclusive general cable broadcasting license applying to Judea and Samaria (the "Broadcasting Licenses"). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. The Broadcasting Licenses also stipulate the maximum fees that may be charged for our analog package. Our Broadcasting Licenses are valid until 2017 and may be extended for periods of ten years at a time by the Broadcasting Council. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2017. As a general rule, the Broadcasting Licenses are non-transferable. In addition, the transfer of any means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among other things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi channel television broadcasts for subscribers, and accordingly, the Anti Trust Commissioner (the "Commissioner") is permitted to issue instructions to us pursuant to the Restrictive Business Practices Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The



Commissioner has set various conditions which apply to us as part of its decision to approve the Israeli cable consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of programs and ownership of broadcast programs; limitation on agreements with producers of channels, a requirement to provide telephony services; investing in infrastructure; and provision of a bank guarantee. We are also subject to general anti-trust law which prohibits certain restrictive agreements and the abuse of dominant position in a market. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

### ***Obligation to Extend Services***

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services.

### ***Access to DTT Channels***

The Second Authority for Television and Radio (the "Second Authority"), a statutory body set up under the Second Television and Radio Authority Law (the "Second Authority Law"), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts ("DTT") to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channel 1 and Channel 33), the commercial television channels (Channel 2 and Channel 10), the Knesset Channel (Channel 99) and, recently, the Educational Channel (Channel 23). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set top box. We are also required to carry the DTT channels over our network.

In April 2012, the Distribution of Broadcasts through Digital Infrastructure Law, 5772 - 2012 was passed into law (the "DTT Law"). Pursuant to the DTT Law, the state will finance the first three multiplexes of the DTT array allowing the broadcasting of up to 18 channels. Currently, the DTT has already been expanded to include all radio channels broadcasted in Israel and an educational television channel. Additional DTT channels due to be included in the DTT array may include, among others, the Israeli Russian language Channel (Channel 9), the Israeli Music Channel (Channel 24), the Israeli Arabic language Channel, three additional channels dedicated to specific themes and HD versions of any of the channels included in the DTT array.

The draft economic plan for 2013-2014 was published by the Ministry of Finance in April 2013, and was approved by the Government in May 2013 and by the Knesset in August 2013 (the "Economic Plan") determined to amend the DTT Law in the following ways:

- The Minister of Communications (the "Minister") and the Minister of Finance will be authorized to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorized to set limitations on holding and ownership of the said operator (subject to the approval of the Knesset Economic Committee), with respect to its activities, and regarding tying between services (which, according to the DTT Law, would otherwise be prohibited).
- The Minister and the Minister of Finance, subject to consultation with the Council for Cable and Satellite Broadcasting (the "Council"), shall by January 1, 2014, establish criteria for the use of a multiplexer that has not been used for propagating broadcasts on the DTT Array.
- In general, a body whose broadcasts are distributed through the DTT Array will pay the aggregate payments and costs as set forth in the law and, the State will not bear the costs for the unused capacity in the DTT array.
- To amend Article 13 of the DTT Law to provide that:
- The Council may grant a license for theme channel broadcasting which will be distributed through the DTT array. Such license shall be granted to the operator selected in a tender solely based on the price offered for DTT array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.
- The winning bidder shall, after its selection, decide to which of the following its broadcasts will be devoted: sports; kids; movies; nature; series; documentary; news; music; history; culture or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determines to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT Array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote its broadcasts to news.

- A theme channel transmitter may finance its broadcasting (other than children's channels which may not be financed through commercials) through commercials or by charging subscribers a fee for receiving the broadcasts of the same channel.
- A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting)-1982 (the "Communications Law"), may not participate in the theme channel tender.
- An amendment to the Communications Law authorizes the Minister to promulgate regulations for determining the holdings of an Israeli citizen and resident in a Broadcasting Licensee pursuant to the Communications Law (currently, 26% of each of the "Means of Control", as defined in the Law, in a licensee). Granting such authority to the Minister may simplify the regulatory requirements applicable to HOT in this regard.

### ***Narrow Package Proposal***

In September 2012, the Broadcasting Council made a decision to compel both multi channel television broadcasters to offer, in parallel with a basic package of channels a more limited basic package of channels (the "Narrow Package") on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and 10 other channels (16 channels in total), which included sport, children and youth, series and movies and global news in accordance with the Broadcasting Council's decision.

The Communications Law has been amended, in the following manner to regulate the introduction of a narrow broadcasts package:

- The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension in consultation with the Broadcasting Council), provisions regarding the obligation of a cable and satellite broadcasting license holders ("a Broadcasting Licensee") to generally offer a narrow package containing a limited number of channels (the "Basic Narrow Package"), in accordance with the guidelines determined by the Minister regarding the mix of channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.
- The Broadcasting Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.
- A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the "Related Services"), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting Licensee charges fees for such Related Services, the payment therefore charged from Basic Narrow Package subscribers shall not exceed the payment therefore charged from subscribers to other packages.
- If the Minister exercises his authority to require a Broadcasting Licensee to offer a Basic Narrow Package, the Council will not be authorized to set rules with regard to a Broadcasting Licensee's obligation to offer such a package.
- In August 2013, the Council published a proposal regarding a Basic Narrow Package to be offered by a Broadcasting Licensee. As of now, no final policy has been determined.

### ***Ownership of Television Channels***

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748-1987 ("Communications Rules"). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two-fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Israeli cable consolidation in 2006. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

As a result of our monopoly status in multi channel television broadcasting, we are also subject to the decision of the Commissioner approving the cable consolidation in 2006, pursuant to which we are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channel 3 and Channel 4) and four additional channels, unless we obtain prior approval of the Commissioner.

#### ***Minimum Investment in Local Content Productions***

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network. During 2010, 2011 and 2012, we fulfilled the required rate of investment. In 2011, the Broadcasting Council notified our Group that with effect from 2012, the revenues from subscription fees forming the basis for calculating the minimum investment requirement must also include all payments made by customers for the purpose of receiving their broadcasts, including revenues from the rental of set-top boxes. We disputed this stipulation, which we communicated in writing to the Broadcasting Council. In response, the Broadcasting Council has permitted us to deploy the additional investment amount required in 2012 as a result of the new basis of calculation over the next three years in equal proportions.

#### ***Special Licenses for Cable Broadcasts***

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special licensee's broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five-sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Israeli cable consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually.

#### ***Prohibition of Termination Fees***

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end-user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end-user equipment is due in installments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber's monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount for end-user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are only permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post services billing basis.

#### ***Prohibition on Advertising***

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain "must carry" channels, and foreign channels may be permitted to include commercials on their channels.

#### ***Proposed Transition from Franchises to Licenses for Television Broadcasts***

Currently, the commercial DTT channels such as Channel 2 and Channel 10 are operated on an exclusive franchisee basis granted by the Second Authority. However, an amendment to the Second Authority Law was passed in February 2011, which proposes to increase the number of broadcasters by transitioning from the exclusive franchisee system to a non-exclusive license system under which any entity which satisfies certain threshold conditions may apply for a commercial broadcasting license.

#### ***Fees and Royalty Payments***

The Communications Law obligates general telecommunications licensees to pay royalties to the State of Israel. The regulations enacted under the Communications Law provide for an ongoing decrease in the rate of royalties applicable to such licensees, which have been reduced to 0% commencing on January 2, 2013.

In addition, in accordance with an agreement dated July 2001 between HOT and the State of Israel regarding the consideration payable to the State of Israel for the cable infrastructure, HOT has undertaken to pay the State of Israel payments at a rate of up to 4% of its revenue until the end of 2015. In each of the years ended December 31, 2010 and 2011, we paid the State of Israel over NIS 50 million under this agreement. See “General Information—Material Agreements—Agreement with the State of Israel relating to ownership of our cable network”.

## **Broadband Internet Infrastructure Access and Fixed-Line Telephony**

### ***Overview***

Our broadband Internet infrastructure access and fixed-line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications.

We provide our broadband Internet infrastructure access, fixed-line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed-line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the “Fixed-Line Licenses”). Among other things, the Fixed-Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in the license. Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. As a general rule, these Licenses are non-transferable. In addition, the transfer of means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our broadband Internet infrastructure access and fixed-line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

### ***Decision Regarding the Creation of a Wholesale Market***

In February 2010, the Israeli Ministry of Communications and Ministry of Finance appointed a commission headed by the former General Manager of the Israeli Ministry of Industry, Trade and Labor, Amir Hayek (the “Hayek Committee”), to review and make recommendations with respect to Bezeq’s retail telephony rates and the setting of rates for different segments with regard to provision of services in the broadband Internet infrastructure access wholesale market. The Hayek Committee published its recommendation in October 2011. In May 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field, which primarily adopts the recommendations made by the Hayek Committee.

In broadband Internet infrastructure access in particular, on May 2, 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field adopting the main recommendations made by the Hayek Committee in October 2011 with respect to the creation of a wholesale market for fixed line communications. The Ministry of Communications adopted the following principles affecting the broadband Internet infrastructure access market:

- In order to increase competition between providers of fixed-line communications services, owners of nationwide fixed-line access networks who also provide retail communications services (“infrastructure owners”), shall be obliged to sell wholesale services to communications license holders, who will provide services based on these infrastructures (“service providers”), including bitstream access, leasing of access elements (unbundling), leasing of dark fibers, duct access and transmission services (the “wholesale services”), on the basis of non-discriminatory terms.
- A service provider may issue a request to the infrastructure owners to make use of their network elements, including wholesale services. Service providers and infrastructures owners will conduct commercial negotiations to reach a usage agreement or provision of the aforementioned services, and immediately upon the signing of such an agreement, each infrastructure owner shall publish a reference offer. The reference offer will include the services that are included in the agreement between the infrastructure owner and the service provider, according to the tariffs and the terms set in the agreement, as well as other wholesale services, in accordance with a list that will be published by the Israeli Ministry of Communications from time to time, including an offered price for each service. An infrastructure owner shall not be allowed to offer volume discounts to a service provider. This offer will be

offered to anyone who requests, on equitable and non-discriminatory terms, it will be available for perusal by any seeker, and will be presented on the website of the infrastructure owner, as well as on the website of the Israeli Ministry of Communications. For the purposes of this paragraph, an “agreement” means an agreement between an infrastructure owner and a significant service provider, which is not a related company to an infrastructure owner.

- Should the Minister of Communications see that a tariff or a term was demanded by an infrastructure owner, or a tariff or a term was agreed to, for a wholesale service, which is not reasonable, may harm competition, may harm the public interest, or may harm the interests of a service provider, the Minister of Communications shall set that tariff or term. In the absence of a demand or an agreement on one or more terms or on a tariff, as stated above, the Minister of Communications shall set them, provided that an agreement has been signed or 6 months have passed since the issuance of this document, whichever shall come first, according to his authority under the Communications Law.
- The ancillary activities, services and arrangements to the wholesale services (rental of space, maintenance, etc.), arrangements for ordering, payment terms, and provisioning, and their tariffs shall also be set in commercial negotiations between service providers and infrastructure owners, and infrastructure owners shall be allowed to demand reasonable and equitable prices. In the absence of agreement between the relevant license holders, the Minister of Communications shall decide according to his authority under the Communications Law.
- The Israeli Ministry of Communications shall make use of a model for enforcement and supervision, which will help the Israeli Ministry of Communications ensure that the tariffs set in the reference offers are in accordance with the conditions set out above, and to monitor the actual provision of the wholesale services in a reasonable and non-discriminatory manner, and to track the level of implementation of the wholesale market.
- Infrastructure owners shall provide, on an ongoing basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Israeli Ministry of Communications and with exceptions that will be set by the Ministry.
- When a reference offer is published by an infrastructure owner, related corporations to that owner shall be allowed to purchase wholesale services in order to provide services according to the terms of their licenses, on the condition that such wholesale services are offered without discrimination to any seeker.
- When Bezeq publishes a reference offer, Bezeq shall be allowed to supply telephony services which are not provided over broadband networks, to its subsidiaries, in a wholesale arrangement; should Bezeq decide to provide the aforementioned services it shall provide them concurrently to any license holder who seeks them without discrimination, all subject to the relevant regulations regarding Bezeq subsidiaries.
- Within 9 months of the publication of the reference offer, as described above, the Minister of Communications shall order the abolishment of the structure separation between an infrastructure owner who published the reference offer, and providers of international calls and ISP services which are related corporations to that infrastructure owner, so that Bezeq, for example, will be allowed to provide to its subscribers bundles which are not disintegrable of all its services (local and international telephony, broadband access and ISP service), unless the Minister of Communications shall determine that in the situation of the wholesale market at that time, abolishment of structural separation might cause significant harm to competition or to the public interest. Should the aforementioned structural separation be abolished, it will be replaced with accounting separation, in a format that will be set by the Minister of Communications.
- The Israeli Ministry of Communications shall set indicators or conditions, under which the Minister of Communications may conclude that the level of development of the wholesale market and the level of development of competition based on bundles include fixed and mobile services in the household sector, allows the granting of easements of the structure separation between an infrastructure owner and a radio telephone operator which is a related company, or the abolishment of the said structural separation and its replacement with accounting separation.
- Should the Minister of Communications decide that the development of the wholesale market and the level of development of competition based on bundles of fixed and mobile services in the household sector allow it, the Minister of Communications shall consider the abolishment of the structural separation between an infrastructure owner and a radio telephone operator which is a related company.
- The Minister of Communications shall review the matter of the disintegrability of television broadcasting services, included in service bundles which also include telecommunications services (whether fixed or mobile) or broadband services. The abolishment of the structural separation between infrastructure owners and the multi channel broadcasting sector, will be done while providing a reasonable opportunity to provide a basic television broadcasting package on the Internet, by operators who do not have a fixed nationwide network.
- If the wholesale market will not develop in a sound and proper manner, according to indicators which will be set for this purpose, within 24 months of the publication of this policy document, the Minister of Communications shall act

to enforce structural separation between the infrastructure of a fixed domestic license holder and the services provided by that license holder to end users.

- Within six months of the publication of the reference offer, as described above, the Minister of Communications will act to change the tariff control mechanism over the tariffs of Bezeq, such that the control shall be done by setting a maximum tariff.
- The Israeli Ministry of Communications shall set, within nine months, a regulatory policy with the aim of increasing investment in, and upgrading the fixed communications infrastructure in Israel.

The Communications Law was amended in August 2013 in the following manner:

- The Minister's authority to determine payments under the law can include prices based on reference points (benchmark).
- The Minister may determine linkage payments by law based on other indexes than the CPI.
- To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.
- The Minister shall be authorized to issue instructions to immediately apply on a license holder for a limited period, if the actions of the licensee raise concern of immediately harm to competition, the public or the interests of another operator. The licensee will be given the opportunity to be heard as soon as possible, under the circumstances, after the instruction.
- The Minister may determine, with the consent of the Minister of Finance, the maximum or minimum charges for telecommunications services.
- The Minister may impose a structural separation between the infrastructure of a domestic operator and the services it provides to the end customers, if necessary.

#### ***Obligation to Extend Services***

Similar to the Broadcasting Licenses, the Fixed-Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we have applied for exemptions from the terms of the Fixed-Line Licenses in accordance with the procedure specified under existing regulations. Pursuant to the Fixed-Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

#### ***Removal of Certain Restrictions on Bezeq***

In 2010, following the reduction in the market share of Bezeq, the incumbent telephony services provider in Israel, in the field of land-based communications below 85%, the Israeli Ministry of Communications announced that it was amending the licenses granted to Bezeq and its subsidiaries thus enabling it to commence marketing multiple-play packages to residential customers and allowing it to market its ISP and fixed-line telephony and broadband Internet infrastructure access services together. To the best of our knowledge, Bezeq currently markets two communications multiple-play packages which include: (a) Internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (b) Internet infrastructure access services (ADSL), ISP services from subsidiary Bezeq International as well as fixed-line telephony services. Bezeq also recently began to market bundles including its fixed-line domestic services (both telephony and broadband Internet infrastructure access) with mobile services provided by its subsidiary, Pelephone. Bezeq has recently been permitted to provide multiple-play packages to business customers as well. However, Bezeq will not be permitted to discriminate with its Internet infrastructure access services prices between a subscriber that uses the service together with telephone service and a subscriber that only uses the Internet infrastructure access service.

Based on publicly available sources, Bezeq has filed a merger notice with the Israeli Antitrust Commissioner, regarding its proposed merger with YES. Based on publicly-available information disclosed by Bezeq, the Israeli Antitrust Commissioner is considering approving the merger subject to the following conditions:

1. Bezeq will not limit use of Internet infrastructure services based on incremental browsing capacity, nor will the price or quality be based on incremental volume;
2. There will be prohibition on conditioning use of broadcasting services on the use of other telecommunications services; and
3. For two years after the approval of the merger, YES will not prevent any entity, other than those who hold a broadcasting license on the date of the Israeli Antitrust Commissioner's decision (cable and satellite, commercial, IBA), from acquiring rights in original productions, excluding news.

### ***Israel Electric Company Infrastructure***

In 2010, the Israeli Ministry of Communications announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation, which is a government owned company and the principal owner of the electric transmission and distribution network in Israel, with a view to increasing competition in the fixed-line telephony and broadband Internet infrastructure access market, it intended to grant a license to a joint venture between the Israeli Electric Corporation and a private sector partner pursuant to which such joint venture would be permitted to provide various communication services, including wholesale products to other telecommunication licensees and fixed-line telephony and broadband Internet access to large business customers. The procedure to select the private sector partner to the Israeli Electric Corporation has also been initiated.

### ***Telephony Services over Broadband***

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband Internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764-2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband infrastructure access service of a general fixed-line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a fixed-line licensee's network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed-line telephony services.

### ***Elimination of Gigabit Ethernet Transmissions Fees***

In the Israeli broadband Internet market, the broadband Internet infrastructure access providers, Bezeq and us, receive payment from subscribers for access to the infrastructure and from ISPs for the Gigabit Ethernet (GBE) connections used as part of the connection to the Internet. On June 26, 2012, the Israeli Ministry of Communications announced a hearing and request for comment on the subject of GBE connections for ISPs. The proposal was issued in light of the expectation that the use of the television broadcasting services via the open Internet network (OTT) will increase, thus increasing the need for Internet bandwidth. In order to ease the entry of additional players into the broadcasting field through OTT, the Israeli Ministry of Communications is considering changing the service files which describe the fee structure charged with respect to the broadband Internet access services provided to customers, so that such fees and services include all of the components that are required to provide the connection speeds for the purchasers of the service, including the carrying of traffic on the access and core networks. Thus, the proposed legislation would eliminate the payments that are currently paid to the owners of the infrastructure by the ISPs for the GBE connections, other than the transmission from point-to-point segment which connects between the networks of the owners of the infrastructure and the facilities of the ISPs and which may be purchased from the owners of the infrastructure or from one of the other appropriate license holders, who provide GBE transmissions. It was also proposed that the owners of the infrastructure maintain a minimum number of connection points on the basis of geographic regions and regulate the ability of the ISP to select a certain number of connection points. The proposal also provides that the owners of the infrastructure will be required to provide GBE connections at a certain rate based on the aggregate connection rate that has been ordered by the subscribers of that ISP. The GBE proposal could reduce the revenue our broadband Internet infrastructure access segment receives as a result of the prohibition on charging ISPs for the GBE connections.

In June, 2013, the committee for selecting an investor and a controlling shareholder in the joint communication project with the IEC announced that it chose a group of investors for the foundation of a communication venture designed to establish a network based on fiber optics, headed by Via Europe which holds 60% of the venture, along with the IEC which holds 40% of the venture.

On August 27, 2013, the Minister of Communications granted a general license to provide inner-country telecommunications services (Infrastructure) to I.B.C Israel Broadband Company (2013) Ltd. (hereinafter—"IBC"). The permit requires IBC to set up a nationally-deployed fiber optics based communication network, in accordance with the

milestones set out in the license, additionally to the license to provide domestic wired telecommunications services through it to other license holders. IBC was also granted by the Ministry of Communications, on that date, to the best of the company knowledge, a special license to provide a domestic wired data communications services which allows it to provide services to large business customers, with annual revenue of minimally NIS 30 million, as well as to government agencies and local authorities.

We believe that the granting of such licenses could result in increased competition in the domestic wired telecommunications services sector and thus significantly affecting the results of HOT. HOT's assessment stated forward-looking information as defined in the Securities Act 1968, which realization depends on factors which are not under the control of HOT.

### ***Fees and Royalty Payments***

The regulations enacted under the Communications Law obligate HOT Telecom to make royalty payments to the State of Israel in connection with its domestic fixed-line operator license. These royalty payments were reduced to zero in January 2013.

### **Internet Service Provider**

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide Internet access services (the "ISP License"). The ISP license permits us to provide various services, including Internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression, and securing access to service recipient's computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband Internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015 and may be extended upon approval by the Israeli Ministry of Communications. As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications. On October 31, 2012, the Israeli Ministry of Communications published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection.

### **Mobile**

Our mobile operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981 and the Non-Ionising Radiation Law. We provide our mobile services pursuant to a non-exclusive license to erect, maintain and operate a mobile system and to provide mobile services (the "Mobile License"). The Mobile License was amended in September 2011 to add additional frequencies in relation to the creation of a UMTS network. The Mobile License with respect to the main original frequencies which we use to deliver our iDEN based mobile services is valid until February 2016. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications. As a general rule, the Mobile License is non-transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our mobile operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Pursuant to a decision dated April 2011 of the frequencies Committee regarding the evacuation of frequency bands in a total of 90 MHz in the 2500 MHz frequency band, in favor of the activity of 4G mobile services, and as such frequencies have not yet been cleared, it was decided in the draft economic plan for 2013-2014, among other things, to impose on the Minister of Defense to take all necessary actions for eviction of the tracks discussed, starting from 14 days after the decision until October 1, 2015, and to determine a payments arrangement to the Ministry of Defense, depending on the amount to be received within the tender for 2500 MHz frequency.

### ***Construction of Network Sites***

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36 for Communications, which was published in May 2002 ("National Zoning Plan 36"). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and the Communications Law.



### *National Zoning Plan 36*

National Zoning Plan 36 includes guidelines for constructing cell sites in order to provide mobile broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. National Zoning Plan 36 sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public's health from non-ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, National Zoning Plan 36 is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The main amendments to the Plan are: (a) the plan provides for full liability for depreciated property claims on the mobile operators; (b) the plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the plan demands a minimum distance of four meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if and when the government intends to approve the Amended Plan. If the Amended Plan is approved, it might have a significant impact on our ability to get permits for our mobile sites. In addition, we may need to change the location of our future mobile network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our mobile network coverage. The cost of complying with the Amended Plan might be substantial, and may adversely affect our revenues and profits.

### *Radio Access Devices*

Most mobile operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop mobile radio access devices, which was consistent with the Israeli Attorney General opinion on the matter. In May 2008 the District Court of Tel Aviv- Jaffa, in its capacity as court of appeals, ruled that the mobile operators' devices do not meet the exemption's requirements and therefore the exemption may not be relied upon. An appeal was filed against this ruling to the Supreme Court and the Israeli government notified the Supreme Court that it concurs with the appeals against the District Court ruling. Furthermore, in July 2008, a petition seeking to annul the Attorney General's opinion and apply the District Court ruling was filed with the Supreme Court by the Union of Local Authorities in Israel and certain local planning and building authorities which also requested to join our appeal and argue against the position of the State. In June 2009, another petition seeking similar remedies, was also filed with the Supreme Court. The Supreme Court decided to hear both petitions and our appeal together. In September 2009, following publication of the recommendations of an inter ministry committee established to examine the appropriateness of future application of the exemption, the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue. In March 2010 draft regulations were issued setting conditions for the application of the exemption, which include significant limitations on the ability to construct radio access devices based on such exemption, including a limitation of the number of such radio access devices to 5% of the total number of cell sites constructed or to be constructed with a building permit in a certain area during a certain period (which will render the construction of radio access devices based on the exemption practically impossible), and circumstances in which a request for a building permit for the radio access device was filed and no resolution has been granted within the timeframe set in the regulations. In September 2010, the Supreme Court issued an interim order prohibiting further construction of radio access devices in mobile networks in reliance on the exemption. The interim order, that was issued pursuant to the Israeli Attorney General's request, will be in effect until the enactment of the proposed regulations or other decision by the court. A further decision of the Supreme Court in February 2011, states that the order will not apply to the replacement of existing radio access devices under certain conditions. In September 2010, pursuant to the Israeli Attorney General, the Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until July 31, 2011 (subsequently extended several times, most recently on September 30, 2013), provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer, and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build-out particularly given the objection of some local planning and building authorities to grant due permits where required, could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network, and our ability to continue to market our mobile services effectively.

### *Indemnification Obligations*

In January 2006, the Planning and Building Law was amended to provide that as a condition for issuing a building permit for a cell site, local building and planning committees shall require letters of indemnification from mobile operators indemnifying the committees for possible depreciation claims under Section 197 of the Planning and Construction Law, in accordance with the directives of the National Council for Planning and Building. Section 197 establishes that a property owner whose property value has depreciated as a result of the approval of a building plan that applies to his property or 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 to all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Ministry of Environmental Protection. As of August 2012, we began to apply for operation permits to our sites to the Commissioner. We also applied for extended time to connect to the monitoring system to the commissioner. As of November 2012, we started receiving operation permits. On February 4, 2013, we were notified by the Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

### *Prohibition of Exit Fee*

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end-user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not possible to link a transaction for the purchase of end-user equipment and the provision of mobile services.

### *Mobile Virtual Network Operator*

A mobile virtual network operator, or MVNO, is a mobile operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing mobile operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses and in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a mobile operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a mobile operator and a fixed-line operator to

receive an MVNO license and limitations on parties related to an existing mobile operator and on other communication licensees, to receive an MVNO license. The amendment provides that in the event that a MVNO and the mobile operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the mobile operator, and if the Israeli Ministry of Communications together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the mobile operator, the Ministry of Communications will use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service. To date the Ministry of Communications has granted nine MVNO licenses.

### ***Fees and Royalty Payments***

In accordance with our Mobile License, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. We have provided a bank guarantee to the State of Israel for the remaining NIS 695 million. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that would entitle us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. See “*Description of 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) will be reduced by 60% and set at NIS 0.01.

### ***Copyright/Trademark Law***

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767-2007. Copyright protection automatically subsists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732-1972. A trademark registration is valid for ten years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well-known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

### ***Structural Separation***

In order to promote competition in the telecommunication and broadcasting industry in Israel the various licenses issued to us to conduct our business contain provisions that require us to maintain strict structural separation between the HOT group entities that hold the licenses, including separation of assets, management and employees. As a result, we generally operate our cable television services which are subject to the Broadcasting Licenses, our broadband Internet infrastructure access and fixed-line telephony services which are subject to the Fixed-Line Licenses, our ISP services which are subject to the ISP License and our mobile services which are subject to the Mobile License as separate businesses conducted by separate entities within our Group. In addition, pursuant to the license provisions, our cable network assets are owned by HOT Telecom and access to the network is provided to other HOT entities pursuant to certain inter company arrangements and subject to legal requirements. Under the terms of the licenses, we are also prohibited from making any of our services conditional upon subscription to another service. For example, we are not allowed to force customers to opt for our multiple-play packages and must continue to offer our various services on a stand alone basis also. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multiple-play services and conduct related marketing, billing and collection activities of our pay television, broadband Internet infrastructure access and fixed-line telephony on the condition that only commercial information necessary for marketing, billing and collection activities of our multiple-play services are shared between the relevant HOT entities.

On October 30, 2013, the Knesset Finance Committee approved the bill for promoting competition and reducing concentration, 2012. According to the bill, a committee will be established with the objective to supervise the attempts to limit concentration, headed by the Antitrust Commissioner and hosting members such as the General Director of the Ministry of Finance and the head of the National Economic Council or one of his deputies appointed by the prime minister. Under the Bill, among other things, the regulator may decide not to assign any right, including the right to grant or extend a license, to a concentrated factor as it is defined in the bill, if it finds that it is unlikely that any real harm may be caused to the sector in which this rights is assigned and the regulation of such sector. Also, a regulator seeking to allow the assignment of a right, including the grant or extension of a license, will not do so, including not allowing any concentrated factor to participate in the assignment procedure of this right and not setting any conditions that allow its assignment, but only after taking into account considerations of cross-market concentration, in consultation with the entity in charge of the concentration reduction. In addition, the bill provides, *inter alia*, that when assigning a right and setting its terms the regulator must consider, in addition to any other vital consideration as specified by law, considerations of promoting the competition in the sector, and if the right is included in the list of rights issued by the Antitrust Commissioner in this regard, the regulator may not assign this right but only after considering considerations of promoting competition in the sector in consultation with the Antitrust Commissioner. Under the Bill, the holder of a general license to broadcast through cables is defined a concentrated factor. To our knowledge, the bill is expected to be put for first reading in these upcoming days. On October 16, 2013, the Ministry of Communications published a hearing regarding a recommendations report of an inter-departmental team aimed at examining the current regulations in the international telecommunication services sector, and the need to modify it in light o developments and changes in the telecommunication market. The ministry allows such license holders and all relevant parties to submit their position regarding the hearing until December 1, 2013. On August 14, 2013, the Ministry of Communications published a hearing by which the ministry began formulating a new regulation framework, in which a version of one unified license will be determined, by which it will be possible to provide all the services provided today with a special general license for providing domestic wired telecommunication services a license to provide radio mobile phone services through another operator, and a general license to provide international telecommunications service. The unified licensing framework will also enable to provide Internet access services (ISP) and NTP. Hot Telecom submitted a response with respect to the hearing.

### **French Overseas Territories**

Our business activities in the French Overseas Territories are subject to the specific legislation and regulations of both France and the European Union governing the telecommunications sector and the information society.

### **Regulation of Electronic Communications Networks and Services**

#### ***The European Regulatory Framework for Electronic Communications***

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques (the "CPCE")).

In addition, the following texts are also applicable to the telecommunications sector:

- regulation (EC) No. 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and nondiscriminatory conditions;
- regulation (EC) No. 717/2007 on roaming on public mobile telephone networks within the European Community, amended in 2009 by Regulation (EC) 544/2009 of June 18, 2009 and in 2012 by Regulation (EC) No. 531/2012 which provides that all wholesale and retail roaming charges levied by mobile operators are subject to price caps which are set until June 30, 2017; and
- regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the "BEREC"). Rather than operating as a European regulatory agency, the BEREC's role is to act as a forum for cooperation between the national regulatory agencies ("NRAs") and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council.

#### ***French Regulatory Framework Applicable to Electronic Communications***

##### ***Authority of the ARCEP***

In France, the national regulatory authority (NRA) for electronic communications is the ARCEP.

Our operations do not require specific authorizations from the ARCEP. However, we must declare our activities and register with the ARCEP.

The sanctions available to the ARCEP if an operator fails to comply with the regulatory framework include limiting the scope or reducing the term of the operator's registration, as well as suspending or even fully withdrawing such registration. It can also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach.

#### *Market Analysis—Asymmetric Regulation*

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position.

The first and second phases of such market analysis were completed by the ARCEP at the end of 2007 and 2010, respectively. The market analysis was carried out in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L. 38 (wholesale markets) and L. 38-1 (retail markets) of the CPCE.

We are not presently considered by the ARCEP to be an operator identified as having significant market power in any relevant market except in the market of calls terminating on our network, like any other operator. It implies that we must comply with the regulations applicable to call termination charges on landline networks.

The regime governing the call termination charges has recently been changed. Since January 1, 2013 the call termination charge applied by operators is set at €0.01.

We cannot guarantee that we will not, in the future, be identified by the ARCEP as having significant market power in one or several other relevant markets and that the ARCEP will not impose additional regulatory measures on us.

#### *Symmetric Regulation*

The ARCEP also regulates in a "symmetric" way, i.e., by imposing the same obligations on all operators, through a number of decisions, for instance:

- decision 06-0636 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories;
- decision 07-0213 dated April 16, 2007, on routing communications used for value added services;
- decision 2009-0637 dated July 23, 2009, on portability; and
- decision 2009-1106 dated December 22, 2009 and decision 2010- 1312 dated December 14, 2010, on access to the terminal section of optical fiber networks.

#### *Interconnection Access*

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers. Interconnection agreements are subject to private law and must be disclosed to the ARCEP if requested. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (Cour d' Appel).

We have interconnection agreements with local operators mainly for call termination over fixed and mobile operators. The local loop network is partially leased to France Telecom (ADSL Broadband) and to local fiber suppliers.

#### *Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fiber Networks*

The French Economy Modernization Law dated August 4, 2008 introduced several provisions aimed at setting up a regulatory framework for the roll-out of very-high-speed optical fiber networks.

The law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of optical fiber networks in their buildings; (ii) rules for sharing optical fiber access in order to avoid several networks being set up within the same building (only one “building operator” may therefore set up a network in the said building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision making powers to set the terms and conditions relating to the application of this law.

### ***Legal Status of the Le Cable Networks***

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These different components can be governed by different legal statutes. Because Le Cable’s physical infrastructure is not built on its own premises (but on public land and private property), Le Cable has entered into concession, easement or lease agreements with landlords. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment.

One of Le Cable’s cable networks (Point-à-Pitre, Guadeloupe) can be categorized as an agreement for the delegation of public services (*délégation de service public*). Under such agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out the said public services revert back to the local authorities upon expiry or termination of the agreement (*biens de retour*). Renegotiations of these agreements were imposed by laws passed on July 9, 2004 and March 5, 2007 with a view to clarifying the legal classification of these agreements. Moreover, the law of August 4, 2008 authorized local authorities to grant equal rights of access on their network to our competitors even if the agreement with such local authorities says otherwise.

The rest of Le Cable’s current cable network is governed by ad hoc legal agreements. Concerning such agreements with local authorities, Le Cable has initiated their transformation into agreements for the occupation of public domain (*conventions d’occupation du domaine public*). Occupation of public domain agreements, which are entered into with local authorities for terms ranging from 10 to 30 years, provide that, upon termination, we must, at the option of the local authority (i) return the entire network to the local authority, in some cases against the payment by the local authority of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, either at our cost or at the cost of the local authority, the equipment installed by us on their land or premises or (iii) transfer the network to another operator, provided it is approved by the local authority.

Fees are typically paid on an annual basis, and in principle based on the size of the network deployed on public land or premises.

### ***Fixed Number Portability***

Number portability is an obligation for all operators connecting end- subscribers. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators.

### ***Directories and Provision of Subscriber Lists***

All operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services (as set out in more details by ARCEP decision 06-0639 of November 30, 2006).

### ***Contribution to Universal Service Funding***

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunications services.

### ***Broadcasting of Audiovisual Services***

The transmission and broadcast of radio and television services falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

As a broadcaster of radio and television services, we must declare our activities and register with the Conseil Supérieur de l'Audiovisuel ("CSA").

Pursuant to articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by law 2004-669), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing said registration. The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In our capacity as a broadcaster of audiovisual services, we are subject to the regulatory "must-carry" provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network. The must-carry obligations are governed by articles 34-2 and 34-4 of law 86-1067 dated September 30, 1986.

Moreover, the CSA controls the content of the broadcast channels. In particular, under article 15 of law 86-1067 dated September 30, 1986, the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of specifically designed logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, we make sure that we strictly comply with these rules.

## **Regulation of the Content of Electronic Communications**

### ***Content of Online Services and Liabilities of Internet Market Players***

The liability provisions applicable to intermediary Internet service providers are set forth in law 2004-575 dated June 21, 2004 and the CPCE and decree 2011-219 of February 25, 2011 (as modified on March 30, 2012). They include the conditions under which providers/operators can be held civilly or criminally liable.

### ***Copyright and the Internet***

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific "graduated response" system was introduced, aimed at limiting illegal downloads. The French government announced in May 2012 the setting up of an ad-hoc commission dedicated to the reform of HADOPI and the legal framework on copyright and the Internet is expected to be modified in the near future.

### ***Processing of Personal Data and Protection of Individuals***

The main applicable provisions of the revised law 78-17 dated January 6, 1978, which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);
- the right of data subjects to access, correct and object to the processing of their personal data must be ensured at all times;
- all processing of personal data must be notified to or duly authorized by the French data protection authority (CNIL), to the exception of very few processings;
- electronic communications providers have a whistleblowing obligation (to the French authorities) in the event of a breach of personal data protection which is detailed in Decree no. 2012-436 of March 30, 2012; and
- any failure to comply with the provisions of law 78-17 is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (Code pénal). Such offenses are punishable by a fine of up to €300,000 and five years' imprisonment.

In the course of our business, we record and process personal data including statistical data, in particular data concerning the number of visits to our websites. These personal data are, however, processed pursuant to all applicable laws.

Last, Decree no. 2012-488 of April 13, 2012 puts additional obligations on operators to protect the safety of personal data on their networks. Operators must, inter alia, implement specific policies to protect the integrity of their networks.

## **Payment services regulations applicable to OPS**

Payment services which Outremer plans to introduce through a fully owned subsidiary OPS, are governed by Articles L. 522-1 of the French Monetary and Financial Code (the “CMF”), as further detailed in an Order dated October 29, 2009, setting out prudential requirements for payment institutions (the “Order”). As a payment institution, such subsidiary is controlled by the Autorité de Contrôle Prudentiel (the “ACP”).

### ***Prior Approval***

Pursuant to the CMF and the Order, all payment institutions must have been approved by the ACP. When reviewing the request for approval, the ACP seeks to ensure that the payment institution will be operated in a sound and prudent way and examines, in particular, if the company has (i) a sound system of corporate governance, (ii) an efficient procedure for detecting, managing, monitoring and declaring the risks to which it is, or may be, exposed, and (iii) an adequate internal auditing system. Further, it seeks to verify that the individuals declared responsible for the effective management of the payment institution possess the respectability, competence and experience, as well as the status of the shareholders who have a qualified equity holding.

### ***Changes requiring prior approval from or notice to the ACP***

The CMF and the Order provide that some changes require the prior approval of the ACP, while others only need to be notified to the ACP. In particular and without limitation the following changes require the ACP’s prior approval: (i) change in the corporate form, (ii) change in the types of payment services provided or (iii) change in any element which the ACP imposed as a condition to its prior approval.

The ACP’s prior approval is also required for any direct or indirect acquisition, extension or sale of a shareholding in the payment institution by a person or group of persons (other than a person or entity within the same group) causing these persons to either (i) reach the thresholds of 10%, 20%, or 33<sup>1</sup>/<sub>3</sub>% of the payment institution’s voting rights or (ii) acquire or give up the effective control over the payment institution’s management. We have now obtained this approval from ACP.

### ***Rules governing the management and organization of payment institutions***

The CMF and the Order require payment institutions to abide by a series of management and financial requirements.

### ***Agents***

When a payment institution intends to provide payment services through an agent, it must report this agent (“agent”) to the ACP, pursuant to the Order.

### ***Control by the ACP***

A payment institution must at all times comply with the requirements set out in the ACP’s approval and the ACP monitors the compliance of the activities conducted by payment institutions.

The CMF and the Order provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACP may withdraw its approval. In such a case, the payment institution will be removed from the list of authorized payment institutions within a maximum of fifteen months from the ACP’s decision and funds received in connection with payment services must be returned to the users of the payment services or transferred to a credit or payment institution or to the Caisse des Dépôts et Consignations within this fifteen month period.

The ACP may also impose disciplinary sanctions on payment institutions, including their removal from the list of 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 above mentioned law was substantively amended by the law of May 30, 2005 on electronic communications networks and services which constitute one of the four acts of the Telecom Reform Package.



The Telecom Reform Package is effectively composed of four Acts:

- The Act of May 30, 2005 on networks and electronic communications services repealed by the Act of February 27, 2011 on the networks and electronic communications services (the “Telecom Act”);
- The Act of May 30, 2005 on the organization of the management of radio frequency spectrum last amended by the Act of February 27, 2011 (the “Spectrum Act”);
- The Act of May 30, 2005 on the organization of the Luxembourg Institute of Regulation amended on several occasions and;
- The Act of May 30, 2005 on the specific provisions regarding the protection of individuals as to the processing of personal data in the electronic communications sector (the “Personal Data in Electronic Communication Act”).

### ***Legal regime***

#### *Electronic communications services and network*

Under article 2(27) of the Telecom Act, “electronic communications service” means a service normally provided for remuneration which consists wholly or mainly in the conveyance of signals on electronic communications networks, including telecommunications services and transmission services in networks used for broadcasting, but exclude services providing, or exercising, editorial control over, content transmitted using electronic communications networks and services; it does not include information society services which do not consist wholly or mainly in the conveyance of signals on electronic communications networks.

Under article 2(24) of the Telecom Act, “electronic communications network” means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet switched, including Internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February, 27, 2011 the 2011 E-Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute (“LRI”) which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardized certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti-competitive hindrances.

The LRI is also entrusted with the collection of notifications sent by undertakings planning to provide electronic communications networks and services (“notified undertakings”) and maintains a registry of notified undertakings.

The LRI also has the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of EUR 1,000,000. The LRI may also impose a daily fine (penalty) of an amount between EUR 200 and EUR 2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

#### *Content regulation and protection*

Pursuant to the Personal Data in Electronic Communication Act, operators of electronic communication services and networks are compelled to ensure the confidentiality of communication exchanged by way of electronic communication means.

The general rule is that other than the user, no person is allowed to listen, intercept or store communications and data related to the traffic and location without the agreement of the user.

This prohibition does not apply to communication related to emergency calls, commercial transactions to the extent that they constitute proof of the transactions, authorities investigating and acting in relation to a flagrante delicto or within the 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 Act and the Grand Ducal decree of April, 7 2011 on the administrative taxes applicable to telecommunications.

The frequencies are granted by the minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency) through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to a certain type of application are pre-defined and, as far as these conditions are met, no individual license is required.

The Grand Ducal decree of April 7, 2011 on the administrative taxes applicable to telecommunications set out the fees and levies that have to be paid. For some applications, the fees have been defined in the license itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are no longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, thus enhancing the flexibility of spectrum use.

## **Audio visual Media**

### *Overview*

The media sector is mainly governed by the Act of July 27, 1991 on electronic media as amended by the Act of December 17, 2010 and the law of April 8, 2011 (the “Electronic Media Act”) and the law of April 11, 2010 on freedom of expression in electronic media amending the law of 8 June 2004 (as amended) on the freedom of expression in the media sector.

A certain number of Grand ducal decrees also regulate the media sector.

Besides, two Acts governs the audiovisual production:

- the act of 21 December 1998 establishing a temporary special tax regime for audiovisual investment certificates; and
- the act of 16 March 1999 creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the minister in the determination and the execution of the Luxembourg media policy. Its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;
- promote in concert with other commissions and committees, Luxembourg as an European 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 of 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.

A new bill of law presented on October 10, 2012 modifying the actual law of July 27, 1991 on electronic media aims at centralizing the competence of the three existing commissions into one single authority, “the Luxembourg Independent Audi-visual Authority”, which will gain disciplinary powers and adopt the status of a public institution.

### *Legal regime*

The Media law has been recently amended in order to adapt itself to the newest sorts of audio visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non-discriminatory content and the form and the content of commercials advertising are more regulated.

#### *Licenses for distribution of audi-visual media*

Pursuant to article 2 of the Electronic Media Act, any program which is transmitted to the public through a Luxembourg broadcasting frequency is considered a television or radio program.

Pursuant to article 3 of the Electronic Media Act, no one can transmit a radio or television program without having obtained prior permission or a 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 Act 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—Department of Media and Communication, and information about the applicant and the relevant program must be attached.

The Department of Media and Communication conducts an initial review. If it is deemed complete, the license application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the 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 Act of May, 30 2005 which has been amended by the Act of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on a different set of legislation).

Further, cyber security is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyber attacks. Similarly, the government has created “CASES Luxembourg” which is a project accessible by all Internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to Internet use and advises on how to identify them.

In July 2011, the government has created two new structures: the Luxembourgish Cybersecurity Board whose mission is to work on a strategic plan against attacks via the Internet, and the governmental Computer Emergency Response Team which is responsible if an incident of cyber crime ever occurs in the public information systems.

To date there is no legal obligation for operators or Internet service providers to assist content owners whose rights may be infringed. However, to be exempt of liability in such a case, Internet services providers shall act promptly upon knowledge of fact of circumstances, following which content is obviously illegal, to remove or disable access to such content.

To date, there are no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

### ***Legal regime***

Pursuant to article 5 of the Telecom Act, the operation of electronic communication services or networks, notably Internet services and IP- services, is subject to a notification to the Luxembourg Institute of Regulation (*Institut Luxembourgeois de Régulation*) (the “ILR”).

Concerning Internet service providers, the law on electronic commerce as amended of August 14, 2000 provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

### ***Others***

The laws listed below may be also applicable to the telecommunication, media and Internet sector :

- the law of April, 18, 2001 on copyrights as amended;
- the law of August, 2 2002 as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data;
- the law of May 15, 2006 related to trademarks;
- the law of 11 August 1982 on privacy;
- the Consumer code introduced by the law of April 8, 2011.

General laws are applicable for all aspects not specifically regulated by specific laws or regulations, in particular the provisions of the Luxembourg criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

## **Portugal**

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89, of 11 September 1989 to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: a state owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly owned companies that in 1995 merged to form the PT Group; and the so-called complementary services which assembled a large group of mainly private operators ranging from mobile wireless operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Ensuing the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing "the general bases that regulate the establishment, management and exploitation of telecommunications networks and the provision of telecommunications services" later enacted as Law 91/97, of 28 August 1997 (the "1997 Telecommunications Law"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on 1 January 2000 with the end of the Portugal Telecom's legal monopoly over fixed telephony services.

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the "Review 99" Directives, the Portuguese Parliament voted Law 5/2004 of 10 February 2004 (the "2004 Communications Law"). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011, of 13 September 2011, amended the 2004 Communications Law, transposing other EU Directives to national law. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Data Protection Directive (Directive 2002/58/EC) was transposed by Law 41/2004 of 18 August.

ICP-ANACOM, a public entity endowed with financial and administrative autonomy and with its own assets, is the entity with the general duties of regulating, supervising and representing the communications sector. ICP- ANACOM is an independent body in the exercise of its duties, although subject to the policy guidelines set by the Portuguese Government with respect to the communications sector, and to supervision by the relevant Ministry as to certain acts which fall under the Portuguese Government's administrative power. ICP- ANACOM is granted the powers to investigate unlawful behavior and impose fines or other sanctions under the 2004 Communications Law.

Undertakings willing to provide electronic communications services are required to notify ICP-ANACOM under the General Authorization regime and may therefrom begin their electronic communications provider activity. Undertakings are then subject to certain provisions relating to the specific services they provide, and can also be subject to other regulatory obligations in case they are found by ICP-ANACOM to have significant market power in some market sectors.

ICP-ANACOM is also the enforcer of Decree-Law 151-A/2000, of 20 July 2000 (the "2001 Radio Communications Law"), and as such, it is up to ICP-ANACOM to grant radio licenses and manage the radio electric spectrum, the numbering resources and the sharing of radio communications infrastructures.

For both mobile and fixed telephony services, under ICP-ANACOM Regulation 114/2012 on number portability, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator.

Under Decree-Law 7/2004, of 7 January 2004, as amended, Internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawful stored information provided that they become aware of the unlawful use of that information and upon becoming aware, do not take action to remove or to disable access to the information.

Under Portuguese data protection law, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user's equipment, as well as to send unrequested communications for direct marketing

purposes. Electronic communications services providers are demanded to notify the Comissão Nacional de Protecção de Dados in cases of breach of personal data of the users.

Universal service obligations are still provided by the PT Group, however, an auction took place earlier in 2013 and the universal service provision for the next five years was awarded to (i) ZON and Optimus (i.e. the entity resulting of their merger) as regards the provision of a connection to a public communications network at a fixed location and provision of a publicly available telephone service over that connection and (ii) the PT Group as regards the provision of public payphone service. ICP-ANACOM sets out the universal service provision regimes and manages the Universal Service Compensation Fund which was set up to finance the net costs arising out of the provision of such services and that consists of funds collected from the electronic communications services providers, and to a lesser extent, of contributions from the State or money collected from fines.

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six-month limitation period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013, of 28 January 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

ICP-ANACOM collects an annual regulation fee from electronic communications services providers and other regulation fees that are directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Such fees were recently revised by Administrative Rule 296-A/2013, of 2 October 2013, amending Administrative Rule 1473-B/2008, of 17 December 2008. Municipalities collect a municipal fee for rights of way (“MFRW”) established in the 2004 Communications Law, based on the provider’s turnover concerning end users in each municipality.

Under Law 55/2012, of 6 September 2012, electronic communications service providers are also required to contribute to a fund concerning the financing of audiovisual and independent cinema works. Contributions are based on the total number of subscribers and increase at a yearly rate of 10 per cent, from €3.50 to a cap of €5.00 per subscriber per year. However, providers have been challenging these contributions on the grounds that they are contrary to Portuguese constitution and EU law. The same act also establishes a compulsory investment obligation pending on video-on-demand services (“VoD”).

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;
- Law 10/2013, of 28 January 2013, on the strengthening of electronic communications services consumer protection;
- Law 55/2012, of 6 September 2012, on the financing of audiovisual and independent cinema works;
- Decree-Law 56/2010, of 1 June 2010, on the unlocking of terminal equipment to allow access to electronic communication services;
- Decree-Law 123/2009, of 21 May 2009, as amended, on the access to infrastructure suitable for usage by telecom services;
- Law 99/2009, of 4 September 2009, approving the legal framework of administrative offences within the communications sector;
- Decree-Law 78/2009, of 21 May 2009, concerning the deployment of telecommunications networks in buildings (ITUR and ITED regulations);
- Administrative Rule 1473-B/2008, of 17 December 2008, as amended, on regulatory fees;
- ANACOM Regulation 58/2005, of 18 August 2005, as amended by Regulation 114/2012, of 13 March 2012, on number portability;
- Law 41/2004, of 18 August 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004, of 29 September 2004, on the procedures for the collection and delivery of the MFRW to municipalities;
- Decree-Law 7/2004, of 7 January 2004, on information society services and electronic commerce;
- Decree-Law 309/2001, of 7 December 2001, which approved the statutes of ICP-ANACOM; and
- The 2001 Radio Communications Law.

## **Belgium**

### ***Overview***

Under Belgian law, telecommunications and broadcasting activities are regulated separately. Telecommunications include telephony and Internet and are regulated by the Federal Electronic Communications Act of June 13, 2005 (ECA). Television and radio broadcasting is regulated by decrees at community level (Decree of the Flemish Community of March 27, 2009; Coordinated Decree of the French Community of March 26, 2009; Decree of the German Community of June 27, 2005; and the Act of March 30, 1995 of the Federal State for broadcasting activities that are not provided in either French or Dutch in the Brussels Capital region). The sector is also regulated by decisions, resolutions and recommendations of BIPT (the federal postal and telecommunication services regulator) for telecommunications, as well as of radio and television regulatory authorities at community level. In addition, network infrastructure can be subject to local planning and other regulations issued by municipalities. Specific requirements can also be imposed on entities that are deemed, by the BIPT and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including non-discrimination and transparency obligations with respect to access, accounting, and price (Numericable has notably been recognized as an operator with significant market power on the Brussels retail market for the distribution of television and radio services by cable).

### ***Market Practices***

Joint offers, e.g. of telephony services, Internet services and television services, are allowed under Belgian law, provided that such offers comply with EU and national competition legislations and that they do not constitute an unfair trade market practice prohibited by the Act of April 6, 2010 on Market Practices and Consumer Protection. Network operators must also comply with all applicable consumer protection provisions set forth in this act, as well as, where applicable, other legislation, namely the Act of May 15, 2007 on the Protection of Consumers in respect of Radio Transmission Services and Radio Distribution.

### ***Prior Notification***

Under the ECA, companies must notify to the BIPT electronic communications services and/or networks that they intend to provide as well as any change thereto.

### ***Telephony Regulation***

The ECA mandates that a minimum set of “universal services” be offered to all end-users, independently of their geographical location, at an affordable price and at a specified quality level, and contains, in addition to applicable general privacy protection regulations, several provisions that address privacy protection in the electronic communications sector, including, notably, the processing and use of traffic and location data, the confidentiality of communications, as well as the subscribers’ rights with respect to telephone directories. The BIPT may issue specific regulations with respect to, e.g. the allocation of numbers and radio frequencies.

### ***Internet Regulation***

In addition to the provisions of the ECA, activities of Internet service providers are also subject to the Acts of March 11, 2003 on certain Legal Aspects of Information Society Services that provide that Internet service providers may not be held liable for information transmitted over an electronic communications network, subject however to certain conditions and exceptions.

### ***Broadcasting Regulation***

The provision of radio and television broadcasting services are subject to prior notification to the relevant regulatory authority, i.e. the VRM, CSA and, BIPT for the Flemish Community, French Community and the Brussels Capital Region respectively. Pursuant to the Flemish and French Broadcasting Decrees as well as the Act regulating broadcasting activities in the Brussels Capital, network operators must also comply with must carry obligations, which requires them to distribute specific radio stations and television channels in their respective communities. The same legislative acts also provide, in the relevant territorial areas, for a right of way for what concerns cable networks.

The Act of January 22, 1945 on economic regulation and pricing and the Ministerial Decree of April 20, 1993 regarding special regulation on prices impose on television services distributors the Minister of Economy’s prior consent for any price increase of their basic package.

Pursuant to the Act of June 30, 1994 on Authors’ Rights and Neighboring Rights, cable companies must receive approval from the holders of the relevant author and related rights to distribute radio and television signals embedding protected

works over their cable. A collective author society has initiated a law suit before a Brussels court to have Internet service providers subject to the same regime.

## **Dominican Republic**

### *Overview*

The legal framework of the telecommunications sector in the Dominican Republic is set forth by General Telecommunications Law 153-98 of May 27, 1998 (“Law 153-98”), resolutions issued by the telecommunications regulator on the grounds of Law 153-98 and various decrees of the Executive Power on matters related to the National Plan of Attribution of Frequencies (“PNAF”).

The Constitution of the Dominican Republic guarantees the freedom of enterprise, trade and industry among other individual and social rights, in addition to the industry-specific legal framework. The Constitution specifically sets forth that monopolies shall not be permitted except in favor of the Dominican State and must be created by law. The Dominican Constitution provides that the secrecy of the communication telegraphic, telephonic, cable graphic, electronic, telematics or established by another mean, shall not be breached, except by an order of a judge or competent authority, in accordance with the law. Also, the Dominican Constitution guarantees public services of radio, television, library and information networks, to allow universal access to the information.

### *General Telecommunications Law 153-98*

Law 153-98 classifies telecommunications services as follows:

- a) Carrier services: provide the necessary capacity to transport signals between two points of termination of a defined network;
- b) Final services or teleservices: provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);
- c) Value added services: work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);
- d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153-98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153-98 reaffirms the “Universal Service Principle” by guaranteeing access to telecommunications services at affordable prices in low income rural and urban areas. Law 153-98 created the “Contribution to the Development of Telecommunications” (“CDT”) consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153-98 the Instituto Dominicano de las Telecomunicaciones (“Indotel”) is the regulatory body created as a decentralized state entity, with operational, jurisdictional, and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio-electric spectrum.

Law 153-98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the maximum authority of Indotel, composed of five (5) members designated by the Executive Power.

Among other management powers, Indotel administers the entrance and participation of the telecommunications service providers in the Dominican telecommunications market, and has various functions including (i) granting, expanding and revoking concessions and licenses under the conditions provided for by the laws in force, allowing the entrance of new providers of telecommunications services; (ii) managing and administering the spectrum- orbit resources, including the management of the orbital portions of the telecommunications satellites with their respective bands of frequencies, as well as the satellite orbits for Dominican satellites which may exist and coordinating their use and operation with international entities and organisms and with other countries; (iii) controlling the compliance with obligations of the concessionaires of public telecommunications services and of the users of the radio-electric spectrum, protecting the right of defense of the parties in its actions.



Law 153-98 promotes competition in all telecommunications services by enforcing the right to interconnect with existing participants and ensuring against monopolistic practices, and at the same time upholding those concessions that are operational. Law 153-98 provides that the regulator shall ensure charges are not discriminatory strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene in the establishment of the same by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the “Regulation of tariffs and costs of the services”.

In accordance with Law 153-98 a concession granted by Indotel is required for providing public Telecommunications services to third parties, with the exceptions set forth in Law 153-98. The authorization process is governed by “Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic” contained in Resolution No. 007-02, issued by the Board of Directors of Indotel (as amended by Resolution No. 129-04) (“Resolution 007- 02”).

Pursuant to Law 153-98 a license granted by Indotel shall be required for the use of the public radio-electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007-02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153-98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153-98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153-98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153-98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

#### ***Certain Relevant Resolutions of Indotel***

On the grounds of Law 153-98 Indotel issued various resolutions. Some of the said relevant resolutions regulating certain areas of telecommunications in the Dominican Republic are as follows:

- Resolution 110-12 dated August 9, 2012, by means of which Indotel’s Board of Directors approved the General Regulation for Telephone Services. The principal purpose of this Regulation is to set forth a regulatory framework governing relations between the public telephone service providers and their customers and users, in all its forms (postpaid or prepaid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

This regulation will apply to all relations between users and telephone service providers. After a public consultation process, by Resolution 003-13, dated January 22, 2013, Indotel’s Board of Directors approved the modification of Articles 1, 3, 6, 12, 14.2, 14.4, 15, 18.10 to 18.13, 21, 24.1 letter i), 25.3 and 32 of the General Regulation for Telephone Service.

The above-mentioned regulation sets forth user’s basics rights, including: a) access to telephone services in terms of continuity, generality, equality, neutrality, transparency and quality, in accordance with the principles of the Telecommunications General Law No. 153-98; b) Right to choose their service provider; c) Right to have a phone number and numeric portability; d) Right to sign a contract in accordance with terms, conditions and rights set forth in this regulation; e) Right to cancel the service in accordance with the procedure indicated in this regulation.

This regulation considers as “abusive clauses” those (i) imposing conditions to the users that affect their interests and rights, and those that are in disproportion, or contrary to the laws, regulations and standards. According to Article 14.2, abusive clauses on contracts will be unenforceable. Indotel shall require the amendment of abusive clauses to a reasonable standard. If telecommunications service providers do not amend the contract in such term, Indotel may impose the amendment.

- Resolution No. 64-11 dated July 27, 2011 approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520-11 dated August 25, 2011 issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518-02 dated July 5, 2002. The new PNAF approved by Decree 520-11 seeks to optimize and rationalize the use

of the radio-electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio-electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration.

- Resolution No. 156-06 dated August 30, 2006, issued by the Board of Directors of Indotel, that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability.
- Resolution No. 022-05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153-98. Indotel will also investigate and impose sanction in the cases where the information obligation of the mentioned operations is not complied with.

Resolution No. 022-05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153-98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, related to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022-05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022-05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007-02, before the Executive Director of Indotel.

- Resolution No. 160-05 dated October 13, 2005 that approves the Regulation concerning Cable Broadcasts and Other Measures, including “Must Carry” provisions.
- Resolution No. 038-11 dated May 12, 2011 that amends the General Ruling concerning Interconnection.
- Resolution No. 025-10 dated March 2, 2010, that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers.
- Resolution No. 151-04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership.
- Resolution No. 128-04 that approves the General Regulation concerning the Use of the Radio-Electric Spectrum.
- Resolution No. 120-04 that approves the Regulation concerning Television Broadcasting Service.
- Resolution No. 093-02 dated November 14, 2002, that amends several Articles of Resolution No. 045-02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM).
- Resolution No. 046-02 dated July 20, 2002, that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM).

#### ***Trademark/Copyright Laws***

From a technical standpoint, broadcasting services are essentially regulated by Law 153-98 and the regulations approved by the regulator. Now then, in connection with the content of the broadcasting services they shall be governed by the provisions of the specific legislation which regulates the social communications media and by the laws that regulate copyrights, whether they are national laws or resulting from international conventions or agreements signed and ratified by the Dominican Republic.

In the Dominican Republic, patents of invention, trademarks, service marks, commercial names, signs, logos, commercial slogans are governed by Industrial Property Law No. 20-00 dated May 8, 2000, modified by Law No.424- 06 for the Implementation of the Free Trade Agreement between the Dominican Republic, Central America and the United States (DR-CAFTA).

Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic works, under the copyright law no. 65-00 dated august 21, 2000, also modified by law no.424-06 for the implementation of the free trade agreement between the Dominican Republic, Central America and the United States Of America (DR-CAFTA).

## MANAGEMENT AND GOVERNANCE

### The Issuers

The Senior Secured Notes 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 Senior Secured Notes Issuer is at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Senior Secured Notes Issuer’s telephone number is +352 226 05 640. The Senior Secured Notes Issuer is registered with the Luxembourg Register of Commerce and Companies under number B 171162.

The Senior Notes 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 Finco S.A.”. The registered office (*siège social*) of the Senior Notes Issuer is at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Senior Notes Issuer’s telephone number is +352 226 05 640. The Senior Notes Issuer is registered with the Luxembourg Register of Commerce and Companies under number B 171151.

The following table sets forth certain information regarding the members of the board of directors of the Issuers 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.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jérémie Bonnin .....	39	Chairman
Emilie Schmitz.....	31	Director
Laurent Godineau .....	40	Director

**Jérémie Bonnin**, 39, is a director of the Senior Notes Issuer and the Senior Secured Notes Issuer. See “—*Altice VII—Senior Management*”.

**Emilie Schmitz**, 31, is a director of the Senior Notes Issuer and the Senior Secured Notes Issuer. Mrs Schmitz serves 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**, 40, is a director of the Senior Notes Issuer and the Senior Secured Notes Issuer. Mr Godineau works at Quilvest Luxembourg Services S.A., a corporate and trust services provider specialized in private equity funds. Prior to joining Quilvest Luxembourg Services SA 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.

### Altice VII

#### *Board of Directors*

The following table sets forth certain information regarding the members of the board of managers of Altice VII as of the date hereof. The number of managers is not subject to any maximum limit. The sole shareholder of Altice VII has the authority to dismiss any manager and fill any vacancy.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jérémie Bonnin .....	39	Chairman
Emilie Schmitz.....	31	Manager
Laurent Godineau .....	40	Manager

#### *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 joined the Group in 2009, after he worked 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. Notable transactions in the recent past include: the acquisition of Multikabel/Casema/Kabelcom, the sale of a stake in Numericable, the acquisition of Telenet, the sale of Cablecom, the IPO of Premiere and the sale of KBW. Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honors.

**Dennis Okhuijsen, Chief Financial Officer.** Dennis joined as the CFO of the Group in September 2012 prior to which he was the Treasurer for Liberty Global. From 1993-1996, he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005 before joining Liberty Global. His experience includes raising and maintaining non-investment grade capital across both the loan and bond markets in many countries, including Netherlands, Belgium, Germany, Switzerland, Japan, Chile, Australia and the USA. In his previous capacities, he was also responsible for financial risk management, treasury and operational financing. Dennis holds a Master of Business Economics of the Erasmus University Rotterdam.

**Jérémie Bonnin, General Secretary.** Jérémie joined the Group in May 2005 as Corporate Finance director prior to which he was Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since joining the Group, he has been involved in all of Group's acquisition which have increased Group's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel and the French Overseas Territories). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary, he also focuses on the implementation of consistent operating policies and corporate structure across the Group, where he holds various board positions. Jeremie received his engineering degree from the Institut d'Informatique d'Entreprise, in France in 1998. He also graduated from the DECF in France, equivalent to the CPA.

**Max Aaron, General Counsel.** Max became General Counsel of the Group in September 2013. Prior to joining the Group, Max was a partner for over 14 years at Allen & Overy focusing on capital markets and where he was one of the founding member of Allen & Overy's US law practice. Prior to joining Allen & Overy, Max worked at Shearman & Sterling in both their New York and London Offices. Consistently rated in Europe by the legal directories as one of the top practitioners in his area, Max has done transactions in over 30 countries in a wide variety of industry sectors, including telecoms, media, technology and utilities. Max received a BA from Brown University and a JD from Boston University School of Law where he was on the Law Review.

### **PRINCIPAL SHAREHOLDER**

Altice VII, the parent company of the Group, is a wholly-owned subsidiary of Next L.P.. Next L.P. 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 September 30, 2013, we estimate that the fair value of the Earnout is NIS 244 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to the Senior Notes Issuer (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 the Senior Notes Issuer 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.

### **Relationships with Numericable France**

#### *Belgium and Luxembourg*

As members of the Numericable Group prior to the acquisition of Coditel Belgium and Coditel Luxembourg by Coditel Holding (the “Acquisition”), Coditel Belgium and Coditel Luxembourg relied on the Numericable Group for numerous operational functions. Altice VII’s controlling shareholder holds an approximately 30% indirect interest in the Numericable Group (including certain call options) and has entered into certain arrangements pursuant to which we will acquire control of these entities, subject to regulatory approval. Following the Acquisition, Coditel continues to have the following operational arrangements with the Numericable 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 Numericable France, Numericable SAS. Pursuant to the Services Agreement, Numericable France 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 June 30, 2011, Coditel Holding and Numericable SAS also entered into a trademark license agreement (the “Trade Mark Agreement”). Pursuant to the Trade Mark Agreement, Numericable France will provide a license to Coditel Holding to use the trademark “Numericable”, registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement. Numericable France may immediately terminate the Trade Mark Agreement in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

### *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 VII and the parent of Le Cable, entered into a services agreement (the “Le Cable Services Agreement”) with the Numericable Group, pursuant to which the Numericable 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 Numericable 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 Numericable 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).



## DESCRIPTION OF OTHER INDEBTEDNESS

*The following contains a summary of the terms of the 2012 Senior Secured Notes, the Existing HOT Unsecured Notes, the 2012 Revolving Credit Facility, the Intercreditor Agreement, the 2013 Term Loan, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility, the 2013 Senior Notes, the Coditel Senior Facilities Agreement, the Existing Coditel Mezzanine Facility Agreement and the New Notes. 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 Existing HOT Unsecured Notes, the relevant Revolving Credit Facility Agreement, the 2013 Senior Notes Indenture, the 2013 Guarantee Facility or the Intercreditor Agreement as applicable.*

### **The 2012 Notes**

On December 12, 2012 and December 20, 2012, the Senior Secured Notes 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 the Senior Notes Issuer 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 Senior Secured Notes Issuer and (i) rank *pari passu* in right of payment with any future indebtedness of the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 VII and certain of subsidiaries, including Cool Holding and SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal and Cabovisão (the “2012 Senior Secured Notes Guarantors”). Each 2012 Senior Secured Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Secured Notes Guarantor’s 2012 Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Secured Notes Guarantor’s 2012 Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Secured Notes Guarantor’s 2012 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Secured Notes. The 2012 Senior Secured Notes Guarantees are subject to the terms of the Intercreditor Agreement. The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances. Following the New Transactions, the 2012 Senior Secured Notes will benefit from the Senior Secured Guarantees provided by the Senior Secured Guarantors. See “*Corporate and Financing Structure*”.

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 Senior Secured Notes Issuer and the 2012 Senior Secured Notes Guarantors (subject to the non-pledged shares of Green’s minority shareholders), (ii) a pledge over the bank accounts and all receivables of the Senior Secured Notes Issuer, including the Senior Secured Notes Issuer Pledged Proceeds Notes, (iii) a pledge over all of the assets of each of the 2012 Senior Secured Notes Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Senior Notes Proceeds Loans, and (v) a pledge over the Cool Shareholder Loan. The 2012 Senior Secured Notes benefit from the Senior Secured Collateral. See “*Corporate and Financing Structure*”.

Prior to December 15, 2015, the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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, the Senior Notes Issuer 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 (as defined in the 2012 Senior Secured Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Secured Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates \$20 million or more.

The 2012 Senior Secured Notes Indenture, the 2012 Senior Secured Notes and the 2012 Senior Secured Notes Guarantees are governed by the laws of the State of New York.

### ***The 2012 Senior Notes***

The 2012 Senior Notes mature on December 15, 2020. Interest on the 2012 Senior Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Notes are general obligations of the Senior Notes Issuer and (i) rank *pari passu* in right of payment with any future indebtedness of the Senior Notes Issuer 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 the Senior Notes Issuer that is expressly subordinated in right of payment to the 2012 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of the Senior Notes Issuer that is secured by property or assets that do not secure the 2012 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Notes are currently guaranteed on a senior subordinated basis (the “2012 Senior Notes Guarantees”) by Altice VII and certain of its subsidiaries, including Cool Holding, SPV1, the Senior Secured Notes Issuer, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal and Cabovisão, (the “2012 Senior Notes Guarantors”). Each 2012 Senior Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Notes Guarantor’s 2012 Senior Notes Guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the relevant 2012 Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Notes Guarantor’s 2012 Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Notes

Guarantor's 2012 Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Notes. The 2012 Senior Notes Guarantees are subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. The 2012 Senior Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Notes benefit from the Senior Notes Guarantees provided by the Senior Notes Guarantors. See "*Corporate and Financing Structure*".

The 2012 Senior Notes are currently secured by (i) a first-ranking share pledge over all of the share capital of the Senior Notes Issuer, (ii) second-ranking share pledges over all of the share capital of the 2012 Senior Secured Notes Issuer and Cool Holding, (iii) a second-ranking pledge over the Cool Shareholder Loan, and (iv) a second-ranking pledge over the 2012 Senior Notes Proceeds Loan. Following the Transactions, the 2012 Senior Notes will benefit from the Senior Notes Collateral. See "*Corporate and Financing Structure*".

Prior to December 15, 2016, the Senior Notes Issuer 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. The Senior Notes Issuer 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, the Senior Notes Issuer 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, the Senior Notes Issuer 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 the Senior Notes Issuer or the Covenant Parties experience specific kinds of changes in control, the Senior Notes Issuer 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 the Senior Notes 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 (as defined in the 2012 Senior Notes Indenture)), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates \$20 million or more.

The 2012 Senior Notes Indenture, the 2012 Senior Notes and the 2012 Senior Notes Guarantees are governed by the laws of the State of New York.

### **The 2013 Senior Notes**

On June 14, 2013, the Senior Notes Issuer issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 Senior Notes").

The 2013 Senior Notes mature on June 15, 2023. Interest on the 2013 Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 Senior Notes are general obligations of the Senior Notes Issuer and (i) rank pari passu in right of payment with any existing or future indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the 2013 Senior Notes, (ii) rank senior in right of payment to any future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the 2013 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of the Senior Notes Issuer that is secured by property or assets that do not secure the 2013 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Senior Notes benefit from guarantees from the 2013 Senior Notes Guarantors on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to June 15, 2018, the Senior Notes Issuer may redeem all or a portion of the 2013 Senior Notes at a price equal to 100% of the principal amount plus a “make-whole” premium. The Senior Notes Issuer may redeem some or all of the 2013 Senior Notes at any time on or after June 15, 2018, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

In addition, prior to June 15, 2016, the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the 2013 Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.000% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, the Senior Notes Issuer may redeem all of the 2013 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice VII and its restricted subsidiaries sell certain of their assets or if the Senior Notes Issuer or Altice VII experience specific kinds of changes in control, the Senior Notes Issuer may be required to make an offer to repurchase the 2013 Senior Notes at specified redemption prices.

The indenture governing the 2013 Senior Notes (the “2013 Indenture”), among other things, limits the ability of the Senior Notes Issuer, 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 (as defined in the 2013 Senior Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period provided, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Senior Notes Indenture, the 2013 Senior Notes and the 2013 Senior Notes Guarantees are governed by the laws of the State of New York.

### **The 2013 Term Loan**

On June 24, 2013 a senior secured term loan credit facility (as amended from time to time, the “2013 Term Loan Facility”) which provide for U.S. dollar term loans (the “2013 Term Loans”) in an aggregate principal amount equivalent to \$1,034 million, was entered into among Altice Financing, as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, Goldman Sachs Lending Partners LLC, as administrative agent and Citibank, N.A., London Branch as security agent (the “2013 Term Loan Agreement”). The entire amount available under the 2013 Term Loan has been drawn.

### **Interest Rate and Fees**

Borrowings under the 2013 Term Loan Facility bear interest at a rate per annum equal to an applicable margin plus, at the Senior Secured Notes Issuer’s option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus 0.50%, (2) the prime rate quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime 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.

In addition to paying interest on outstanding principal under the 2013 Term Loan Facility, after August 18, 2013, the Senior Secured Notes Issuer is required to pay a commitment 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 2013 Term Loan Agreement requires the Senior Secured Notes Issuer to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions; (ii) commencing with the fiscal year ended December 31, 2014, 50% of the annual excess cash flow, which percentage will be reduced to 0% if the Consolidated Leverage Ratio is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount of certain HOT Minority Shareholder Option Exercises (as defined in the 2013 Term Loan Agreement) at, in the case of such HOT Minority Shareholder Option Exercise prepayments, a price for such term loans prepaid equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any.

#### ***Voluntary Prepayments***

Prepayments of the 2013 Term Loan Facility on or prior to the first anniversary of July 2, 2013 are subject to a make-whole provision and a minimum call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the first anniversary of July 2, 2013 but on or prior to the second anniversary of the completion date, are subject to a call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the second anniversary of July 2, 2013 but on or prior to the third anniversary of July 2, 2013 are subject to a call premium of 1.00%. Otherwise, the Senior Secured Notes Guarantors are able to voluntarily prepay outstanding loans under the 2013 Term Loan Facility at any time subject to customary “breakage” costs with respect to Eurodollar Loans.

#### ***Amortization and Final Maturity***

Beginning with the quarter ending March 31, 2014, the Senior Secured Notes Issuer will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the 2013 Term Loan Facility, with the balance expected to be due on the sixth anniversary of July 2, 2013.

#### ***Guarantees***

Each of the 2012 Senior Secured Notes Guarantors of the 2012 Senior Secured Notes guarantees, on a senior basis, the obligations of each other obligor under the 2013 Term Loan Agreement and related finance documents.

#### ***Security***

The 2013 Term Loan Facility is secured by the same collateral securing, inter alia, the Existing Senior Secured Notes.

#### ***Certain Covenants and Events of Default***

The 2013 Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence-based Consolidated Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The 2013 Term Loan 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 Coditel Senior Facilities Agreement**

The Coditel Senior Facilities Agreement consists of an aggregate of € 150 million of senior facilities and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the original borrower, ING Bank N.V. as agent and security agent. On July 2, 2013 Altice Holdings purchased all of the remaining interests of the lenders under the Coditel Senior Facilities Agreement (the “Coditel Refinancing”). As of September 30, 2013, the total amount of the Coditel Senior Facility outstanding was €131 million.

## **The Existing Coditel Mezzanine Facility Agreement**

### *The Facility*

The Existing Coditel Mezzanine Facility Agreement consists of a €100 million mezzanine facility and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding as the company and the borrower, Wilmington Trust (London) Limited as agent and ING Bank N.V. as security agent. The loan advanced under the mezzanine facility for the purpose of partially funding the refinancing of certain indebtedness originally incurred by the borrower to finance the acquisition of Coditel Belgium and Coditel Luxembourg (the “Refinancing”) must be repaid on the date falling 90 months after the date on which the Refinancing occurred. The mezzanine facility constitutes subordinated obligations of Coditel Holding Lux S.à r.l. and Coditel Holding and benefits from guarantees and security provided by certain members of the group comprising Coditel Holding Lux S.à r.l. and its subsidiaries (the “Coditel Group”).

### *Interest Rates and Prepayment Fees*

Cash pay interest accruing at a rate of 8.50% per annum is payable on the loan at the end of each interest period and PIK interest accruing at a rate of 5.25% per annum is capitalized to the principal amount of the loan semi-annually. A prepayment fee is payable if the loan is prepaid (i) prior to the fifth anniversary of the Refinancing as a result of a voluntary prepayment or a mandatory prepayment triggered by a disposal of certain assets of the Coditel Group in an amount determined by reference to a ratchet or (ii) at any time as a result of a mandatory prepayment arising from a change of control in an amount equal to 1.00% of the principal amount of the loan prepaid. Coditel has the right to prepay the facility provided that a prepayment fee of 106.875% which is payable if the loan is prepaid after the third anniversary (November 2014) of the refinancing but prior to the fourth anniversary of the Refinancing (November 2015). A prepayment fee of 103.4375% is payable on if the loan is prepaid after the fourth anniversary of the refinancing but prior to the fifth anniversary of the Refinancing (November 2016).

### *Mandatory Prepayment*

Upon the occurrence of the sale of all or substantially all of the assets or business of the Coditel Group, the loan and all amounts accrued under the mezzanine facility will become immediately due and payable. Upon the occurrence of a change of control of the Coditel Group, each lender is entitled to require that its share of the loan together with all other amounts accrued to that lender and a prepayment fee are paid to that lender. Certain proceeds received by any member of the Coditel Group arising from the disposal of assets are required to be prepaid upon receipt and certain proceeds received by any member of the Coditel Group from claims under certain acquisition documents and reports and insurance claims are required to be prepaid on and from the fifth anniversary of the Refinancing.

### *Covenants*

The Existing Coditel Mezzanine Facility Agreement requires certain members of the Coditel Group to observe certain restrictive and affirmative operating covenants, including restrictions on certain dividends and distributions.

### *Financial covenants*

The Coditel Group’s financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cashflow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. The leverage ratio is currently 5.64:1 and will fall to 2.60:1 at the termination date.

### *Events of Default*

There are certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate the loans together with other accrued amounts and/or (iii) declare that all or part of the loans be payable on demand.

### ***Representations, Warranties and Undertakings***

There are certain representations, warranties and undertakings customary for a facility of this type subject to certain exceptions and customary materiality qualifications.

### **The Revolving Credit Facility Agreements and the 2013 Guarantee Facility**

The Revolving Credit Facility Agreements are comprised of: (1) a \$80 million super senior secured revolving credit facility (as amended from time to time, the “2012 Revolving Credit Facility”) agreement entered into on November 27, 2012, between, among others, the Senior Secured Notes 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 Plc as facility agent and Citibank, N.A., London Branch as Security Agent (the “2012 Revolving Credit Facility Agreement”), and (2) a €60 million super senior secured revolving credit facility (as amended from time to time, the “2013 Revolving Credit Facility”, together with the 2012 Revolving Credit Facility, the “Revolving Credit Facilities”) agreement entered into on July 1, 2013, between, among others, the Senior Secured Notes Issuer, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the “2013 Revolving Credit Facility Agreement” and together with the 2012 Revolving Credit Facility Agreement, the “Revolving Credit Facility Agreements”). Each Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower” or “borrowers” under this section refer to the Senior Secured Notes Issuer and any additional borrowers who accede to the Revolving Credit Facility Agreements in that capacity.

### ***Structure of the Revolving Credit Facility Agreements***

The final maturity date of the 2012 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after December 27, 2012 (the “2012 Transaction Completion Date”) and (ii) the date on which the 2012 Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the 2013 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after July 2, 2013 (the “2013 Release Date”) and (ii) the date on which the 2013 Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Revolving Credit Facility Agreements for terms of, at the relevant borrower’s election, one, two, three or six months (or any other period agreed by the Senior Secured Notes 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 Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

### ***Limitations on Use of Funds***

The Revolving Credit Facilities and the 2013 Guarantee Facility (defined below) may be used by the borrowers for general corporate and working capital purposes of the Group (other than the Senior Notes Issuer, the “RCF Group”), including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group.

The commitments under the 2013 Revolving Credit Facility may be increased by up to an additional maximum amount of \$80 million euro equivalent, provided that an amount equal to any such increase is simultaneously cancelled under the 2012 Revolving Credit Facility.

### ***The 2013 Guarantee Facility***

A new guarantee facility agreement for an amount of up to €75 million was entered into on July 1, 2013, among others, the Senior Secured Notes 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 as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch and ING Bank N.V. as security agent (as amended from time to time the “2013 Guarantee Facility”). The 2013 Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the RCF Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group. The creditors under the 2013 Guarantee Facility will be Senior Bank Creditors and not Super Priority Creditors, each as defined in the Intercreditor Agreement.

### ***Structure of the 2013 Guarantee Facility***

The final maturity date of the 2013 Guarantee Facility is the earlier of (i) the date falling five years after the 2013 Release Date and (ii) the date on which the 2013 Guarantee Facility has been repaid and cancelled in full.

### ***Conditions to Borrowings***

Drawdowns under the Revolving Credit Facility Agreements and the 2013 Guarantee Facility are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Revolving Credit Facility Agreements, and the 2013 Guarantee Facility, as applicable, being true in all material respects.

### ***Interest Rates and Fees***

The interest rate on each loan under the Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) (i) LIBOR, in respect of the 2012 Revolving Credit Facility Agreement, and (ii) LIBOR, or, in relation to any loan in Euro, EURIBOR, in respect of the 2013 Revolving Credit Facility Agreement; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The initial margin under the 2012 Revolving Credit Facility Agreement is 4.25% per annum but if: (i) no event of default has occurred and is continuing under the 2012 Revolving Credit Facility Agreement; (ii) at least twelve months have elapsed since the 2012 Transaction Completion Date, then the margin will be adjusted depending on the Consolidated Leverage Ratio (as defined in the Existing Credit Facility Agreement) of the RCF Group so that: (a) if the Consolidated Leverage Ratio is greater than or equal to 3.0:1, the applicable margin under the 2012 Revolving Credit Facility Agreement will be 4.25% per annum; (b) if the Consolidated Leverage Ratio is less than 3.0:1 but greater than or equal to 2.0:1, the applicable margin 2012 Revolving Credit Facility Agreement will be 3.75% per annum; and (c) if the Consolidated Leverage Ratio is less than 2.0:1, the applicable margin 2012 Revolving Credit Facility Agreement will be 3.25% per annum. The margin under the 2013 Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2013 Guarantee Facility is 3.50% per annum.

Interest under the Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360-day year. With respect to any available but undrawn amounts under the Revolving Credit Facility Agreements, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncanceled commitments from the date falling 30 days after the date of the relevant Revolving Credit Facility Agreement until one month prior the final maturity date of the relevant Revolving Credit Facility Agreement. A guarantee fee is payable to the relevant issuing bank issuing guarantees under the 2013 Guarantee Facility in an amount equal to 0.125% of the face value of the relevant guarantee. Each guarantee issued under the 2013 Guarantee Facility carries a guarantee fee equal to 3.50%.

### ***Guarantees***

Each of the 2012 Senior Secured Notes Guarantor guarantees, on a senior basis, the obligations of each other obligor under the Revolving Credit Facility Agreements and related finance documents.

### ***Security***

The Revolving Credit Facilities and the 2013 Guarantee Facility are secured by the same collateral securing, inter alia, the 2012 Senior Secured Notes.

### ***Mandatory Prepayment***

For so long as an event of default has occurred and is continuing under the Revolving Credit Facility Agreements, proceeds otherwise required to be applied in prepayment of the 2012 Senior Secured Notes shall instead be applied in cancellation and prepayment of the Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as applicable), the borrowers must repay the Revolving Credit Facilities and the 2013 Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the 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 RCF Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.



Certain excess proceeds received by the RCF Group from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Revolving Credit Facilities.

### ***Financial Covenants, Events of Default***

The 2012 Revolving Credit Facility Agreement requires the RCF Group to maintain a Consolidated Leverage Ratio, calculated on a net basis (as defined in the 2012 Revolving Credit Facility Agreement) tested as of the end of each fiscal quarter of no more than 4.5:1.

Each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility requires the RCF Group to maintain a Consolidated Leverage Ratio (as defined in each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility), tested as of the end of each fiscal quarter of no more than 4.5:1.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of collateral will be applied towards repayment of the Revolving Credit Facilities and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Senior Note, the 2013 Senior Notes and the 2013 Guarantee Facility.

### ***Representations and Warranties***

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

### ***Undertakings***

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain restrictive covenants which substantially reflect the covenants contained in the 2012 Senior Secured Notes and the 2013 Term Loan.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility also require the RCF Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and 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 Revolving Credit Facility Agreements or the 2013 Guarantee Facility, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Trustee (as defined in the Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected defaults; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the share pledges; (xii) an entity not moving its center of main interest from its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice VII, Cool Holding, SPV1 and the Senior Secured Notes Issuer; and (xiv) restricting the making of proceeds drawn under the Revolving Credit Facility Agreements 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 €173 million (based on the exchange rate as of September 30, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series A HOT Notes") and (ii) in a nominal value equal to NIS 675 million or €141 million (based on the exchange rate as of September 30, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series B HOT Notes"). The Existing Series A HOT Notes are linked to the Consumer Price Index in Israel ("CPI") and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As of September 30, 2013, the CPI linked principal amount of Existing Series A HOT Notes outstanding was NIS 760 million or €159 million (based on the exchange rate as of September 30, 2013) and the

principal amount of the Existing Series B HOT Notes outstanding was NIS 591 million or €124 million (based on the exchange rate as of September 30, 2013).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The 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 will be:

- a. effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;
- b. *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes; and
- c. structurally senior to the 2012 Senior Notes, the 2012 Senior Secured Notes, the 2013 Senior Notes, the New Notes, the New Senior Secured Notes, the 2012 Senior Secured Notes Guarantees and the 2013 Senior Notes Guarantees granted by the 2012 Senior Secured Notes Guarantors, the 2012 Senior Notes Guarantors and the 2013 Senior Notes Guarantors .

The Existing HOT Unsecured Notes will not be subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the Existing HOT Unsecured Notes are not required to be released or otherwise transferred.

### **The Intercreditor Agreement**

To establish the relative rights of certain of our creditors, the obligors under the 2012 Notes, the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the 2013 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) or revolving bank facility (including the 2013 Guarantee Facility but excluding the 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 and the New Senior Secured 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 Senior Notes and the New 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) 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 issuer of the Senior Subordinated Notes) under or in respect of the Revolving Credit Facility Agreements (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

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 the Senior Notes Issuer (the “Holdco Debt”) and certain other liabilities will rank in right and order of payment in the following order:

- i. *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;
- ii. *second*, the Senior Subordinated Notes Debt and future permitted senior subordinated debt, *pari passu* without any preference among them;
- iii. *third*, the intercompany debt and the Holdco Debt, *pari passu*, without any preference among them; and
- iv. *fourth*, the shareholder debt.

To the extent any liability is owed by the Senior Notes Issuer in respect of any debt, the debt will rank in right and order of payment:

- i. *firstly*, the Senior Secured Debt (as defined below), *pari passu* without any preference among such debt; and
- ii. *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 the Senior Notes Issuer) 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 (to the extent not otherwise (i) prohibited by each of the Revolving Credit Facility Agreements, the indenture governing the 2012 Senior Secured Notes (the “2012 Senior Secured Notes Indenture”), the indenture to be entered into governing the New Senior Secured Notes (the “New Senior Secured Notes Indenture”, and together with the 2012 Senior Secured Notes Indenture, the “Senior Secured Notes Indentures”) the indenture governing the 2012 Senior Notes (the “2012 Senior Notes Indenture”), the indenture governing the 2013 Senior Notes (the “2013 Senior Notes Indenture”) and the indenture to be entered into governing the New Senior Notes (the “New Senior Notes Indenture”), or (ii) consented to by the relevant Representative representing the Relevant Majority of (i) Super Priority Creditors while any Super Priority Debt is outstanding, (ii) Senior Bank Creditors (if any Super Priority Debt has been discharged and while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Senior Secured Notes Indentures) the Senior Secured Notes Creditors and/or (iii) (only to the extent prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Creditors (if any Super Priority Debt or Senior Bank Debt has been discharged and while any Senior Secured Notes Debt remains outstanding):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors and the intercompany creditors and shareholders (the “Subordinated Debt”), unless not prohibited by the Senior Secured Debt documents;
- 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 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 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. The Obligors are also prohibited from granting any security in favor of the Senior Subordinated Notes Debt or the Subordinated Debt except (in respect of the Senior Subordinated Notes Debt) for security that is permitted under the Senior Secured Notes Indentures and given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors and the Relevant Majority of the Senior Bank Creditors and the Relevant Majority of the Senior Subordinated Notes Creditor or otherwise required by the relevant debt documents.

### ***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 for) 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 exceeding an amount to be agreed under any financial indebtedness (subject to any applicable grace period) of the Senior Notes Issuer, any Covenant Party or their subsidiaries has occurred;
- (b) a default and subsequent acceleration of any amounts of financial indebtedness equal to or greater than \$20 million;
- (c) failure by the Senior Secured Notes 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 that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Secured Representative 10 business days prior to the date it issues the enforcement instructions (the “Proposed Enforcement Instruction Date”). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Secured Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter date as may be agreed) (the “Consultation Period”). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing representatives determines in good faith that consultation (and thereby 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 the Senior Notes Issuer 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 the Senior Notes Issuer 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 the Senior Notes Issuer), 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 the Senior Notes Issuer 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 entitled 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 and the Issuers), 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 Issuers, 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 provided a bank guarantee in the amount of NIS 695 million in connection with the HOT Mobile's winning a frequency allotment and receiving a mobile license in 2011. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that would entitle us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of

Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. For more information “*Description of 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, 2013, we estimate that the fair value of the Earnout is NIS 244 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to the Senior Notes Issuer (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 the Senior Notes Issuer 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 Senior Secured Notes 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 Senior Secured Notes Issuer.

#### *Change of Control*

If a change of control occurs, the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer to declare the HOT Proceeds Term Note due and payable immediately. However, upon an event of default under the New 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 New 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 Senior Secured Notes 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 Senior Notes and the New Senior Notes will not benefit from any assignment of the HOT Refinancing Notes.

#### *Limitation of Liability*

For the avoidance of doubt and without in any way limiting HOT’s and the HOT Refinancing Note Guarantors’ obligations to the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer has agreed and acknowledged that

(as between HOT and the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer may make available to HOT amounts borrowed by the Senior Secured Notes 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.

#### **Senior Notes Proceeds Loans**

The Senior Notes Proceeds Loans comprise of the following:

(i) On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, the Senior Notes Issuer 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 Senior Secured Notes Issuer.

(ii) On July 2, 2013 the Senior Notes Issuer made an intercompany loan of €250 million pursuant to which the proceeds of the 2013 Senior Notes were loaned to the Senior Secured Notes Issuer (the “2013 Senior Notes Proceeds Loan”, and, together with the 2012 Senior Notes Proceeds Loan (the “Existing Senior Notes Proceeds Loans”).

(iii) Upon release of the proceeds of the New Senior Notes from escrow, the Senior Notes Issuer will make an intercompany loan to the Senior Secured Notes Issuer pursuant to which it will loan such proceeds to the Senior Secured Notes Issuer (the “New Senior Proceeds Loan” and, together with the Existing Senior Notes Proceeds Loans, the “Senior Notes Proceeds Loans”). The terms of the Senior Notes Proceeds Loans are customary for intercompany proceeds loans. The 2012 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2012 Senior Notes. The maturity date of the 2012 Senior Notes Proceeds Loan is the same as the maturity date of the 2012 Senior Notes. The 2013 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 Senior Notes. The maturity date of the 2013 Senior Notes Proceeds Loan is the same as the maturity date of the 2013 Senior Notes. The New Senior Notes Proceeds Loan will accrue interest at a rate equal to the interest rate of the New Senior Notes. The maturity date of the New Senior Notes Proceeds Loan will be the same as the maturity date of the New Senior Notes. Payments on the Senior Notes Proceeds Loan are subject to the Intercreditor Agreement.

#### **Additional Intercompany Proceeds Loans**

On the 2012 Transaction Completion Date, the Senior Secured Notes 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.

On July 2, 2013 the Senior Secured Notes Issuer made an intercompany loan to Altice Holdings with the proceeds of the 2013 Senior Notes and the 2013 Term Loan. Altice Holdings made additional intercompany proceed loans (or subscribe to bonds), including the ABO Proceeds Loan, the New Cabovisão Proceeds Notes, the Altice West Groupe Proceeds Loan, the Outremer Proceeds Loans 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 Transactions.

In connection with the New Transactions, the Senior Secured Notes Issuer will use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of the offering of the New Senior Secured Notes to make a proceeds loan (the “New AH Proceeds Loan”) to Altice Holdings. Altice Holdings will use the proceeds under the New AH Proceeds Loan to subscribe to common shares and subordinated preferred equity certificates issued by Altice Bahamas and its subsidiaries, which in turn will use such proceeds to consummate the ODO Acquisition and the Tricom Acquisition.

These loans are pledged as security for the Senior Secured Debt. The 2013 Senior Notes and 2012 Senior Notes do not benefit from any security over the intercompany proceeds loans granted by the Senior Secured Notes Issuer. For further details, see “—*Corporate and Financing Structure*”.

## **Shareholder Funding**

### **Altice VII ALPECs**

On June 6, 2013, Altice VII has authorized the issuance in several tranches of up to 9,147,526,297 Asset Linked Preferred Equity Certificates (each an “ALPEC”) with a nominal value of EUR 0.01 (one euro cent) each. The ALPECs have been issued and their terms were further amended on October 8, 2013 to provide for the issuance by Altice VII of up to 10,132,288,416 ALPECs.

Each ALPEC accrues a yield daily equal to the interest, gains, forex and/or additional profits and proceeds accrued on any yield/interest bearing and/or convertible debt investment (together the “Business Unit Assets”) of Altice VII whether directly or indirectly in any of its affiliates less a margin determined by OECD Guidelines on transfer pricing as confirmed by the Luxembourg tax authorities (“ALPEC Yield”). The ALPEC Yield is payable on each 12 month anniversary of June 6, 2013, upon a liquidation of Altice VII and upon a redemption of the ALPECs at the option of Altice VII (each an “ALPEC Payment Date”) provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If the ALPEC Yield is not paid on any ALPEC Payment Date it shall be rolled up and paid on the next ALPEC Payment Date provided that the board of managers of Altice VII may declare an earlier payment date.

Each ALPEC must be redeemed on June 6, 2062 (the “ALPEC Maturity Date”) or in the event of a liquidation of Altice VII and may be redeemed earlier than the ALPEC Maturity Date at the option of Altice VII, in each case, at a price equal to its nominal value together with all accrued and unpaid ALPEC Yield provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors, whether privileged, senior, subordinated, *pari passu*, secured or unsecured after any such payment.

The obligations of Altice VII to make payments in relation to the ALPECs are limited to the lower of (i) EUR 2,000,000 or (ii) 1 per cent. of the outstanding principal amount of the Business Unit Assets. If such available funds are insufficient to pay or repay the amounts outstanding in full for any reason, Altice VII shall have no liability in respect of the unsatisfied amount and no liability to the holder(s) of the ALPECs to make up any such deficit.

The ALPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

### **Altice VII CPECs**

On June 6, 2013, Altice VII has authorized the issuance of 21,906,623,840 Convertible Preferred Equity Certificates (each a “CPEC”) with a nominal value of EUR 0.01 (one euro cent) each. The CPECs have been issued and their terms were amended on October 8, 2013 to provide for the issuance by Altice VII of 1,481,125,000 additional CPECs.

Each CPEC must be redeemed on June 6, 2062 at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If permitted by the Intercreditor Agreement, Altice VII is entitled to repurchase each CPEC at a price equal to the greater of (i) its nominal value and (ii) the fair market value of one share in the capital of Altice VII.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of CPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any non-convertible yield free preferred equity certificates but after payment (or the provision of reasonable reserves for the future payment) of the obligations of Altice to prior ranking creditors, the aggregate nominal value of their CPECs. If at the time of liquidation Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the Senior Notes of the Senior Notes Issuer, a material breach by Altice VII of the terms and conditions of the CPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the CPECs, if permitted by the Intercreditor Agreement the holders of the CPECs are entitled to request the redemption of all or part of the CPECs at their nominal value. If at the time of such redemption request Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.



The CPECs are convertible into shares of Altice VII at any time at the option of Altice VII at a ratio of 1 share for each CPEC. The CPECs are expressed to rank prior to any shares and to any non-convertible yield-free preferred equity certificates in Altice VII, *pari passu* with any convertible preferred equity certificates and after all other present and future obligations of Altice VII.

The CPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended by the parties if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

#### **Altice VII YFPECs**

On June 6, 2013, Altice VII has authorized the issuance of 3,633,865,779 Yield Free Preferred Equity Certificates (each a “YFPEC”) with a nominal value of EUR 0.01 (one euro cent) each. The YFPECs have been issued on June 6, 2013.

Each YFPEC must be redeemed on June 6, 2062 and may be redeemed at any time before such date at the option of Altice VII, in each case, at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of YFPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors, whether privileged, senior, subordinated, *pari passu*, secured or unsecured, the aggregate nominal value of their YFPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the Senior Notes of the Senior Notes Issuer, a material breach by Altice VII of the terms and conditions of the YFPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the YFPECs, if permitted by the Intercreditor Agreement the holders of the YFPECs are entitled to request the redemption of all or part of the YFPECs at their nominal value, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors.

The YFPECs are expressed to rank prior to any shares in Altice VII or any convertible preferred equity certificates, *pari passu* with any yield free preferred equity certificates and after all other present and future obligations of Altice VII and Altice VII’s Affiliates (as defined in the Terms & Conditions of the YFPECs) whether privileged, secured or unsecured.

The YFPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended by the parties, if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

We have also issued preferred equity certificates to certain third parties and minority shareholders in our subsidiaries. As of September 30, 2013, the total amount of such preferred equity certificates were €291.3 million.

## DESCRIPTION OF SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this “Description of Senior Secured Notes” under the heading “Certain Definitions”. Certain capitalized terms used in this “Description of Senior Secured Notes” may have different definitions than the same term used in other sections of this Offering Memorandum, including “Description of Senior Notes”. For purposes of this “Description of Senior Secured 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 \$900 million aggregate principal amount of its U.S. dollar-denominated Senior Secured Notes due 2022 (the “Dollar Notes”) and €300 million aggregate principal amount of its euro-denominated Senior Secured Notes due 2022 (the “Euro Notes” and, together with the Dollar Notes, the “Notes”) under an indenture (the “Indenture”), between, *inter alios*, itself, Altice VII S.à r.l. (“Altice VII”) and Citibank, N.A., London Branch, as trustee (the “Trustee”) and as security agent (“Security Agent”) and Altice Finco S.A. (“HoldCo”) has issued \$400 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub>% Senior Notes due 2024 (the “New Senior Notes”) under an indenture (the “New Senior Notes Indenture”), between, *inter alios*, itself, Altice VII and Citibank, N.A., London Branch, as trustee (the “New Senior Notes Trustee”) and as security agent, in each case, in a private transaction that is not subject to the registration requirements of the Securities Act. The gross proceeds of the offering of the New Senior Notes sold on the Issue Date will be loaned by HoldCo to the Issuer pursuant to a proceeds loan (the “HoldCo Proceeds Loan”) upon release of such proceeds from the New Senior Notes Escrow Account (as defined below), as described herein.

Subject to the following three paragraphs, the net proceeds of the offering of the Notes sold on the Issue Date and the net proceeds of the HoldCo Proceeds Loan will be used by the Issuer to purchase the Issuer Proceeds Loans described under the heading “—The Issuer Proceeds Loans” to Altice Holdings and one of its Subsidiaries to enable Altice Holdings and such Subsidiary to:

- (1) directly or indirectly to acquire (the “Orange Dominicana Acquisition”) 75% of the capital stock of Orange Dominicana S.A., a *sociedad anónima* incorporated and existing under the laws of the Dominican Republic (“Orange Dominicana”) together with its subsidiaries (if any) as of the Issue Date hereof from Wirefree Services Denmark A/S and certain other persons (collectively, the “Orange Dominicana Seller”) pursuant to the terms of a stock purchase agreement dated November 26, 2013 among a subsidiary of Altice VII and the Orange Dominicana Seller (the “Orange Dominicana Acquisition Agreement”);
- (2) directly or indirectly acquire (the “Tricom Acquisition” and, together with the Orange Dominicana Acquisition, the “Acquisitions”):
  - (a) 88% of the capital stock of, and subordinated shareholder debt and/or preferred equity certificates, issued by Tricom S.A., a *sociedad anónima* incorporated and existing under the laws of the Dominican Republic (“Tricom”) together with its subsidiaries (if any) as of the Issue Date hereof from Hispaniola Telecom Holding Ltd. (the “Tricom Seller”) pursuant to the terms of a stock purchase agreement dated October 31, 2013 among Altice Caribbean S.à r.l. (“Altice Caribbean”), a subsidiary of Altice VII, and the Seller (the “Tricom Dominican Acquisition Agreement”); and
  - (b) 88% of the capital stock of, and subordinated shareholder debt and/or preferred equity certificates, issued by Global Interlinks Ltd., a private limited company incorporated under the laws of the Bahamas (together with Tricom, the “Tricom Targets” and, together with Orange Dominicana, the “Targets”), together with its subsidiaries (if any) as of the date hereof, from the Tricom Seller pursuant to the terms of a stock purchase agreement dated October 31, 2013 among Altice Caribbean and the Tricom Seller (together with the Tricom Dominican Acquisition Agreement, the “Tricom Acquisition Agreements” and, together with the Orange Dominicana Acquisition Agreement, the “Acquisition Agreements”); and
- (3) repay all of the outstanding Indebtedness of the applicable Targets and their respective Subsidiaries (if applicable); and
- (4) pay fees and expenses related to the foregoing,

(herein referred to collectively as the “Transactions”) as described in this Offering Memorandum under “The Transactions” and “Use of Proceeds”. Notwithstanding the foregoing, pursuant to the Orange Dominicana Acquisition Agreement, Altice VII has agreed to acquire, directly or indirectly, 100% of the capital stock of Orange Dominicana.

However, Altice VII is currently in negotiations with potential minority investors for the Orange Dominicana Acquisition as well as for the Tricom Acquisition. Altice VII expects that as a result of such negotiations it will ultimately acquire, directly or indirectly, approximately 75% of the capital stock of Orange Dominicana. However, in any event upon completion of the Acquisitions, Altice VII will hold directly or indirectly at least 70% of the capital stock of, and subordinated shareholder debt and/or preferred equity certificates, issued by Orange Dominicana and each of the Tricom Targets. If Altice VII does not reach an agreement with the potential minority investors for the Orange Dominicana and acquires 100% of the capital stock of Orange Dominicana pursuant to the terms of the Orange Dominicana Acquisition Agreement, shareholders of Altice VII are expected to make an Equity Contribution on or before the Orange Dominicana Acquisition Completion Date in an amount sufficient for Altice VII to pay the purchase price for the Orange Dominicana Acquisition to the extent Altice VII and its Subsidiaries do not otherwise have funds available for such purpose. The date on which the Orange Dominicana Acquisition is consummated is herein referred to as the “*Orange Dominicana Acquisition Completion Date*” and the date on which the Tricom Acquisition is consummated is herein referred to as the “*Tricom Acquisition Completion Date*” and each such date, an “*Acquisition Completion Date*”.

The initial purchasers have, concurrently with the closing of the offering of the Notes on the Issue Date, deposited the gross proceeds of this offering of the Notes into an escrow account (the “*Escrow Account*”) pursuant to the terms of an escrow agreement (the “*Notes Escrow Agreement*”) dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Citibank, N.A., London Branch, as Escrow Agent (the “*Escrow Agent*”). If each of the Orange Dominicana Acquisition and the Tricom Acquisition are not consummated on or prior to August 31, 2014 (the “*Escrow Longstop Date*”), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). In addition, if the Orange Dominicana Acquisition is consummated prior to the Tricom Acquisition and the Tricom Acquisition Agreements are subsequently terminated or if the Orange Dominicana Acquisition Agreement is terminated prior to the consummation of the Tricom Acquisition, a portion of the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date as described below. See “—*Escrow of Proceeds; Special Mandatory Redemption*”. The initial purchasers have, concurrently with the closing of the offering of the New Senior Notes on the Issue Date, deposited the gross proceeds of this offering of the New Senior Notes into an escrow account (the “*New Senior Notes Escrow Account*”) pursuant to the terms of an escrow agreement (the “*New Senior Notes Escrow Agreement*” and together with the Notes Escrow Agreement, the “*Escrow Agreements*”) dated as of the Issue Date among, *inter alios*, the Senior Notes Issuer, the New Senior Notes Trustee and Citibank, N.A., London Branch, as escrow agent.

The completion of the Orange Dominicana Acquisition and the Tricom Acquisition are subject to the conditions set out in the respective Acquisition Agreements, including the separate approval by the competent regulatory authorities in the Dominican Republic. As a result, it is unlikely that the Orange Dominicana Acquisition Completion Date and the Tricom Acquisition Completion Date will occur on the same day, and we are unable to predict which Acquisition will complete first. The Indenture, the New Senior Notes Indenture and the Escrow Agreements provide that, subject to the conditions in relevant Escrow Agreement:

- (1) if both Acquisition Completion Dates occur on the same date, all of the proceeds of the Notes held in the Escrow Account and all of the proceeds of the New Senior Notes held in the New Senior Notes Escrow Account will be released on such date to consummate the Acquisitions, repay all of the outstanding Indebtedness of the applicable Targets and their respective Subsidiaries and to pay fees and expenses related to the Transactions;
- (2) if the Acquisition Completion Dates do not occur on the same date:
  - (a) if the Orange Dominicana Acquisition Completion Date occurs first and the Tricom Acquisition has not been terminated:
    - (i) all of the proceeds of the New Senior Notes held in the New Senior Notes Escrow Account and \$900 million equivalent of the proceeds of the Notes held in the Escrow Account will be released on the Orange Dominicana Acquisition Completion Date to consummate the Orange Dominicana Acquisition and to pay fees and expenses related to the Transactions; and
    - (ii) the remaining proceeds of the Notes held in the Escrow Account will be released on the Tricom Acquisition Completion Date (if it occurs) to consummate the Tricom Acquisition, to repay all of the outstanding Indebtedness of the Tricom Targets and their subsidiaries and to pay any remaining fees and expenses related to the Transactions;
  - (b) if the Tricom Acquisition Completion Date occurs first and the Orange Dominicana Acquisition has not been terminated:

- (i) all of the proceeds of the New Senior Notes held in the New Senior Notes Escrow Account will be released on the Tricom Acquisition Completion Date to consummate the Tricom Acquisition and to repay all of the outstanding Indebtedness of the Tricom Targets and their subsidiaries; and
  - (ii) all of the proceeds of the Notes held in the Escrow Account will be released on the Orange Dominicana Acquisition Completion Date (if it occurs) to consummate the Orange Dominicana Acquisition and to pay any remaining fees and expenses related to the Transactions;
- (c) if the Tricom Acquisition Agreements terminate prior to the Orange Dominicana Acquisition Completion Date and prior to the termination of the Orange Dominicana Acquisition Agreement, the Issuer will be required to redeem \$405 million equivalent aggregate principal amount of the Dollar Notes and Euro Notes on a *pro rata* basis pursuant to a Special Mandatory Redemption (as described under “—*Escrow of Proceeds; Special Mandatory Redemption*”) and \$405 million equivalent of the proceeds of the Notes held in the Escrow Account will be released for that purpose (and the remaining purchase price in such Special Mandatory Redemption will be paid by Altice VII); and
- (d) if the Orange Dominicana Acquisition Agreement terminates prior to the Tricom Acquisition Completion Date and prior to the termination of the Tricom Acquisition Agreements, the Issuer will be required to:
- (i) redeem all of the Euro Notes and an aggregate principal amount of the Dollar Notes such that \$845 million equivalent aggregate principal amount of Notes is redeemed pursuant to a Special Mandatory Redemption (as described under “—*Escrow of Proceeds; Special Mandatory Redemption*”) and \$845 million equivalent of the proceeds of the Notes held in the Escrow Account will be released for that purpose (and the remaining purchase price in such Special Mandatory Redemption will be paid by Altice VII); and
  - (ii) redeem all of the New Senior Notes pursuant to a Special Mandatory Redemption (as described under “—*Escrow of Proceeds; Special Mandatory Redemption*”) and all of the proceeds of the New Senior Notes held in the New Senior Notes Escrow Account will be released for that purpose (and the remaining purchase price in such Special Mandatory Redemption will be paid by Altice VII).

The release of the proceeds of the offering of the Notes from the Escrow Account will be subject to certain conditions. See “*General—Escrow of Proceeds; Special Mandatory Redemption*”.

As of the initial issuance of the Notes, the Notes are obligations solely of the Issuer and are not guaranteed. Although Altice VII is party to the Indenture on the Issue Date for purposes of the covenants described below, the Note Guarantee of Altice VII will not be effective until an Acquisition Completion Date that results in a release of any proceeds of the Notes held in the Escrow Agreement (the “*Guarantee Trigger Acquisition Date*”) occurs (if it occurs). Assuming the Guarantee Trigger Acquisition Date occurs on or prior to the Escrow Longstop Date, on the Guarantee Trigger Acquisition Date, the Note Guarantee of Altice VII will become effective and each of Cool, H. Hadaros 2012, Ltd., Altice Holdings S.à r.l., Altice West Europe S. à r.l., Altice Caribbean, Altice Portugal and Cabovisao (subject to the Portugal Guarantee Limit Amount (as defined below)) (collectively, the “*Completion Date Guarantors*”) will execute and deliver a supplemental indenture providing for a Note Guarantee on a senior basis.

The Indenture is unlimited in aggregate principal amount and \$1,309 million equivalent in principal amount of Notes, comprising of \$900 million aggregate principal amount of Dollar Notes and € 300 million aggregate principal amount of Euro Notes, were 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 issued in this offering are 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 denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the Dollar Notes or the Euro Notes, as applicable, 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 Senior Secured 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 does not incorporate by reference any of the provisions of, the U.S. Trust Indenture Act of 1939, as amended.

This “Description of Senior Secured Notes” is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement, the Notes Escrow 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, the Notes Escrow 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, the Notes Escrow Agreement 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, prior to the Guarantee Trigger Acquisition Date, secured by a first ranking assignment over the Escrowed Property (as defined below) and the rights of the Issuer under the Notes Escrow Agreement; *provided* that in the event the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, the first ranking assignment over the remaining amount of Escrowed Property remaining in the Escrow Account and the rights of the Issuer under the Notes Escrow Agreement will also secure all of the other senior secured Indebtedness of the Issuer on a *pari passu* basis;
- will, as of the Guarantee Trigger Acquisition Date, be guaranteed by the Completion Date Guarantors and within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target 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; and
- 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.

### ***The Note Guarantees***

Subject to the following paragraph, on the Guarantee Trigger Acquisition Date, the Notes will be guaranteed by the Completion Date Guarantors (provided that the Guarantees of Cabovisao and Altice Portugal together with their 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, see “*Corporate and Financing Structure*” and the Guarantees of Orange Dominicana and the Tricom Targets, together with their guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, the New Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to the Orange Dominicana Guarantee Limit Amount (as defined below) and the Tricom Guarantee Limit Amount (as defined below), respectively). None of HOT, Altice Blue Two SAS (“*NewCo OMT*”), ABO or any of their Subsidiaries will Guarantee the Notes.

Within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target.

Although the Existing Senior Secured Notes and the other outstanding secured Indebtedness of Issuer referred to above are guaranteed by ABO, because of applicable restrictions under French law related to corporate benefit, the Notes will not be guaranteed by ABO.

Each Note Guarantee of the Notes will:

- be a general obligation of the relevant Guarantor;
- rank *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;
- rank senior in right of payment to all existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee;
- benefit from the security as set forth below under "*—Notes Security*";
- be 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
- be effectively subordinated to the Indebtedness and other obligations of Subsidiaries of Altice VII that do not Guarantee the Notes.

The Notes will not benefit from a direct guarantee from HOT or any of its Subsidiaries, NewCo OMT 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 will 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 will 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 S.à r.l.), the Notes will indirectly benefit from the loans under the Coditel Senior Credit Facility.

In addition, the Existing HOT Unsecured Notes will 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 HOT and the HOT Proceeds Note Guarantors and will rank effectively senior to the Notes and the Note Guarantees of the Guarantors in respect of such assets. As of September 30, 2013, the total principal amount of the Existing HOT Unsecured Notes outstanding was approximately NIS 1,328 million. Furthermore, the loans under the Coditel Mezzanine Facility will rank junior to the loans under the Coditel Senior Credit Facility, however the loans under the Coditel Mezzanine Facility will rank effectively senior to the Notes and the Note Guarantees in respect of the assets of Coditel Holdco and its Subsidiaries to the extent the value of such assets exceeds amounts owing under the Coditel Senior Credit Facility. As of September 30, 2013, the total principal amount of loans under the Coditel Mezzanine Facility was €106 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 September 30, 2013, on an as-adjusted consolidated basis after giving effect to the Transactions and the issuance of the Notes and the New Senior Notes and the application of the proceeds therefrom as described under "Use of Proceeds" elsewhere in this Offering Memorandum, Altice VII and its Restricted Subsidiaries would have had outstanding €3,574 million equivalent aggregate principal amount of Indebtedness if both the Tricom Acquisition and the Orange Dominicana Acquisition are consummated, €3,277 million equivalent aggregate principal amount of Indebtedness if only the Orange Dominicana Acquisition is consummated and €2,662 million equivalent aggregate principal amount of Indebtedness if only the Tricom Acquisition is consummated. As of September 30, 2013, on an as-adjusted basis after giving effect to the Transactions and the issuance of the Notes and the incurrence of the HoldCo Proceeds Loan and the application of the proceeds therefrom, the Issuer had €2,304 million equivalent aggregate principal amount of outstanding Indebtedness if both the Tricom Acquisition and the Orange Dominicana Acquisition are consummated, €2,007 million equivalent aggregate principal amount of Indebtedness if only the Orange Dominicana Acquisition is consummated and €1,685 million equivalent aggregate principal amount of Indebtedness if only the Tricom Acquisition is consummated (in each case, excluding Guarantees of the Indebtedness of Holdco).

Each of Altice VII, Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Caribbean, NewCo OMT, Altice Portugal, Cool, H. Hadaros 2012, Ltd. 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 \$900 million of Dollar Notes and €300 million of Euro Notes on the Issue Date. The Notes will mature on January 15, 2022 at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein. The Notes are issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof, and the Euro Notes were issued in minimum denominations of €100,000 and in integral multiples of € 1,000 in excess thereof.

### **Interest**

Interest on the Dollar Notes will accrue at the rate of 6.500% per annum. Interest on the Euro Notes will accrue at the rate of 6.500% 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 July 15, 2014;
- be payable to the holder of record of such Notes on January 1 and July 1 immediately preceding the related interest payment date; and
- be 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 Dollar Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Dollar Global Notes, and payments on the Euro Global Notes (as defined below) will be made to the common depository as the registered holder of the Euro Global Notes.

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 and London, United Kingdom. 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 in (i) the City of London, United Kingdom (the “Principal Paying Agent”) and (ii) New York. The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the “Directive”), or any law implementing or complying with or introduced in order to conform to such Directive. The initial Paying Agent will be Citibank, N.A., London Branch in London and Citibank, N.A. in New York.

The Issuer will also maintain one or more registrars (each, a “Registrar”). The initial Registrar will be Citigroup Global Markets Deutschland AG. The Issuer will also maintain a transfer agent. The initial transfer agent will be Citibank, N.A., London Branch. 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 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:

- Each series of 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 representing the Dollar Notes (the “Dollar 144A Global Note”), 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 144A Global Notes representing the Euro Notes (the “Euro 144A Global Note”), were deposited with and registered in the name of the common depository for the accounts of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) on the Issue Date.
- Each series of 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 representing the Dollar Notes (the “Dollar Regulation S Global Note,” and together with the Dollar 144A Global Note, the “Dollar Global Notes”) will initially be 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 Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.
- The Regulation S Global Notes representing the Euro Notes (the “Euro Regulation S Global Note”, and together with the Euro 144A Global Note, the “Euro Global Notes”) will, on the closing date, be deposited with and registered in the name of the common depository for the accounts of Euroclear and Clearstream.

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 or €100,000 principal amount, as the case may be, and integral multiples of \$1,000 in excess thereof or € 1,000 in excess thereof, as the case may be, upon receipt by the applicable 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 Euroclear, Clearstream or DTC, as applicable, from the participant which 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, Dollar 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 and Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 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 Euroclear, Clearstream or DTC, as applicable, 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 Holder of a Note as the owner of it for all purposes.

## **The Note Guarantees**

### ***General***

The Notes have not been guaranteed as of the Issue Date. Although Altice VII is a party to the Indenture on the Issue Date for the purposes of the covenants described below, Altice VII's Note Guarantee will not be effective until the Guarantee Trigger Acquisition Date occurs. Following the Guarantee Trigger Acquisition Date, the Notes will be Guaranteed by the Completion Date Guarantors that grant a Notes Guarantee on such date 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 and Cabovisao, together with the guarantee by Cabovisao and Altice Portugal of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Existing Senior Secured Notes, the Existing Senior Notes, the New Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to €95 million (the “*Portugal Guarantee Limit Amount*”). Within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target. The Note Guarantee of Orange Dominicana, together with the guarantee by Orange Dominicana of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Existing Senior Secured Notes, the Existing Senior Notes, the New Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to \$856 million (the “*Orange Dominicana Guarantee Limit Amount*”) and the Note Guarantees of the Tricom Targets, together with the guarantees by the Tricom Targets of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Existing Senior Secured

Notes, the Existing Senior Notes, the New Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to \$260 million (the “*Tricom Guarantee Limit Amount*”).

On the Issue Date and the Guarantee Trigger Acquisition Date, the Notes did not and will not benefit from a direct guarantee from HOT or any of its Subsidiaries, from NewCo OMT or any of its Subsidiaries, from ABO or any of its Subsidiaries or from Coditel Holding 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 formed for the purpose of serving as the issuer of the Notes and does not conduct, and will be prohibited by the Indenture from engaging in, any operations. Upon completion of the 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, Orange Dominicana Acquisition Completion Date, if it occurs, the Tricom Acquisition Completion Date, if it occurs, and cash in its bank accounts. As a result, the Issuer is wholly dependent on payments from Altice VII 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 VII and each of the other Guarantors that are holding companies are conducted through their respective Subsidiaries and, therefore, each of Altice VII 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 VII 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 will be effectively subordinated to the Existing HOT Unsecured Notes and the loans under the Coditel Mezzanine Facility. Neither the Existing HOT Unsecured Notes nor the Coditel Mezzanine Facility will not be subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool, HOT or Coditel Holdco 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 or the lenders under the Coditel Mezzanine Facility, as applicable, 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 VII that do not Guarantee the Notes. Any right of the Issuer or any Guarantor to receive assets of any of the Subsidiaries of Altice VII that do not Guarantee the Notes upon that non-guarantor Subsidiary’s liquidation or reorganisation (and the consequent 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 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 VII 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. 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 Guarantee Trigger Acquisition Date. For purposes of the Indenture and this “*Description of Senior Secured 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 VII 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 VII 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 VII*”; 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:

- 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 VII 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 Subsidiary 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*”;
- 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, 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***

On the Issue Date, the Notes will be secured only by a security interest in the Escrowed Property. On the Guarantee Trigger Acquisition Date, the Notes will be secured on a first priority basis by:

- share pledges over all of the Capital Stock of the Issuer and the Completion Date Guarantors;
- a pledge over the bank accounts and all receivables of the Issuer, including the Issuer Proceeds Loans made on December 12, 2012; July 2, 2013; August 8, 2013, the Orange Dominicana Acquisition Completion Date and the Tricom Acquisition Completion Date;
- a pledge over substantially all of the assets of each of the Guarantors, including all of the Capital Stock of HOT (other than the Minority Shareholder Call Options and certain management share options), Tricom and Orange Dominicana;
- a pledge over each HoldCo Proceeds Loan; and
- a pledge over the Subordinated Shareholder Loan;

(collectively, the “Notes Collateral”); *provided* that if the Orange Dominicana Acquisition Date occurs prior to the Tricom Acquisition Completion Date, the security interest in the Escrowed Property remaining in the Escrow Account will also secure all of the other senior secured Indebtedness of the Issuer on a *pari passu* basis.

Following the Orange Dominicana Acquisition Completion Date (if it occurs), on the date Orange Dominicana becomes a Guarantor, it will also pledge substantially all of its property and assets to secure the Notes on a first- priority basis; *provided* that to the extent fair market value of a real estate asset is less than €5 million, such real estate asset shall be excluded from the pledge requirements of this paragraph. Following the Tricom Acquisition Completion Date (if it occurs), on the date any Tricom Target becomes a Guarantor, it will also pledge substantially all of its property and assets to secure the Notes on a first-priority basis; *provided* that to the extent fair market value of a real estate asset is less than €5 million, such real estate asset shall be excluded from the pledge requirements of this paragraph. Furthermore within 90 days of the applicable Acquisition Completion Date, the Capital Stock of the relevant Target owned directly or indirectly by Altice VII will be pledged to secure the Notes on a first-priority basis. The granting of the pledge of Capital Stock of each Target is subject to the prior approval of Indotel and will not be granted if such approval is not obtained.

The Notes Collateral will also secure 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 and August 8, 2013 and to be entered into on the Orange Dominicana Acquisition Completion Date and the Tricom Acquisition Completion Date 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 VII has only a shareholder’s claim over the assets of HOT and its Subsidiaries, NewCo OMT 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 NewCo OMT and its Subsidiaries have against NewCo OMT 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 will only be creditors of the Issuer and the Guarantors and will not have any direct claim on the cash flows or assets of HOT and its Subsidiaries, NewCo OMT and its Subsidiaries or Coditel Holdco and its Subsidiaries, and none of HOT, NewCo OMT, 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).

Although the assets of ABO (including the shares of green.ch) secure the Existing Senior Secured Notes and the other outstanding secured Indebtedness of the Issuer, because of applicable restrictions under French law related to corporate benefit, such assets will not secure the Notes. However, pursuant to the Intercreditor Agreement the holders of the Notes will share in the proceeds of any enforcement of the security interests over such assets in accordance with the terms thereof.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, Altice VII 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 VII 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. NewCo OMT 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 Trustee 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*” and 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 Indenture, 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 Trustee to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents. The creditors under Revolving Credit Facilities, the trustee under the Existing Senior Secured Notes Indenture, the Senior Credit Facility, 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 Trustee 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 Trustee on its behalf.

## ***Security Documents***

Under the Security Documents, the applicable grantor of security has or will grant security over the Notes Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. 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 lenders under the Existing Senior Secured Notes, the Existing Senior Notes, the New Senior Notes, 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, 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 or the Note Guarantees and 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 are not 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 VII, a Subsidiary of Altice VII 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) any exercise of the Minority Shareholder Call Option or (ii) any other 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 VII 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 VII designates any Restricted Subsidiary 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 (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; or
- (9) in connection with a transaction permitted by the covenant described below under the caption “—*Certain Covenants—Merger and Consolidation*”;

provided that, the Security Interests created by the Escrow Assignment may only be released upon release of all of the Escrowed Property from the Escrow Account in accordance with the terms of the Notes Escrow Agreement.

Upon certification by the Issuer, the Trustee and the Security Trustee 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 (\$298.1 million equivalent as of September 30, 2013);
- (2) an Issuer Proceeds Loan to SPV-1 in aggregate principal amount of approximately NIS 955.5 million (\$270.5 million equivalent as of September 30, 2013);
- (3) an Issuer Proceeds Loan to HOT, in aggregate principal amount of approximately NIS 1.9 billion (\$537.9 million equivalent as of September 30, 2013); and
- (4) a revolving note facility available to HOT in aggregate principal amount of NIS 320 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. If the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, on the Orange Dominicana Acquisition Completion Date the Issuer will make an Issuer Proceeds Loan to Altice Holdings in an aggregate principal amount of \$1,309 million equivalent and on the Tricom Acquisition Completion Date, the Issuer will make an Issuer Proceeds Loan to Altice Holdings in an aggregate principal amount of \$400 million, otherwise, on the Orange Dominicana Acquisition Completion Date the Issuer will make an Issuer Proceeds Loan to Altice Holdings in an aggregate principal amount \$1,709 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, NewCo OMT 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 will be 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) HOT and the HOT Proceeds Note Guarantors in the event of an event of default under the HOT Proceeds Note, in each case, indirectly as a result of the assignment of the HOT Proceeds Note and/or the ability of the holders of the Notes to direct the actions of the Issuer in connection with the HOT Proceeds Note in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby; (ii) NewCo OMT or the applicable Restricted Subsidiary of NewCo OMT in the event of an event of default under the applicable OMT Proceeds Loan, in each case, indirectly as a result of the assignment of such OMT Proceeds Loan and/or the ability of the holders of the Notes to direct the actions of Altice Pool in connection with such 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 Pool 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 will be 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 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 reorganisation (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 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 the Issuer to enforce its rights under such OMT Proceeds Loan upon an event of default thereunder in order to access the OMT Proceeds Loan 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 the Issuer 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 is 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 VII 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 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—The Subsidiary Guarantors*”;
- 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 are 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, HOT and the HOT Proceeds Note Guarantors will 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.

The HOT Proceeds Note and the Indenture provide 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, will be 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**

HOT and the HOT Proceeds Note Guarantors 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 VII or any Restricted Subsidiary of Altice VII (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; or
- (8) in connection with a transaction permitted by the covenant described below under the caption “—*Certain Covenants—Merger and Consolidation*”.

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 VII may at any time elect to cause HOT and the HOT Proceeds Note Guarantors 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 VII may at any time elect to cause OMT NewCo and its Subsidiaries that are obligors or guarantors under an OMT Proceeds Loan (together with OMT NewCo, each, an “*OMT Proceeds Loan Obligor*”) 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 Loan Collateral on such date. In connection therewith, the applicable OMT Proceeds Loan Guarantees and the applicable OMT Proceeds Loan 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 indenture governing the Existing Senior Secured Notes and the trustee and the holders of notes under the indenture governing each of the Existing Senior Notes and the New Senior Notes, Altice VII and the Guarantors, the agents under the Revolving Credit Facilities, the agent under the Guarantee Facility, the agent under the Senior Credit Facility, the trustee under the indenture governing the Existing Senior Secured Notes, the trustee under the indenture governing each of the Existing Senior Notes, the trustee under the indenture governing the 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*”. Upon release of the proceeds of the Notes from escrow, the Trustee will become party to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facilities and certain Hedging Obligations that are permitted to be secured on the Notes Collateral (see “*Certain Definitions—Permitted Collateral Liens*”) 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 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 and the Guarantee 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 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.

### **Restricted Subsidiaries and Unrestricted Subsidiaries**

As of the Issue Date, all of Altice VII’s Subsidiaries were Restricted Subsidiaries other than Holdco. Green Datacenter and Auberimmo SAS have also been designated as unrestricted subsidiaries. However, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*”, Altice VII 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.

### **Escrow of Proceeds; Special Mandatory Redemption**

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer entered into the Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers deposited with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes into the Escrow Account. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Notes Escrow Agreement) are referred to, collectively, as the “*Escrowed Property*”. The Escrowed Property is controlled by, and pledged on a first ranking basis in favor of, the Security Agent on behalf of the holders of the Notes; *provided* that that if the Orange Dominicana Acquisition Date occurs prior to the Tricom Acquisition Completion Date, the security interest in the remaining amount of Escrowed Property remaining in the Escrow Account will also secure all of the other senior secured Indebtedness of the Issuer on a *pari passu* basis.

In order to cause the Escrow Agent to release any Escrowed Property to the Issuer (any such release, the “*Release*”), the Escrow Agent and the Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an officer’s certificate, in the form attached to the Notes Escrow Agreement:

- (1) if the Orange Dominicana Acquisition Completion Date occurs on or prior to the Tricom Acquisition Completion Date or after the Tricom Special Mandatory Redemption Triggering Event, on or before the Orange Dominicana Acquisition Completion Date to the effect that:
  - (i) (A) the Orange Dominicana Acquisition will be consummated, promptly upon release of the Escrowed Property relating to the Orange Dominicana Acquisition, on substantially the same terms as described with respect to the Orange Dominicana Acquisition in this Offering Memorandum under the heading “The Transactions—ODO Acquisition”, and (B) no provision of the Orange Dominicana Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of holders of the Notes, other than any amendment or waiver made with the consent of holders of a majority of the outstanding Notes;
  - (ii) immediately after consummation of the Orange Dominicana Acquisition, Altice VII will own, directly or indirectly, at least 70% of the outstanding Capital Stock of and shareholder debt issued by Orange Dominicana; and
  - (iii) as of the Orange Dominicana Acquisition Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer or Altice VII;

*provided* that the applicable release will occur promptly upon the satisfaction of the applicable conditions set forth above and (x) if the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, only \$900 million equivalent of the Escrowed Property will be released on the Orange Dominicana Acquisition Completion Date (on a *pro rata* basis between the Dollar Escrow Account and the Euro Escrow Account) and the remaining Escrowed Property may be released on the Tricom Acquisition Completion Date (if it occurs) and (y) if the Orange Dominicana Acquisition Completion Date occurs on the Tricom Acquisition Completion Date or after a Tricom Special Mandatory Redemption Triggering Event, all of the Escrowed Property will be paid out in accordance with the Notes Escrow Agreement and upon the Release, the Escrow Account will be reduced to zero;

- (2) on or prior to the Tricom Acquisition Completion Date (if an Orange Dominicana Special Mandatory Redemption Triggering Event has occurred on or before the Tricom Acquisition Completion Date), to the effect that:
- (i) (x) the Tricom Acquisition will be consummated, promptly upon release of the Escrowed Property relating to the Tricom Acquisition, on substantially the same terms as described with respect to the Tricom Acquisition in this Offering Memorandum under the heading “The Transactions—Tricom Acquisition”, and (y) no provision of either Tricom Purchase Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of holders of the Notes, other than any amendment or waiver made with the consent of holders of a majority of the outstanding Notes;
  - (ii) immediately after consummation of the Tricom Acquisition, Altice VII will own, directly or indirectly, at least 70% of the outstanding Capital Stock of and shareholder debt issued by each Tricom Target; and
  - (iii) as of the Tricom Acquisition Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer or Altice VII,

*provided* that the Release will occur promptly upon the satisfaction of the applicable conditions set forth above and the applicable amount of Escrowed Property will be paid out in accordance with the Notes Escrow Agreement and the Escrow Account will be reduced to zero; and

- (3) if the Orange Dominicana Acquisition Completion Date occurs after the Tricom Acquisition Completion Date, on or before the Orange Dominicana Acquisition Completion Date to the effect that:
- (a) (i) the Orange Dominicana Acquisition will be consummated, promptly upon release of the Escrowed Property, on substantially the same terms as described with respect to the Orange Dominicana Acquisition in this Offering Memorandum under the heading “*The Transactions—ODO Acquisition*”, and (ii) no provision of the Orange Dominicana Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of holders of the Notes, other than any amendment or waiver made with the consent of holders of a majority of the outstanding Notes;
  - (b) immediately after consummation of the Orange Dominicana Acquisition, Altice VII will own, directly or indirectly, at least 70% of the outstanding Capital Stock of Orange Dominicana; and
  - (c) as of the Orange Dominicana Acquisition Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer or Altice VII,

*provided* that the Release will occur promptly upon the satisfaction of the applicable conditions set forth above and the applicable amount of Escrowed Property will be paid out in accordance with the Notes Escrow Agreement and the Escrow Account will be reduced to zero.

As used herein:

- (1) “*Orange Dominicana Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) the Orange Dominicana Acquisition Completion Date does not take place on or prior to the Escrow Longstop Date; or (b) the Orange Dominicana Acquisition Agreement terminates at any time prior to the Escrow Longstop Date;
- (2) “*Tricom Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) the Tricom Acquisition Completion Date does not take place on or prior to the Escrow Longstop Date; or (b) either of the Tricom Purchase Agreements terminates at any time prior to the Escrow Longstop Date;
- (3) “*General Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) at any time prior to the Escrow Longstop Date, the Permitted Holders cease to beneficially own and control a majority of the issued and outstanding Capital Stock of Altice VII or Altice VII ceases to own and control 100% of the issued and outstanding Capital Stock of the Issuer; or (b) there is an event of bankruptcy, insolvency or court protection with respect to Altice VII or the Issuer on or prior to the Escrow Longstop Date; and
- (4) “*Special Mandatory Redemption Date*” means the date on which any Orange Dominicana Special Mandatory Redemption Triggering Event, Tricom Special Mandatory Redemption Triggering Event or General Special Mandatory Redemption Triggering Event occurs, as applicable.

If at any time prior to the Orange Dominicana Acquisition Completion Date, any Orange Dominicana Special Mandatory Redemption Triggering Event occurs:

- (i) prior to the Tricom Acquisition Completion Date (so long as no Tricom Special Mandatory Redemption Triggering Event has occurred), the Issuer will redeem (any redemption pursuant to this clause (i), the “*Orange Dominicana Special Mandatory Redemption*”) all of the Euro Notes and an aggregate principal amount of Dollar Notes such that \$845 million equivalent aggregate principal amount of the Notes is redeemed at a price (the “*Special Mandatory Redemption Price*”) equal to 100% of the initial issue price of the Notes to be redeemed, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory 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); or
- (ii) after the Tricom Acquisition Completion Date or after a Tricom Special Mandatory Redemption Triggering Event, the Issuer will redeem 100% of the aggregate principal amount of the Notes at the Special Mandatory Redemption Price (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If at any time prior to the Tricom Acquisition Completion Date, any Tricom Special Mandatory Redemption Triggering Event occurs, the Issuer will redeem (the “*Tricom Special Mandatory Redemption*”) \$405 million equivalent aggregate principal amount of the Dollar Notes and the Euro Notes on a *pro rata* basis at the Special Mandatory Redemption Price (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If at any time prior to the Escrow Longstop Date any General Special Mandatory Redemption Triggering Event occurs, the Issuer will redeem, if prior to the Orange Dominicana Acquisition Completion Date, all of the Notes and, if after the Orange Dominicana Acquisition Completion Date but prior to the Tricom Acquisition Completion Date, the aggregate principal amount of the Notes equal to the amount of the Escrowed Property remaining in the Escrow Account (the “*General Special Mandatory Redemption*” and together with the Orange Dominicana Special Mandatory Redemption and the Tricom Special Mandatory Redemption, the “*Special Mandatory Redemptions*”), in each case, at the Special Mandatory Redemption Price (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the applicable Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the applicable Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Notes Escrow Agreement (any such date, a “*Special Mandatory Redemption Date*”). On or before the relevant Special Mandatory Redemption Date, the Escrow Agent shall pay to the principal paying agent under the Indenture for payment to each holder of Notes to be redeemed the Special Mandatory Redemption Price for such holder’s Notes and, in the event all of the outstanding Notes are redeemed in such Special Mandatory Redemption, concurrently with the payment to such holders, shall deliver any excess Escrowed Property (if any) to the Issuer.

On the Issue Date, Altice VII entered into a guarantee agreement pursuant to which it guarantees the Issuer’s obligations under the Notes in the event the Special Mandatory Redemption Price payable upon any Special Mandatory Redemption exceeds the amount of the Escrowed Property or, in the case of a partial release from the Escrow Account, the amount of Escrowed Property released in such Special Mandatory Redemption.

To secure the payment of the Special Mandatory Redemption Price, the Issuer granted to the Security Agent for the benefit of the holders of the Notes a security interest in the Escrow Account (the “*Escrow Assignment*”); *provided that* in the event the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, the Escrow Assignment over the remaining Escrowed Property and the rights of the Issuer under the Notes Escrow Agreement will also secure all of the other senior secured Indebtedness of the Issuer on a *pari passu* basis.

If at the time of the applicable Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

### **Optional Redemption**

Except as described below and except as described under “*Redemption for Changes in Withholding Taxes*” and “*Escrow of Proceeds; Special Mandatory Redemption*”, the Notes are not redeemable until December 15, 2016. On and after December 15, 2016 the Issuer may redeem all or, from time to time, part of the Dollar Notes and/or the Euro Notes upon not less than 30 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 December 15 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>	
	<u>Dollar Notes</u>	<u>Euro Notes</u>
2016 .....	104.875%	104.875%
2017 .....	103.250%	103.250%
2018 .....	101.625%	101.625%
2019 and thereafter .....	100.000%	100.000%

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 such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to December 15, 2016, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Dollar Notes and up to 40% of the original amount of the Euro Notes (including, in each case, the principal amount of any Additional Notes denominated in such currencies), upon not less than 30 nor more than 60 days' notice, with funds in an aggregate amount (the "Redemption Amount") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.500% of the principal amount of the Dollar Notes and 106.500% of the principal amount of the Euro Notes, plus, in each case, 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 each of the Dollar Notes (including the principal amount of any Additional Notes denominated in U.S dollars) and the Euro Notes (including the principal amount of any Additional Notes denominated in euro) 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, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to December 15, 2016, the Issuer may redeem all or, from time to time, a part of the Dollar Notes and/or the Euro Notes upon not less than 30 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). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

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**

Except as described under "*Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is not 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 Trustee or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, 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 as the Trustee deems fair and appropriate or by lot or such other similar method in accordance with the procedures of DTC or Euroclear and Clearstream; *provided, however*, that no Dollar Note of \$200,000 in aggregate principal amount or less shall be redeemed in part and only Dollar Notes in integral multiples of \$1,000 will be redeemed and no Euro Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Euro 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 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 30 nor more than 60 days prior to the redemption date, the Issuer will 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. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange (*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 30 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 the 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 the 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 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, 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 the Notes was 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 the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) 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.

The Trustee will accept and shall be entitled to rely 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.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.



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 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 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 being a resident of such jurisdiction for Tax purposes), 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;
- (4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;
- (6) 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;
- (7) 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;
- (8) all United States federal backup withholding taxes;

- (9) 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;
- (10) any combination of items (1) through (9) 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 (10) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder 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 (5) or (7) through (9) 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 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 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 Senior Secured 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 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes) 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 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 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 Dollar Notes held by any holder to below \$200,000 or the Euro Notes held by any holder to below €100,000.

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, 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 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 30 days nor later than 60 days from the date such notice is mailed) and the record date (the “Change of Control Payment 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;
- (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, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; 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 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 or, to the extent and in the manner permitted by such rules, 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 (as defined in the New Indentures) as required by the New Indentures*”.

On the Change of Control Payment Date, if the Change of Control 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 principal Paying Agent the 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 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 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro 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 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. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. 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 may deter a third party from seeking to acquire Altice VII 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 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 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, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the 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 VII's management or its Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of Altice VII 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.

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. Future Indebtedness of the Issuer, Altice VII or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon 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 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 VII'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 (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 VII 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. 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 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 two-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 VII 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes, *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 an Minority Shareholder Option Proceeds Offer is less than the Minority Shareholder Option Proceeds, Altice VII 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 Asset Disposition 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes. 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 delivery 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, in the case of Dollar Notes, and €100,000, in the case of Euro Notes. 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 VII 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 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 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 €100 million and 4.0% of Total Assets; *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by Altice VII or any Restricted Subsidiary of Indebtedness of Altice VII 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 second, third or fourth 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 VII or any Restricted Subsidiary securing Indebtedness of Altice VII 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 VII owing to and held by any Restricted Subsidiary, or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary; *provided, however*, that:
  - (a) 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 VII and the Restricted Subsidiaries and (ii) only to the extent legally permitted (Altice VII 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;

- (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 VII or a Restricted Subsidiary; and
  - (ii) any sale or other transfer of any such Indebtedness to a Person other than Altice VII 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 VII 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 thereof issued on the Guarantee Trigger Acquisition Date, or, in the case of Orange Dominicana and the Tricom Targets, within 90 days of the Guarantee Trigger Acquisition Date, (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 Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Account), (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 of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice VII or a Restricted Subsidiary; *provided, however*, that immediately following the consummation of such acquisition or other transaction, (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 and (ii) if such Indebtedness is not Senior Secured Indebtedness, the Issuer and the Guarantors would have been able to Guarantee €1.00 of in additional Indebtedness of HoldCo pursuant to clause (15) below, in each case, after giving pro forma effect to the relevant acquisition or other transaction and the Incurrence of such Indebtedness pursuant to this clause (5);
- (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 so long as (i) such operating expenses and capital expenditures are denominated in euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of Altice VII 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 the Issuer);
- (8) Indebtedness consisting of (A) Capitalized Lease Obligations, 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, 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) 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 €75 million and 2.5% of Total Assets so long as such Indebtedness exists on the date of such purchase, design, construction, installation or improvement, or is Incurred within 180 days thereafter;
- (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 VII 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 VII 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 VII 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) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;
- (14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of Altice VII 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 VII and the Restricted Subsidiaries from the issuance or sale (other than to Altice VII or a Restricted Subsidiary) of its Subordinated Shareholder Funding 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 VII, 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), (6) and (10) of the third paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” to the extent Altice VII 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 VII or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) 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 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 (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 €100 million and 4.0% of Total Assets.

So long as Coditel Holding Lux S.à r.l. is not a Guarantor but is a Subsidiary of a Altice VII, (i) none of Altice VII 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 NewCo OMT is not a Guarantor, NewCo OMT 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 (4)(d), (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 the description of this covenant cannot be reclassified;
- (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 VII or a Restricted Subsidiary, or Preferred Stock of Altice VII 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *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; (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 euros 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 Senior Secured Leverage Ratio or the Consolidated 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *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; 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 Senior Secured Leverage Ratio or the Consolidated 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 Note Guarantor 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 Senior Secured Leverage Ratio or the Consolidated 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 VII 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 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 VII 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 VII's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving Altice VII or any Restricted Subsidiary) except:
  - (a) dividends or distributions payable in Capital Stock of Altice VII (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of Altice VII (other than Disqualified Stock) or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to Altice VII 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 VII 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 VII) any (a) Capital Stock of Altice VII or any direct or indirect Parent of Altice VII held by Persons other than Altice VII or a Restricted Subsidiary (other than in exchange for Capital Stock of Altice VII (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; 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) are referred to herein as a "Restricted Payment"), if at the time Altice VII 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) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" and the Issuer and the Guarantors are not able to Guarantee €1.00 of in additional Indebtedness of HoldCo pursuant to clause (15) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*", in each case, 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 VII and the Restricted Subsidiaries subsequent to December 12, 2012 (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 second 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 VII's most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of Altice VII 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 last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII subsequent to the Issue Date (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 VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII 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 and (y) Excluded Contributions);
- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII or any Restricted Subsidiary from the issuance or sale (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) by Altice VII or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of Altice VII (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 last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII 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 VII 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 VII 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 VII or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *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 last paragraph of this covenant) of property, assets or marketable securities received by Altice VII or any Restricted Subsidiary in connection with:
  - (A) the sale or other disposition (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of Altice VII; and
  - (B) any dividend or distribution made by an Unrestricted Subsidiary to Altice VII or a Restricted Subsidiary;

which Unrestricted Subsidiary was designated as such after the Issue Date; *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 VII or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into Altice VII or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the last paragraph of this covenant) of any property, assets or

marketable securities received by Altice VII 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 the Issue Date; *provided however*, that no amount will be included in Consolidated Net Income 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 VII or a Subsidiary of Altice VII) of, Capital Stock of Altice VII (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Subordinated Shareholder Funding 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 VII; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) 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) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of Altice VII 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 VII or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (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*” 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 and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness, 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 and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; 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 VII 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;

- (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 VII, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by Altice VII to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice VII, 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 VII, 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) €8 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 €15 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by Altice VII or the Restricted Subsidiaries since the Issue Date (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 VII 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 VII 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) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by Altice VII of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of Altice VII or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by s Altice VII from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of Altice VII or contributed as Subordinated Shareholder Funding to Altice VII and (b) following the Initial Public Offering, an amount equal to the greater of (i) 5% of the Market Capitalization and (ii) 5% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.0 to 1.0; *provided, further*, that if such Public Offering was of Capital Stock of a Parent, 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;
- (11) payments by Altice VII, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of Altice VII 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 the Issuer);
- (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;
- (16) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of Altice VII issued after the Issue Date; *provided, however*, that the amount of all dividends declared or paid by Altice VII pursuant to this clause (16) shall not exceed the Net Cash Proceeds received by Altice VII from the issuance or sale of such Designated Preference Shares;
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Leverage Ratio does not exceed 3.00 to 1.0 on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment; and
- (18) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €75 million and 2.0% of Total Assets.

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 VII 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 VII acting in good faith.

#### ***Limitation on Liens***

Altice VII 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 (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.*”

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

Altice VII 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 VII or any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to Altice VII or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to Altice VII or any Restricted Subsidiary;
- (B) make any loans or advances to Altice VII or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to Altice VII 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 VII or any Restricted Subsidiary to other Indebtedness Incurred by Altice VII or any Restricted Subsidiary 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 Indenture, the Existing Senior Notes and the Guarantees thereof, the New Senior Notes and the Guarantees thereof, the indentures governing the Existing Senior Notes and the New Senior Notes, the Coditel Mezzanine Facility, the Coditel Senior Credit Facility, the Coditel Intercreditor Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Notes Escrow Agreement, the Security Documents, the Senior Secured Notes Security Documents, the HOT Proceeds Note, 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 VII or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by Altice VII or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (*provided* that its direct or indirect Parent becomes a Restricted Subsidiary or is merged, consolidated or otherwise combined with or into Altice VII on such date) (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 VII or was merged, consolidated or otherwise combined with or into Altice VII 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 VII 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 VII 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 VII 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;
  - (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 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 Guarantee Trigger Acquisition 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) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, 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 VII will not and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) Altice VII 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 the Issuer, 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) received by Altice VII or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents.

After the receipt of Net Available Cash from an Asset Disposition, Altice VII or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of Altice VII or such Restricted Subsidiary):

- (a) (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*” 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, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), Altice VII or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) 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, the loans under the Coditel Mezzanine Facility and, if not owed to Altice VII or an Affiliate, Coditel Senior Facility or any Pari Passu Indebtedness of the Issuer 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 Altice VII or such Restricted Subsidiary shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if Altice VII or such Restricted Subsidiary makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer 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 VII or any Restricted Subsidiary); or (iv) to purchase the Notes pursuant to 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);
- (b) to the extent Altice VII 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 VII 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 the Issuer 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 the Issuer 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 VII 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 the Issuer pursuant to clauses (b) or (c) of the second 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 (“*Asset Disposition 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 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

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 VII 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 (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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes. 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 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, in the case of Dollar Notes, and €100,000, in the case of Euro Notes. 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 of Indebtedness of Altice VII or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of Altice VII 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 VII or any Restricted Subsidiary from the transferee that are converted by Altice VII 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 VII 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 VII or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by Altice VII 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 €45 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 VII 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 VII (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 VII 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; 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 the Issuer 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.

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), (2) and (17) 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 VII, 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 the Issuer, 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 VII and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Altice VII, 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 VII,

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 Transactions and the entry into and performance of obligations of Altice VII 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;
- (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 VII or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of Altice VII 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 VII or any Restricted Subsidiary and any Affiliate of Altice VII or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because Altice VII or a Restricted Subsidiary or any Affiliate of Altice VII 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 VII 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 VII 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 VII 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 €5 million or 1.0% of Consolidated EBITDA (as reported by Altice VII in the financial statements delivered pursuant to clause (1) of the covenant under “*Reports*” for the most recent fiscal year ended prior to the date of determination) per year; (b) customary payments by Altice VII 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, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of Altice VII in good faith; and (c) payments of all fees and expenses related to the Transactions;
- (12) any transaction effected as part of a Qualified Receivables Financing; and
- (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*”.

### ***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 VII will provide to the Trustee the following reports:

- (1) within 120 days after the end of Altice VII's fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to the Offering Memorandum, the following information: audited consolidated balance sheet of Altice VII as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of Altice VII for the three most recent fiscal years, 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 VII can provide *pro forma* financial statements prepared on a basis consistent with the *pro forma* information contained in "Pro Forma" section of this Offering Memorandum to meet the requirements set forth above); unaudited *pro forma* income statement information and balance sheet information of Altice VII (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 VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis or (ii) recapitalizations by Altice VII or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (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 VII, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of Altice VII, 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 VII beginning with the quarter ending March 31, 2014, all quarterly reports of Altice VII containing the following information: (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 VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA 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); *provided*, that for any report required to be delivered pursuant to this clause (2) for any quarterly period ended prior to March 31, 2014, Altice VII can meet its obligations hereunder by delivering the reports for such quarterly period that the Issuer provides to holders of the Existing Senior Secured Notes; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in a senior executive officer or the Board of Directors of Altice VII or change in auditors of Altice VII, or any other material event that Altice VII or any Restricted Subsidiary announces publicly, a report containing a description of such event.

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 above, no report need include separate financial statements for Altice VII or Subsidiaries of Altice VII or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time any Subsidiary of Altice VII 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 VII and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Altice VII.

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 VII 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 VII and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by Altice VII in good faith) or (b) to the extent Altice VII 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 VII 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 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, post such reports on the official website of the Luxembourg Stock Exchange (*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.

### ***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 VII*

Altice VII 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 VII) will be a Person organized and existing under the laws of any member state of the European Union, 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 VII) 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 VII under the Notes and the Indenture and (b) all obligations of Altice VII under the Intercreditor Agreement and the Security Documents, 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 applicable four-quarter period, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" and the Issuer and the Guarantors would have been able to Guarantee €1.00 of in additional Indebtedness of HoldCo pursuant to clause (15) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"; or (b) each of the Consolidated Leverage Ratio and the Consolidated Senior Secured 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 VII, which properties and assets, if held by Altice VII instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of Altice VII on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Altice VII.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Altice VII 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 VII 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 VII (so long as Altice VII 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 VII. 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 VII may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of Altice VII, reincorporating Altice VII in another jurisdiction or changing the legal form of Altice VII.

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 VII or 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 VII 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.

#### *HOT*

HOT 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 Successor Company (if not HOT) will be a Person organized and existing under the laws of any member state of the European Union, 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 HOT) will expressly assume, (a) by an accession agreement (the “HOT Accession Agreement”), executed and delivered to the security agent for the HOT Proceeds Note (with copy to the Trustee), in form reasonably satisfactory to such security agent and the Trustee, all the obligations of Hot under the HOT Proceeds Note and (b) all obligations of HOT under the HOT Proceeds Note Security Documents, 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 applicable four-quarter period, either (a) the Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” and the Issuer and the Guarantors would have been able to Guarantee €1.00 of in additional Indebtedness of HoldCo pursuant to clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”; or (b) each of the Consolidated Leverage Ratio and the Consolidated Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and
- (4) HOT 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 HOT Accession Agreement comply with the Indenture and an Opinion of Counsel to the effect that the HOT Accession Agreement 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 HOT, which properties and assets, if held by HOT instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of HOT on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of HOT.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, HOT under the HOT Proceeds Note 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 HOT Proceeds Note.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the third preceding paragraph (which does not apply to transactions referred to in this sentence in which HOT is the Successor Company), (a) any Restricted Subsidiary of HOT may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to HOT; (b) HOT may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other HOT Proceeds Note Guarantor; and (c) any Restricted Subsidiary of HOT that is not a HOT Proceeds Note Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary of HOT or HOT. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the third preceding paragraph of this covenant, HOT may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of HOT, reincorporating HOT in another jurisdiction or changing the legal form of HOT.

#### *The HOT Proceeds Note Guarantors*

Prior to the HOT Direct Obligation Event, none of the HOT Proceeds Note Guarantors (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 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 HOT, Altice VII, 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 Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the HOT Proceeds Note Guarantor under its HOT Proceeds Note Guarantee and the HOT Proceeds Note and all obligations of the HOT Proceeds Note Guarantor 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 Guarantor or the sale or disposition of all or substantially all the assets of a HOT Proceeds Note Guarantor (in each case other than to Altice VII 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 Guarantor and (b) any HOT Proceeds Note Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other 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 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 HOT Proceeds Note Guarantor reincorporating the HOT Proceeds Note Guarantor in another jurisdiction, or changing the legal form of the HOT Proceeds Note Guarantor.

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 VII, 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 VII 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 Facility, 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 VII 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 Facility, 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 Indenture, the New Senior Notes Indenture, the Existing Senior Notes Indentures, any Security Document to which it is a party, the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Indenture) or the Notes Escrow Agreement;
  - (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 Indenture, the New Senior Notes Indenture 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 VII 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 VII 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 VII 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 VII and the Restricted Subsidiaries, taken as a whole.

#### ***Additional Guarantors***

Altice VII 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*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the 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.

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*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) 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 VII will not permit any Subsidiary of NewCo OMT that are Restricted Subsidiaries (other than an OMT Proceeds Loan Obligor) to, Guarantee any Indebtedness of NewCo OMT 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*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Subsidiary of NewCo OMT Guarantees the OMT Proceeds Loan of NewCo OMT 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 NewCo OMT 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 NewCo OMT, 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. The Trustee and the Security Agent shall each take all necessary actions, 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.

Concurrently with the provision of any additional Note Guarantee as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will grant a Lien over its material assets to secure its Note Guarantee on a senior basis consistent with the Notes Collateral. Concurrently with the provision of any additional HOT Proceeds Note Guarantee as described above, subject to the Agreed Security Principles, any such HOT Proceeds Note Guarantor will grant a Lien over its material assets to secure its HOT Proceeds Note Guarantee on a senior basis consistent with the HOT Proceeds Note Collateral. Concurrently with the provision of any additional OMT Proceeds Loan Guarantee as described above, subject to the Agreed Security Principles, any such OMT Proceeds Loan Guarantor will grant a Lien over its material assets to secure its OMT Proceeds Loan Guarantee on a senior basis consistent with the OMT Proceeds Loan Collateral.

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 VII shall not be obligated to cause any Restricted Subsidiary, HOT will not be required to cause any of its Restricted Subsidiaries and NewCo OMT will not be required to cause any of its Restricted Subsidiaries 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 VII, HOT, NewCo OMT 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.

#### ***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 covenant described under "*—Merger and Consolidation—Altice VII*", clause (3) of the paragraph of the covenant described under "*—Merger and Consolidation—HOT*" and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to Altice VII 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*".

#### ***Impairment of Security Interests***

Altice VII 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 VII 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, Altice VII and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (x) 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 (y) Altice VII 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 Security Interest 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 in the good faith determination of the Issuer in order to implement transactions permitted under "*—Merger and Consolidation*"; (iv) add to the Notes Collateral; or (v) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, however, that, contemporaneously with any such action in clauses (ii), (iii), (iv) and (v), 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 VII 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 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 VII 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 Loan 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 VII 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, Altice VII and the Restricted Subsidiaries may Incur Permitted HOT Proceeds Note Collateral Liens and Permitted OMT Proceeds Loan Collateral Liens, (x) the HOT Proceeds Note Collateral and the OMT Proceeds Loan 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 and (y) Altice VII and their Restricted Subsidiaries may consummate any other transaction permitted under “—*Merger and Consolidation*” and (z) Altice VII 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) consummate a Direct Obligation Event or (vi) 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) 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 HOT and its Subsidiaries or NewCo OMT 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 VII 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 VII 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 VII 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 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 VII 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, in connection with the Incurrence by Altice VII or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted

Collateral Liens, Altice VII or 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 Security Interests; *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 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 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 Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) make any change reasonably necessary, 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 the Credit Facilities 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 Security in a manner than would adversely affect the rights of the holders of the Notes 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, 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.

#### ***Post-Closing Guarantees and Security***

On the Guarantee Trigger Acquisition Date:

- (1) Altice VII will cause each Completion Date Guarantor to execute a supplemental indenture Guaranteeing the Notes on a senior basis; and
- (2) each of the Issuer and Altice VII will, and Altice VII will cause each of its Restricted Subsidiaries to, execute and deliver to the Security Agent the Security Documents to which it is intended to be a party and grant first-ranking Liens over the property and assets described above under “*Notes Security*” (other than the Capital Stock of any Target).

Within 90 days after the Orange Dominicana Acquisition Completion Date, Altice VII will cause:

- (1) all of the Capital Stock of Orange Dominicana owned directly or indirectly by Altice VII to be pledged to secure the Notes on a first-priority basis; *provided* that such pledge has been approved by Indotel; and



- (2) Orange Dominicana to execute a supplemental indenture Guaranteeing the Notes on a senior basis and to execute and, subject to the Agreed Security Principles, pledge substantially all of its property and assets to secure the Notes on a first-priority basis; *provided* that to the extent fair market value of a real estate asset is less than €5 million, such real estate asset shall be excluded from the pledge requirements of this paragraph.

Within 90 days after the Tricom Acquisition Completion Date, Altice VII will cause:

- (1) all of the Capital Stock of the Tricom Targets owned directly or indirectly by Altice VII to be pledged to secure the Notes on a first-priority basis; *provided* that such pledge has been approved by Indotel; and
- (2) each Tricom Guarantor to execute a supplemental indenture Guaranteeing the Notes on a senior basis and to execute and, subject to the Agreed Security Principles, pledge substantially all of its property and assets to secure the Notes on a first-priority basis; *provided* that to the extent fair market value of a real estate asset is less than €5 million, such real estate asset shall be excluded from the pledge requirements of this paragraph.

### 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 VII 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, under the covenants described under “—*Certain Covenants*” above (in each case, other than (i) a failure to purchase Notes, which will constitute an Event of Default under clause (2) above, (ii) a failure to comply with the covenant described under “—*Certain Covenants—Post-Closing Guarantees and Security*”, which shall be governed by clause (10) below and (iii) a failure to comply with the Notes Escrow Agreement);
- (4) failure by Altice VII, 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 VII or any Restricted Subsidiary (or the payment of which is Guaranteed by Altice VII or any Restricted Subsidiary) other than Indebtedness owed to Altice VII 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, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (“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 VII 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 VII 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”);
- (9) any Guarantee of the Notes of Altice VII 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”);
- (10) failure by any Restricted Subsidiary or Altice VII to comply for 30 days with any of the provisions of the covenant described under—*Certain Covenants—Post-Closing Guarantees and Security*; and
- (11) failure by the Issuer to consummate a Special Mandatory Redemption as described under the caption “—*Escrow of Proceeds; Special Mandatory Redemption.*”

However, a default under clauses (3), (4), (5), (7) or (10) 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) and (10) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7) or (10), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) or (11) 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; *provided* that, in the case of an Event of Default specified in clause (11), the amount due and payable shall be equal to the aggregate gross proceeds of the offering of the Notes, plus accrued and unpaid interest and additional amounts, if any. 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.

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 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 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 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 or of exercising any trust or power conferred on the Trustee.

The Indenture provides that, in the event an Event of Default has occurred and is continuing, 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 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 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 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); provided, however that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or Euro Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided, however* that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as the case may be (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver 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) release any of the security interests granted for the benefit of the Holders in the Notes Collateral (to the extent any Notes Collateral 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 the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture;
- (9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (10) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

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) HOT or any HOT Proceeds Note Guarantor under any HOT Proceeds Note Document; or (ii) NewCo OMT 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 VII 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 NewCo OMT or any Subsidiary of NewCo OMT 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) to provide for Altice VII or Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", to add Guarantees with respect to the Notes, 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) to 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 Loan 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) to 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 Senior Secured Notes” to the extent that such provision in this “Description of Senior Secured 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) to 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*”;
- (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
- (14) 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.

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**

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 VII or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with Altice VII 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 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 Altice VII 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, 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 VII 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 by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) 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 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 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 Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee 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 by it for this purpose), cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), 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; and (4) 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 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 VII 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**

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market will be approved, and settlement of the Notes is not conditioned on obtaining this listing.

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 VII's annual audited consolidated financial statements, Altice VII's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

#### **Available Information**

Anyone who receives this Offering Memorandum, 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, the Notes Escrow Agreement 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**

Citibank, N.A., London Branch 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. The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. 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.

The Issuer shall deliver written notice to the Trustee with 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 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 will be validly given if mailed 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

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 Dollar Notes and Note Guarantees thereof is U.S. dollars and the Euro Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than U.S. dollars or euro, 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 or euro amount, as the case may be, 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 or euro amount is less than the U.S. dollar or euro 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 VII 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 will, in the Indenture, appoint CT Corporation System 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 and the rights and duties of the parties thereunder is governed by and construed in accordance with the laws of England. The Security Documents and the HOT Security Documents is governed by and construed in accordance with the laws of the State of Israel 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.

“*ABO*” means Altice Blue One SAS, a société par actions simplifiée, incorporated under the laws of France.

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (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 VII or any Restricted Subsidiary. 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 VII 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 VII or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Additional 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.

“*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.

“*Agreed Security Principles*” means principles set forth in Schedule 15 to the Existing Revolving Credit Facility, which shall be attached as a schedule to the Indenture.

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

“*Applicable Premium*” means:

- (A) with respect to any Dollar Note the greater of:
  - (i) 1% of the principal amount of such Dollar 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 Dollar Note at December 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued

and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including December 15, 2016 (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 Dollar Note,

(B) with respect to any Euro Note the greater of:

(i) 1% of the principal amount of such Euro 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 Euro Note at December 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including December 15, 2016 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Euro Note,

in each case, 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 VII 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 VII 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 VII 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 VII or by Altice VII 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 or Temporary Cash Investments;
- (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 Altice VII 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 Guarantors*”), or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to Altice VII 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 the Issuer;

- (7) (a) 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) of not greater than €15 million or (b) a transfer of Capital Stock of HOT pursuant to the exercise of a Minority Shareholder Call Option as in effect on December 12, 2012;
- (8) 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 transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment;
- (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 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 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 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 in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (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 VII 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 VII or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice VII and the Restricted Subsidiaries (considered as a whole); *provided further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 1.0% of Total Assets and €30.0 million; and
- (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 VII 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 VII 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*”.

“Associate” means (i) any Person engaged in a Similar Business of which Altice VII 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 VII or any Restricted Subsidiary.

“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 (excluding employee representatives, if any) 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).

“Bund Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (1) “Comparable German Bund Issue” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to December 15, 2016 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to December 15, 2016; *provided, however*, that, if the period from such redemption date to December 15, 2016 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to December 15, 2016, is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

“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.

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

“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. The amount of Indebtedness will be, at the time any

determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. 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, the State of Israel, the United Kingdom, Switzerland or any member state of the European Union (other than Greece or Portugal), 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, any member of the European Union (other than Greece or Portugal) 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) bills of exchange issued in the United States, a member state of the European Union (other than Greece or Portugal), eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (7) 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 (6) 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 becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of Altice VII, measured by voting power rather than number of shares;
- (2) following the first Public Offering by the IPO Entity, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity (together with any new directors whose election by the majority of such directors on such Board of Directors of the IPO Entity or whose nomination for election by shareholders of the IPO Entity, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the IPO Entity 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 (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity, 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 VII and its Restricted Subsidiaries, taken as a whole, to a Person (including any “person” as defined above), other than a Permitted Holder; or

- (4) the first day on which HoldCo fails to own, directly or indirectly, 100% of the Capital Stock of the Issuer or Altice VII fails to own, directly or indirectly, 100% of the Capital Stock of HoldCo.

“*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., Coditel Holding, the companies listed therein as original debtors, ING Bank N.V. as senior agent, Wilmington Trust (London) Limited as mezzanine agent and ING Bank N.V. as security agent.

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

“*Coditel Mezzanine Facility*” means the mezzanine facility agreement, dated November 29, 2011, inter alios, Coditel Holding Lux S.a r.l., Coditel Holding as the company, Wilmington Trust (London) Limited as 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.

“*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 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 at the time of 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 July 2013 Transactions, the Original Hot Transactions and the 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) any non-cash management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders (whether directly or indirectly, including through any Parent); 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 VII 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 (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 VII 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 VII 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 VII 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 VII and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than Altice VII or a Subsidiary of Altice VII;
- (5) the consolidated interest expense that was capitalized during such period;
- (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 VII or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by Altice VII or any Restricted Subsidiary or secured by a Lien on assets of Altice VII or any of 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 VII 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 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 (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations) and (v) 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 Leverage*” means the sum, without duplication, of the aggregate outstanding Indebtedness of Altice VII and its Restricted Subsidiaries (other than HoldCo) (excluding (i) Hedging Obligations and (ii) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary); *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

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 Leverage.

“*Consolidated Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of 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 VII are available multiplied by 2.0; *provided, however*, that the *pro forma* calculation of the Consolidated 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*”.

“*Consolidated Net Income*” means, for any period, the net income (loss) of Altice VII 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) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that Altice VII’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 VII 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 VII 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 and the Indenture, the HOT Proceeds Note, the OMT Proceeds Loans, the Coditel Senior Credit Facility or the Coditel Mezzanine Facility, (c) contractual or legal restrictions in effect on December 12, 2012 with respect to a Restricted Subsidiary (including pursuant to the Notes, the Intercreditor Agreement and the Existing Hot Unsecured Notes), 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 (d) 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 VII’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 VII 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 VII 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);
- (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 or the Transactions;
- (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 VII or any Restricted Subsidiary owing to Altice VII 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 VII 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 Senior Secured Leverage*” means the sum of the aggregate outstanding Senior Secured Indebtedness of Altice VII and its Restricted Subsidiaries (excluding Hedging Obligations).

“*Consolidated Senior Secured Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of 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 VII are available (or, if prior to the fiscal quarter ended December 31, 2013 and such financial statements are not available, consolidated combined financial statements of Altice VII and the Restricted Subsidiaries) multiplied by 2.0; *provided, however*, that the *pro forma* calculation of the Consolidated 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 the caption “—*Certain Covenants—Limitation on Indebtedness*”.

“*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 VII to Cool in an amount equal to NIS 37 million.

“*Credit Facility*” means, with respect to Altice VII 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 VII 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 \$400 million aggregate principal amount of HoldCo’s 9<sup>7</sup>/<sub>8</sub>% Senior Notes due 2020 issued on December 12, 2012 and released from escrow on December 27, 2012.

“*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.

“*Default*” means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

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

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by Altice VII 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 VII, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to Altice VII or a Subsidiary of Altice VII or an employee stock ownership plan or trust established by Altice VII or any such Subsidiary for the benefit of their employees to the extent funded by Altice VII 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 the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of Altice VII 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 VII 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 VII 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 Contribution*” means the Net Cash Proceeds received by Altice VII as a capital contribution to the equity of Altice VII or from the issuance of Capital Stock or Subordinated Shareholder Funding and designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“*Equity Offering*” means a public or private sale of (x) Capital Stock of Altice VII or (y) Capital Stock or other securities, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of Altice VII 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 VII, including the Issuer, Altice VII or a Restricted Subsidiary; and
- (5) any such sale that constitutes an Excluded Contribution.

“*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 or property or assets received by Altice VII as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares of Altice VII after the Issue Date or from the issuance or sale (other than to Altice VII, a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of Altice VII, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“*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 Senior Notes*” means the July 2013 Senior Notes and the December 2012 Senior Notes.

“*Existing Senior Notes Indentures*” means the July 2013 Senior Notes Indenture and the December 2012 Senior Notes Indenture.

“*Existing Senior Secured Notes*” refers to the \$450 million aggregate principal amount of the Issuer’s 7<sup>7</sup>/<sub>8</sub>% Senior Secured Notes due 2019 and €200 million aggregate principal amount of the Issuer’s 8% Senior Secured Notes, in each case, issued on December 12, 2012 and released from escrow on December 27, 2012.

“*Existing Senior Secured Notes Indenture*” means the indenture dated as of December 12, 2012, as amended, among, *inter alios*, the Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Existing Senior Secured Notes.

“*Existing Revolving Credit Facility*” means that certain agreement dated November 27, 2012 between, *inter alia*, the Issuer, the Company, certain financial institutions party thereto and Citibank International plc as facility agent and security agent, as amended.

“*fair market value*” wherever such term is used in this “Description of Senior Secured 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 Senior Secured Notes” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer 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.

“*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) as of the Guarantee Trigger Acquisition Date, Altice VII, Cool, H. Hadaros 2012, Ltd., Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal and Cabovisao (subject to the Portugal Guarantee Limit Amount) and (ii) each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“*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 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 (ii) such HoldCo Proceeds Loan shall be subject to the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*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 VII to cause HOT and the HOT Proceeds Note Guarantors 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.

“*HOT Mobile*” means HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

“*HOT Mobile License Guarantee*” means the NIS 80 million bank guarantee to the Ministry of Communications and Broadcast Council Incurred in connection HOT’s acquisition of a frequency allotment and a cellular license in 2011.

“*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.

“*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 and the Existing Senior Secured Notes Indenture.

“*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 Notes 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 State of Israel 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.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however,* that 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 VII 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 any Indebtedness pursuant to any revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder.

“*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 and such obligations are satisfied within 30 days of Incurrence), 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) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations (excluding network and duct leases in existence on the Issue Date) of such Person;
- (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);

*provided* that the aggregate principal amount of Indebtedness with respect to which the obligor on such Indebtedness has created an account with a financial institution described in clause (x)(A) of the immediately succeeding paragraph and has deposited in such account cash in order to hold such cash in custody for the benefit of the holder of such Indebtedness and for the purpose of securing and servicing such Indebtedness (“*cash-collateralized*”) shall not be included in any calculation of Indebtedness up to the amount of cash deposited in such account for so long as such cash remains in such account; *provided* further that to the extent any principal amount of such Indebtedness is no longer cash-collateralized, such Person shall be deemed to incur Indebtedness in an amount equal to the aggregate principal amount of such Indebtedness that is no longer cash-collateralized on the date the cash in respect thereto is released from such account.

The term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on December 12, 2012, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations Incurred in the ordinary course of business, (vi) obligations under or in respect of Qualified Receivables Financing, (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 VII or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by Altice VII 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) Indebtedness incurred by Altice VII 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 VII 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, 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.

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 VII 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; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;
- (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; or
- (iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness.

"*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 an Equity Offering of common stock or other common equity interests of Altice VII or any Parent or any successor of Altice VII or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*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, as amended.

"*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 VII 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 VII 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 VII’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 VII will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) Altice VII’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to Altice VII’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 the Issuer 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 the Issuer.

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 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 the controlling shareholder of Altice Group 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 VII or any of its Subsidiaries.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means December 12, 2013.

“*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 or Cash Equivalents.

“*Issuer Proceeds Loan*” means any loan agreement (including in the form of a note) entered into between the Issuer and any Guarantor pursuant to which Issuer lends to the Issuer 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 19, 2013 relating to the July 2013 Senior Notes.

“*License Assets*” means a “License Asset”, as defined under the Israeli Communications Law (Telecommunications and Broadcasting) of 1982 (“Communications Law”), which includes all assets necessary for the provision by the relevant company of services under its license.

“*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).

“*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 VII 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 VII, its Restricted Subsidiaries or any Parent not to exceed an amount (net of repayments of any such loans or advances) equal to €8 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) do not exceed €15 million in any fiscal year);
- (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 €7.5 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 VII 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 VII, any Restricted Subsidiary or any Parent.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Minority Shareholder*” means each of Yedioth Communications Ltd., Fishman Family Properties Ltd., Fishman Family Properties Management (1988) Ltd. and Monitin Itonut Holdings (1985) Ltd.

“*Minority Shareholder Call Option*” means the right to purchase shares of Capital Stock of HOT pursuant to the applicable Minority Shareholder Purchase Agreement.

“*Minority Shareholder Option Exercise*” means the exercise by a Minority Shareholder of the Minority Shareholder Call Option on the terms provided in the applicable Minority Shareholder Purchase Agreement.

“*Minority Shareholder Purchase Agreements*” means each of (a) the Agreement, dated as of November 5, 2012 entered into by and between Yedioth Communications Ltd., a company incorporated in Israel with a registered address of 2 Mozes Street, Tel Aviv, Israel and the Company and (b) the Agreement dated as of November 5, 2012 entered into by and among Fishman Family Properties Ltd. and Fishman Family Properties Management (1988) Ltd., each a company

incorporated in Israel with a registered address of 20 Lincoln Street, Tel Aviv, Israel, and Monitin Itonut Holdings (1985) Ltd., a company incorporated in Israel with a registered address of 53 Etzel Street, Rishon Lezion 75706, Israel and the Company, in each case providing for waiver of certain consent rights relating to the December 2012 Transactions and granting of the Minority Shareholder Call Option as consideration therefor, in each case as in effect on December 12, 2012, except for amendments that are not materially adverse to the interests of the Holders of the Notes.

“*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 VII 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 VII 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*”, 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 means 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).

“*New Senior Notes Indenture*” means the indenture dated as of the Issue Date, as amended, among, inter alios, the Senior Notes Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the New Senior Notes.

“*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 Notes Escrow Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreements, the Issuer Proceeds Loans, the Hot Security Documents, the OMT Proceeds Loans and the OMT Security Documents.

“*Notes Escrow Agreement*” means the escrow agreement dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Citibank, N.A., London Branch, or another similarly reputable escrow agent, as Escrow Agent (the “Escrow Agent”).

“*Offering Memorandum*” means the offering memorandum in relation to the Notes to be 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 VII to cause NewCo OMT 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 NewCo OMT 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 VII, NewCo OMT 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 NewCo OMT and its Subsidiaries in connection with the acquisition of OMT Invest by Altice VII and Altice Caribbean.

“*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 NewCo OMT under the applicable OMT Proceeds Loan.

“*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.

“*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 VII or any of their Subsidiaries.

“*Orange Dominicana*” means Orange Dominicana S.A., a *sociedad anónima* incorporated and existing under the laws of the Dominican Republic.

“*Orange Dominicana Acquisition*” shall mean the acquisition by Altice VII (or one of its Affiliates) of Orange Dominicana pursuant to the Orange Dominicana Acquisition Agreement as described under “The Transactions—ODO Acquisition” elsewhere in this Offering Memorandum.

“*Orange Dominicana Acquisition Completion Date*” means the date of the consummation of the Orange Dominicana Transactions.

“*Orange Dominicana Transaction*” shall mean the Orange Dominicana Acquisition and the other transactions described under “The Transactions—ODO Acquisition” elsewhere in this Offering Memorandum.

“*Parent*” means any Person of which Altice VII 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, Altice VII 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 VII 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 VII 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 VII, 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 and the 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 VII or any of the Restricted Subsidiaries including acquisitions by Altice VII 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 and the Transactions, or the ownership, directly or indirectly, by any Parent;
- (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 VII and its Subsidiaries;
- (8) other fees, expenses and costs relating directly or indirectly to activities of Altice VII and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Acquisitions or the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of Altice VII, in an amount not to exceed €5 million in any fiscal year;
- (9) any Public Offering Expenses; and
- (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.

“*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.

“*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 VII 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) of the definition of “Permitted Liens”;

- (2) Liens on the Notes Collateral (other than any Notes Collateral subject to the Escrow Assignment) to secure (a) Indebtedness that is permitted to be Incurred under the 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), (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, the Issuer could have incurred €1.00 of Senior Secured Indebtedness pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) 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; (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; 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 Altice VII and the Issuer and Liens on the HoldCo Proceeds Loans and the Subordinated Shareholder Debt of Altice VII 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) 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 VII, 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 third 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 VII 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), Altice VII (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 VII or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents or Temporary Cash Investments;
- (4) Investments in receivables owing to Altice VII 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 VII 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 VII 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;
- (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 VII (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;
- (16) (a) Investments acquired after the Issue Date as a result of the acquisition by Altice VII or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into Altice VII 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 3% of Total Assets and €90 million; *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; and
- (18) Investments as a result of contribution of Tower Assets to a Towers Joint Venture within 365 days from December 12, 2012; *provided, however*, that if a definitive binding agreement or a commitment to enter into a Towers Joint Venture is approved by the Board of Directors of the Issuer within such time, such Investment is shall be permitted by this clause (18) so long as such Investment is consummated within 180 days from the date of such approval.

“*Permitted Issuer Investments*” means Investments in:

- (1) cash and Cash Equivalents;
- (2) the Notes, the Existing Senior Secured Notes and the Term Loans;
- (3) any other Indebtedness of the Issuer permitted to be Incurred under the Indenture; and
- (4) 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 VII 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 VII 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 VII and the Restricted Subsidiaries;

- (7) Liens on assets or property of Altice VII 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 VII 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 VII 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 VII and the Restricted Subsidiaries in the ordinary course of business;
- (13) (a) with respect to Altice VII and its Restricted Subsidiaries (other than HOT and its Subsidiaries and NewCo OMT 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 Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Account); (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 NewCo OMT 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 VII 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 VII 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 VII or any Restricted Subsidiary securing Indebtedness or other obligations of Altice VII or such Restricted Subsidiary owing to Altice VII or another Restricted Subsidiary, or Liens in favor of Altice VII 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 VII 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 Loan 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 VII 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 VII or a Restricted Subsidiary securing any loan to finance the acquisition of such assets; and
- (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 €30 million and 1% of Total Assets.

*"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 NewCo OMT 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 VII, 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 VII 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 VII 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 the Consolidated Senior Secured Leverage Ratio 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 VII 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 VII 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 VII 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, 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 VII 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).

“*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 Market*” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“*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 VII 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 VII 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 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 VII 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 VII 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 VII), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by Altice VII) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Altice VII 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.

“*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 VII or any of its Subsidiaries pursuant to which Altice VII or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by Altice VII 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 VII 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 VII 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 VII (other than the Issuer) (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with Altice VII in which Altice VII or any Subsidiary of Altice VII makes an Investment and to which Altice VII or any Subsidiary of Altice VII transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Altice VII 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 VII (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 VII 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 subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by Altice VII or any other Restricted Subsidiary, (iii) is recourse to or obligates Altice VII or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of Altice VII or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither Altice VII nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which Altice VII reasonably believes to be no less favorable to Altice VII or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Altice VII; and
- (3) to which neither Altice VII 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.

Any such designation by the Board of Directors of Altice VII shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice VII 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 VII 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 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) (i) subject to clause (ii) of this clause (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, and (ii) if the Indebtedness being refinanced was originally Incurred pursuant to the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (4)(a), (4)(b) (in respect of the Existing HOT Unsecured Notes) or (5) of second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”, such Indebtedness is incurred by the Issuer,

*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 VII or any Restricted Subsidiary, Indebtedness of Altice VII owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary or (iii) any Issuer Proceeds Loan or any HoldCo Proceeds Loan.

“*Related Person*” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*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 VII or any Subsidiary of Altice VII);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of Altice VII or any Subsidiary of Altice VII;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, Altice VII or any Subsidiary of Altice VII; or
  - (e) having made any payment in respect to any of the items for which the Issuer or Altice VII 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 VII 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 VII and Subsidiaries of Altice VII would have been required to pay on a separate company basis or on a consolidated basis if Altice VII and the Subsidiaries of Altice VII had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of Altice VII and the Subsidiaries of Altice VII.

“*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.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means a Subsidiary of Altice VII other than an Unrestricted Subsidiary.

“*Revolving Credit Facilities*” means the Existing Revolving Credit Facility and the Additional Revolving Credit Facility.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*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.

“*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 June 24, 2013 between the Issuer as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as Security Agent, as amended.

“*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), (6), (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 (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 Funding, if any, in each case, that secure Guarantees of Indebtedness of HoldCo Incurred pursuant clauses (14) or (16) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” that also secure the Notes and the Notes Guarantees).

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (3) Altice VII’s and the Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of total assets of Altice VII and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (4) Altice VII’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 VII and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (5) if positive, Altice VII’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 VII 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 VII or any of its Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by Altice VII or any of its Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by Altice VII or any Subsidiary of Altice VII which the Issuer has determined in good faith to be customary in a Receivables Financing, including 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 to the Note Guarantee of such Guarantor.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to Altice VII 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 VII 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 VII 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.

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

“*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) any European Union member state (other than Greece or Portugal), (iii) the State of Israel, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by Altice VII or a Restricted Subsidiary in that country with such funds or (v) 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 VII 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, any European Union member state (other than Greece or Portugal) 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 or a member state of the European Union (other than Greece or Portugal) 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 VII and the Restricted Subsidiaries as shown on most recent the consolidated balance sheet prepared on the basis of IFRS prior to the relevant date of determination; provided that, for the purposes of the Incurrence of any Indebtedness pursuant to clauses (1), (8) and (16) of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, Total Assets shall be calculated to give *pro forma* effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of such debt Incurrence.

“*Towers Assets*” communication masts/towers owned by HOT Mobile as part of its mobile telephony infrastructure.

“*Towers Joint Venture*” means the joint venture formed by the contribution of the Towers Assets by HOT Mobile, contribution of towers assets by another Israeli mobile telephony service provider and contribution of financing and operational expertise by an operator that results in nationwide coverage for HOT Mobile mobile telephony services network.

“*Transactions*” means the Orange Dominicana Transaction and the Tricom Transactions.

“*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 December 15, 2016; *provided* that if the period from such redemption date to December 15, 2016 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.

“*Tricom Acquisition*” means the acquisition by Altice VII (or one of its Affiliates) of Tricom and Global Interlinks pursuant to the Tricom Purchase Agreements as described under “The Transactions—Tricom Acquisition” elsewhere in this Offering Memorandum.

“*Tricom Acquisition Completion Date*” means the date of the consummation of the Tricom Transactions.

“*Tricom Transactions*” shall mean the Tricom Acquisition and the other transactions described under “The Transactions—Tricom Acquisition” elsewhere in this Offering Memorandum.

“*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 VII that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Altice VII in the manner provided below); and
- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of Altice VII may designate any Subsidiary of Altice VII (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 VII or any other Subsidiary of Altice VII 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 VII 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 VII shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice VII 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 VII 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) Altice VII could Incur at least € 1.00 of additional Indebtedness under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated 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 a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.

## DESCRIPTION OF SENIOR NOTES

You will find definitions of certain capitalized terms used in this “Description of Senior Notes” under the heading “Certain Definitions”. Certain capitalized terms used in this “Description of Senior Notes” may have different definitions than the same term used in other sections of this Offering Memorandum, including “Description of the Senior Secured Notes.” For purposes of this “Description of Senior Notes”, references to the “Issuer” refer only to Altice Finco S.A.

The Issuer has issued \$400 million aggregate principal amount of its Senior Notes due 2024 (the “Notes”) under an indenture (the “Indenture”), between, *inter alios*, itself, Altice VII S.à r.l. (“Altice VII”) 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, Citibank, N.A., London Branch, as trustee (the “Trustee”) and as security agent. The Notes were issued in a private transaction that is not subject to the registration requirements of the Securities Act. The Issuer is a wholly-owned subsidiary of Altice VII.

Subject to the following three paragraphs, the net proceeds of the offering of the Notes sold on the Issue Date will be loaned by the Issuer to Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*) (the “Senior Secured Notes Issuer”). The Senior Secured Notes Issuer has issued Senior Secured Notes due 2022 (the “New Senior Secured Notes”) under an indenture (the “New Senior Secured Notes Indenture”), between, *inter alios*, itself, Citibank, N.A., London Branch, as trustee (the “Senior Secured Notes Trustee”) and as security agent, concurrently with the issuance of the Notes. The net proceeds of the offering of the Notes sold on the Issue Date and loaned to the Senior Secured Notes Issuer, together with the net proceeds of the offering of the Senior Secured Notes sold by the Senior Secured Notes Issuer on the Issue Date, will be loaned by the Senior Secured Notes Issuer pursuant to proceeds loans (the “Finco Proceeds Loans”) to Altice Holdings and one of its Subsidiaries to enable Altice Holdings and such Subsidiary to:

- (1) directly or indirectly to acquire (the “Orange Dominicana Acquisition”) 75% of the capital stock of Orange Dominicana S.A., a *société anonyme* incorporated and existing under the laws of the Dominican Republic (“Orange Dominicana”) together with its subsidiaries (if any) as of the Issue Date hereof from Wirefree Services Denmark A/S and certain other persons (collectively the “Orange Dominicana Seller”) pursuant to the terms of a stock purchase agreement dated November 26, 2013 among a subsidiary of Altice VII and the Orange Dominicana Seller (the “Orange Dominicana Acquisition Agreement”);
- (2) directly or indirectly acquire (the “Tricom Acquisition” and, together with the Orange Dominicana Acquisition, the “Acquisitions”):
  - (a) 88% of the capital stock of, and subordinated shareholder debt and/or preferred equity certificates, issued by Tricom S.A., a *société anonyme* incorporated and existing under the laws of the Dominican Republic (“Tricom”) together with its subsidiaries (if any) as of the Issue Date hereof from Hispaniola Telecom Holding Ltd. (the “Tricom Seller”) pursuant to the terms of a stock purchase agreement dated October 31, 2013 among Altice Caribbean S.à r.l. (“Altice Caribbean”), a subsidiary of Altice VII, and the Seller (the “Tricom Dominican Acquisition Agreement”); and
  - (b) 88% of the capital stock of, and subordinated shareholder debt and/or preferred equity certificates, issued by Global Interlinks Ltd., a private limited company incorporated under the laws of the Bahamas (together with Tricom, the “Tricom Targets” and, together with Orange Dominicana, the “Targets”), together with its subsidiaries (if any) as of the date hereof, from the Tricom Seller pursuant to the terms of a stock purchase agreement dated October 31, 2013 among Altice Caribbean and the Tricom Seller (together with the Tricom Dominican Acquisition Agreement, the “Tricom Acquisition Agreements” and, together with the Orange Dominicana Acquisition Agreement, the “Acquisition Agreements”); and
- (2) repay all of the outstanding Indebtedness of the applicable Targets and their respective Subsidiaries; and
- (3) pay fees and expenses related to the foregoing,

(herein referred to collectively as the “Transactions”) as described in this Offering Memorandum under “The Transactions” and “Use of Proceeds”. Notwithstanding the foregoing, pursuant to the Orange Dominicana Acquisition Agreement, Altice VII has agreed to acquire, directly or indirectly, 100% of the capital stock of Orange Dominicana. However, Altice VII is currently in negotiations with potential minority investors for the Orange Dominicana Acquisition as well as for the Tricom Acquisition. Altice VII expects that as a result of such negotiations it will ultimately acquire, directly or indirectly, approximately 75% of the capital stock of Orange Dominicana and may acquire a lesser percentage of the capital stock of the Tricom Targets than set forth above. However, in any event upon completion of the Acquisitions, Altice VII will hold directly or indirectly at least 70% of the capital stock of, and subordinated shareholder

debt and/or preferred equity certificates, issued by Orange Dominicana and each of the Tricom Targets. If Altice VII does not reach an agreement with the potential minority investors for the Orange Dominicana and acquires 100% of the capital stock of Orange Dominicana pursuant to the terms of the Orange Dominicana Acquisition Agreement, shareholders of Altice VII are expected to make an Equity Contribution on or before the Orange Dominicana Acquisition Completion Date in an amount sufficient for Altice VII to pay the purchase price for the Orange Dominicana Acquisition to the extent Altice VII and its Subsidiaries do not otherwise have funds available for such purpose. The date on which the Orange Dominicana Acquisition is consummated is herein referred to as the “*Orange Dominicana Acquisition Completion Date*” and the date on which the Tricom Acquisition is consummated is herein referred to as the “*Tricom Acquisition Completion Date*” and each such date, an “*Acquisition Completion Date*”.

The initial purchasers have, concurrently with the closing of the offering of the Notes on the Issue Date, deposited the gross proceeds of this offering of the Notes into an escrow account (the “*Escrow Account*”) pursuant to the terms of an escrow agreement (the “*Notes Escrow Agreement*”) dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Citibank, N.A., London Branch, as Escrow Agent (the “*Escrow Agent*”). If each of the Orange Dominicana Acquisition and the Tricom Acquisition are not consummated on or prior to August 31, 2014 (the “*Escrow Longstop Date*”), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See “—*Escrow of Proceeds; Special Mandatory Redemption*”. The initial purchasers have, concurrently with the closing of the offering of the New Senior Secured Notes on the Issue Date, deposited the gross proceeds of this offering of the New Senior Secured Notes into one or more escrow accounts (the “*New Senior Secured Notes Escrow Accounts*”) pursuant to the terms of an escrow agreement (the “*New Senior Secured Notes Escrow Agreement*”) and together with the Notes Escrow Agreement, the “*Escrow Agreements*”) dated as of the Issue Date among, *inter alios*, the Senior Secured Notes Issuer, the New Senior Secured Notes Trustee and Citibank, N.A., London Branch, as escrow agent.

The completion of the Orange Dominicana Acquisition and the Tricom Acquisition are subject to the conditions set out in the respective Acquisition Agreements, including the separate approval by the competent regulatory authorities in the Dominican Republic. As a result, it is unlikely that the Orange Dominicana Acquisition Completion Date and the Tricom Acquisition Completion Date will occur on the same day, and we are unable to predict which Acquisition will complete first. The Indenture, the New Senior Secured Notes Indenture and the Escrow Agreements provide that, subject to the conditions in relevant Escrow Agreement:

- (1) if both Acquisition Completion Dates occur on the same date, all of the proceeds of the Notes held in the Escrow Account and all of the proceeds of the New Senior Secured Notes held in the New Senior Secured Notes Escrow Accounts will be released on such date to consummate the Acquisitions, repay all of the outstanding Indebtedness of the applicable Targets and their respective Subsidiaries and to pay fees and expenses related to the Transactions;
- (2) if the Acquisition Completion Dates do not occur on the same date:
  - (a) if the Orange Dominicana Acquisition Completion Date occurs first and the Tricom Acquisition has not been terminated:
    - (i) all of the proceeds of the Notes held in the Escrow Account and \$900 million equivalent of the proceeds of the New Senior Secured Notes held in the New Senior Secured Escrow Account will be released on the Orange Dominicana Acquisition Completion Date to consummate the Orange Dominicana Acquisition and to pay fees and expenses related to the Transactions; and
    - (ii) the remaining proceeds of the Senior Secured Notes held in the Senior Secured Notes Escrow Account will be released on the Tricom Acquisition Completion Date (if it occurs) to consummate the Tricom Acquisition, to repay all of the outstanding Indebtedness of the Tricom Targets and their subsidiaries and to pay any remaining fees and expenses related to the Transactions;
  - (b) if the Tricom Acquisition Completion Date occurs first and the Orange Dominicana Acquisition has not been terminated:
    - (i) all of the proceeds of the Notes held in the Escrow Account will be released on the Tricom Acquisition Completion Date to consummate the Tricom Acquisition and to repay all of the outstanding Indebtedness of the Tricom Targets and their subsidiaries; and
    - (ii) all of the proceeds of the New Senior Secured Notes held in the New Senior Secured Notes Escrow Accounts will be released on the Orange Dominicana Acquisition Completion Date (if

it occurs) to consummate the Orange Dominicana Acquisition and to pay any remaining fees and expenses related to the Transactions; and

- (c) if the Orange Dominicana Acquisition Agreement terminates prior to the Tricom Acquisition Completion Date or prior to the termination of the Tricom Acquisition Agreements, the Issuer will be required to redeem all of the Notes pursuant to a Special Mandatory Redemption (as described under “—*Escrow of Proceeds; Special Mandatory Redemption*”) and all of the proceeds of the Notes held in the Escrow Account will be released for that purpose (and the remaining purchase price in such Special Mandatory Redemption will be paid by Altice VII).

The release of the proceeds of the offering of the Notes from the Escrow Account will be subject to certain conditions. See “*General—Escrow of Proceeds; Special Mandatory Redemption*”.

As of the initial issuance of the Notes, the Notes are obligations solely of the Issuer and are not guaranteed. Although Altice VII is party to the Indenture on the Issue Date for purposes of the covenants described below, the Note Guarantee of Altice VII will not be effective until an Acquisition Completion Date that results in a release of proceeds of the Notes held in the Escrow Agreement (the “*Guarantee Trigger Acquisition Date*”) occurs (if it occurs). Assuming the Guarantee Trigger Acquisition Date occurs on or prior to the Escrow Longstop Date, on the Guarantee Trigger Acquisition Date, the Note Guarantee of Altice VII will become effective and each of the Senior Secured Notes Issuer, Cool, H. Hadaros 2012, Ltd., Altice Holdings S.à r.l., Altice West Europe S. à r.l., Altice Caribbean, Altice Portugal and Cabovisao (subject to the Portugal Guarantee Limit Amount (as defined below)) (collectively, the “*Completion Date Guarantors*”) will execute and deliver a supplemental indenture providing for a Note Guarantee on a senior subordinated basis.

The Indenture is unlimited in aggregate principal amount and \$400 million in principal amount of Notes were 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 issued in this offering are 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. However, in order for any Additional Notes to have the same common code 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 Senior 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 does not incorporate by reference any of the provisions of, the U.S. Trust Indenture Act of 1939, as amended.

This “*Description of Senior Notes*” is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement, the Notes Escrow 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, the Notes Escrow 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, the Intercreditor Agreement and the Notes Escrow 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 prior to the Guarantee Trigger Acquisition Date, secured by a first ranking assignment over the Escrowed Property (as defined below) and the rights of the Issuer under the Notes Escrow Agreement;
- will, as of the Guarantee Trigger Acquisition Date, be guaranteed by the Completion Date Guarantors and within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by

Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target 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 Existing Senior Notes;
- 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; and
- 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.

### ***The Note Guarantees***

On the Guarantee Trigger Acquisition Date, the Notes will be guaranteed by the Completion Date Guarantors (provided that the Guarantees of Cabovisao and Altice Portugal together with their guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred is limited to €95 million, see “*Corporate and Financing Structure*”). Within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target and the Guarantees of Orange Dominicana and the Tricom Targets, together with their guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the 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 the Orange Dominicana Guarantee Limit Amount (as defined below) and the Tricom Guarantee Limit Amount (as defined below), respectively). None of HOT, Altice Blue Two SAS (“NewCo OMT”), ABO or any of their Subsidiaries will Guarantee the Notes.

Although the Existing Senior Notes are guaranteed by ABO, because of applicable restrictions under French law related to corporate benefit, the Notes will not be guaranteed by ABO.

Each Note Guarantee of the Notes will:

- be a senior subordinated obligation of the relevant Guarantor;
- be subordinated in right of payment to all existing and future Senior Indebtedness of that Guarantor (including that Guarantors’ obligations under the Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and certain Hedging Obligations);
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor’s Note Guarantee;
- rank senior in right of payment to any existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee;
- benefit from the security as set forth below under “—Notes Security”;
- be effectively subordinated to any existing and future secured Indebtedness of that Guarantor that are secured by Liens ranking ahead of the Liens securing the Notes or Note Guarantees or secured by property and assets that do not secure the Notes or Note Guarantees, to the extent of the value of the property and assets securing such Indebtedness (including the Senior Secured Notes, the New Senior Secured Notes, any borrowings under the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and any secured Hedging Obligations); and
- be effectively subordinated to the Indebtedness and other obligations of Subsidiaries of Altice VII that do not Guarantee the Notes.

Payment under the Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Indebtedness of the Guarantors (including Indebtedness Incurred under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Guarantee Facility and certain Hedging Obligations), the holders of which (or their representatives) are party to the Intercreditor Agreement or any Additional Intercreditor Agreement. As a result of this subordination, holders of such Senior Indebtedness of any Guarantor will be entitled to receive full payment on all obligations owed to them before any payment can be made to Holders of the Notes in respect of the Guarantees.

### ***Subordination of the Notes Guarantees on the Basis of the Intercreditor Agreement***

Each of the Notes Guarantees is a senior subordinated Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Notes Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Guarantor, the holders of which (or their representatives) are party to the Intercreditor Agreement or any Additional Intercreditor Agreement, including any obligations owed by the relevant Guarantor under the Senior Credit Facility, the Revolving Credit Facilities, the Senior Secured Notes, the Guarantee Facility and certain Hedging Obligations. The ability to take enforcement action against the Guarantors under their Notes Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Notes Guarantees, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. For a description of the restrictions imposed by the Intercreditor Agreement, see “*Description of Other Indebtedness—Intercreditor Agreement.*”

Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of a Guarantor would recover disproportionately more than the holders of the Notes recover in any insolvency or similar proceeding relating to such Guarantor. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

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 September 30, 2013, on an as-adjusted consolidated basis after giving effect to the Transactions and the issuance of the Notes and the New Senior Secured Notes and the application of the proceeds therefrom as described under “Use of Proceeds” elsewhere in this Offering Memorandum, Altice VII and its Restricted Subsidiaries would have had outstanding €3,574 million equivalent aggregate principal amount of Indebtedness if both the Tricom Acquisition and the Orange Dominicana Acquisition are consummated, €3,277 million equivalent aggregate principal amount of Indebtedness if only the Orange Dominicana Acquisition is consummated and €2,662 million equivalent aggregate principal amount of Indebtedness if only the Tricom Acquisition is consummated. As of September 30, 2013, on an as-adjusted basis after giving effect to the Transactions and the issuance of the Notes and the application of the proceeds therefrom, the Issuer on a consolidated basis had €3,161 million of outstanding Indebtedness if both the Tricom Acquisition and the Orange Dominicana Acquisition are consummated, € 2,864 million equivalent aggregate principal amount of Indebtedness if only the Orange Dominicana Acquisition is consummated and €2,249 million equivalent aggregate principal amount of Indebtedness if only the Tricom Acquisition is consummated.

Each of Altice VII, the Issuer, Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Caribbean, NewCo OMT, Altice Portugal, Cool, H. Hadaros 2012, Ltd 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 the Senior Secured Notes Issuer’s obligations under the Proceeds Loan and the Guarantors’ obligations under their Notes Guarantees and their respective Finco Proceeds Loans.

### **Principal and Maturity**

The Issuer issued \$400 million aggregate principal amount of Notes on the Issue Date. The Notes will mature on January 15, 2024 at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein. The Notes will be 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 8.125% 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 July 15, 2014;
- be payable to the holder of record of such Notes on January 1 and July 1 immediately preceding the related interest payment date; and
- be 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 all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by Common Depositary or its nominee will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

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 London, United Kingdom. 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 in the City of London, United Kingdom (the “Principal Paying Agent”). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the “Directive”), or any law implementing or complying with or introduced in order to conform to such Directive. The initial Paying Agent will be Citibank, N.A., London Branch.

The Issuer will also maintain one or more registrars (each, a “Registrar”). The initial Registrar will be Citigroup Global Markets Deutschland AG. The Issuer will also maintain a transfer agent. The initial transfer agent will be Citibank, N.A., London Branch. 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 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 representing the Notes (the “144A Global Note”) were deposited with and registered in the name of the common depositary for the accounts of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) 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”).



- The Regulation S Global Notes (the “Regulation S Global Note,” and together with the 144A Global Note, the “Global Notes”) will, on the closing date, be deposited with and registered in the name of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear or Clearstream 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 or participants in Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, 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 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 principal amount, as the case may be, 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 Euroclear or Clearstream from the participant which 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 Euroclear or Clearstream 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 Holder of a Note as the owner of it for all purposes.

## The Note Guarantees

### General

The Notes have not been guaranteed as of the Issue Date. Although Altice VII is a party to the Indenture on the Issue Date for the purposes of the covenants described below, Altice VII's Note Guarantee will not be effective until the Guarantee Trigger Acquisition Date occurs. Following the Guarantee Trigger Acquisition Date, the Notes will be Guaranteed by the Completion Date Guarantors that grant a Notes Guarantee on such date on a senior subordinated 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 and Cabovisao, together with the guarantee by Cabovisao and Altice Portugal of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Existing Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, are limited to €95 million (the "*Portugal Guarantee Limit Amount*"). Within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), the Notes will be guaranteed by Orange Dominicana, and within 90 days after the Tricom Acquisition Completion Date (if it occurs), the Notes will be guaranteed by each Tricom Target. The Note Guarantee of Orange Dominicana, together with the guarantee by Orange Dominicana of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Existing Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to \$856 million (the "*Orange Dominicana Guarantee Limit Amount*") and the Note Guarantees of the Tricom Targets, together with the guarantees by the Tricom Targets of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Existing Senior Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to \$260 million (the "*Tricom Guarantee Limit Amount*").

On the Issue Date and the Guarantee Trigger Acquisition Date, the Notes did not and will not benefit from a direct guarantee from HOT or any of its Subsidiaries, from NewCo OMT or any of its Subsidiaries or from ABO 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 formed for the purpose of serving as the issuer of the Existing Senior Notes and the Notes and does not conduct, and will be prohibited by the Indenture from engaging in, any operations. On the Guarantee Trigger Acquisition Date, the Issuer's only assets will be the shares it holds in the Senior Secured Notes Issuer and the Proceeds Loans made on (i) December 27, 2012 with the net proceeds of the offering of the Original Issuer Notes, (ii) July 2, 2013 with the net proceeds of the offering of the July 2013 Issuer Notes and (iii) on the Guarantee Trigger Acquisition Date (if it occurs) with the net proceeds of the offering of the Notes. As a result, the Issuer is wholly dependent on payments from the Senior Secured Notes Issuer, including payments made by the Senior Secured Notes Issuer under the Proceeds Loans, to fund its obligations under the Notes.

The Senior Secured Notes Issuer is a special purpose finance vehicle formed for the purpose of serving as the issuer of the Senior Secured Notes and does not conduct, and is prohibited by the Indenture and the indenture governing the Senior Secured Notes from engaging in, any operations. If both Acquisitions are completed, the Senior Secured Notes Issuer's only assets will be (i) the Finco Loans made on December 27, 2012 with the net proceeds of the offerings of Senior Secured Notes on such date, the Finco Loan made on July 2, 2013 with the net proceeds of the Proceeds Loans made by the Issuer on July 2, 2013 and July 5, 2013 with the net proceeds of the offering of the July 2013 Issuer Notes and the net proceeds of the loans under the Senior Credit Facility, the Finco Loan made on August 8, 2013 with the net proceeds of the loans under the Senior Credit Facility, the Finco Loans to be made on each Acquisition Completion Date with the net proceeds of the offering of New Senior Secured Notes issued on the Issue Date, if any (ii) the Proceeds Loan Incurred on December 27, 2013, on July 2, 2013 and on each Acquisition Completion Date that is to be consummated with proceeds of the offering of the Notes and (iii) cash in its bank accounts. As a result, the Senior Secured Notes Issuer is wholly dependent on payments from Altice VII and its Subsidiaries including payments made by the borrowers under the Finco Loans, to fund its obligations under the Senior Secured Notes and the loans under the Senior Credit Facility to the extent it does not otherwise have funds available to it.

The operations of each of Altice VII, Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Caribbean S.à r.l., NewCo OMT, Altice Portugal and Cool are conducted through their respective Subsidiaries and, therefore, each of Altice VII, Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Caribbean S.à r.l., NewCo OMT, Altice Portugal and Cool depends on the cash flow of such Subsidiaries to meet its obligations, including its obligations under its Note Guarantee and the proceeds loan that has been Incurred by it. See "*Risk Factors—Risks Relating to the New Notes and*

*the Structure—Altice VII and most of the other Senior Notes 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 Senior Note Guarantees.”*

#### ***Additional Note Guarantees***

Altice VII 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 subordinated 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. 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 Guarantee Trigger Acquisition Date. For purposes of the Indenture and this “*Description of Senior 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 VII 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 VII 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 VII*”; 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:

- 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 VII 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 Subsidiary 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*”;
- 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, 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 were secured only by a security interest in the Escrowed Property. On the Guarantee Trigger Acquisition Date, the Notes will be secured by:

- security interests granted on a first-priority basis over all of the Capital Stock of the Issuer (the “Issuer Share Pledge);
- a second-priority security interest over the Proceeds Loans made on December 27, 2012 and July 2, 2013 and on the Guarantee Trigger Acquisition Date;
- a second-priority security interest over all of the Capital Stock of the Senior Secured Notes Issuer, Cool and Altice Holding;
- a second-priority security interest in the Subordinated Shareholder Loan, collectively, the “Notes Collateral.”

The Notes Collateral will also secure the Existing Senior Notes and (other than the Issuer Share Pledge) will also secure Indebtedness under the Revolving Credit Facilities, the Senior Secured Notes, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations. The pledge agreements and the other security documents entered into on December 27, 2012; July 2, 2013; July 5, 2013 and August 8, 2013 and to be entered into on the Guarantee Trigger Acquisition Date 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.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, Altice VII 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, additional Senior Secured Notes, additional Indebtedness under Credit Facilities and certain other Hedging Obligations, in each case, permitted under the Indenture.

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. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Holders of the Notes will be subject to certain standstill provisions on enforcement of the Notes Collateral (other than the Issuer Share Pledge) pursuant to the Intercreditor Agreement. Furthermore, the Intercreditor Agreement places limitations on the ability of the Security Trustee 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*” and certain Collateral and Guarantees will be limited to a specified maximum amount.

The creditors under the Existing Senior Notes, the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties to the Hedging Obligations secured by the Notes Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably appointed the Security Trustee to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents. The creditors under the Existing Senior Notes, the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties to the Hedging Obligations secured by the Notes Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Trustee

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 Trustee on its behalf.

### ***Security Documents***

Under the Security Documents entered into on December 27, 2012; July 2, 2013; July 5, 2013 and August 8, 2013 and to be entered into on the Guarantee Trigger Acquisition Date, the Issuer and Altice VII will grant security over the Notes Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents entered into on December 27, 2012; July 2, 2013; July 5, 2013 and August 8, 2013 have been, and the Security Documents to be entered into on the Guarantee Trigger Acquisition Date will be, 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 lenders under the Existing Senior Notes, the trustees under the Senior Secured Notes, the lenders under the Revolving Credit Facilities, the lenders under the Senior Credit Facility, the lenders under 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, *provided* that the Notes Collateral subject to the Escrow Assignment will only secure the Notes and no other Indebtedness.

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 or the Note Guarantees and the Indenture (the "*Security Interests*"). Such Security Interests in the Notes Collateral also secure the obligations under the Existing Senior Notes and (other than the Issuer Share Pledge) also secure the obligations under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations and will secure certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. The Issuer Share Pledge will also secure certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by the Issuer Share Pledge. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Note Collateral*" below. See "*Risk Factors—Risks Related 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 are not 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 the Issuer 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 any sale or other disposition of the Notes Collateral (other than the Issuer Share Pledge) to a Person that is not Altice VII 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 VII designates any Restricted Subsidiary 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) 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; or
- (9) in connection with a transaction permitted by the covenant described below under the caption “—*Certain Covenants—Merger and Consolidation*”;

*provided* that, the Security Interests created by the Escrow Assignment may only be released upon release of all of the Escrowed Property from the Escrow Account in accordance with the terms of the Notes Escrow Agreement.

Upon certification by the Issuer, the Trustee and the Security Trustee 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 Proceeds Loans**

On December 27, 2012, the Issuer made a loan to the Senior Secured Notes Issuer, pursuant to a proceeds loan in aggregate principal amount of \$425 million (the “*Initial Proceeds Loan*”). The Initial Proceeds Loan has been subordinated to the Obligations of the Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the New Senior Credit Facility, the Guarantee Facility and its Hedging Obligations.

On July 2, 2013, the Issuer made a loan to the Senior Secured Notes Issuer, pursuant to a proceeds loan in aggregate principal amount of €250 million (the “*July Proceeds Loan*”).

On the Guarantee Trigger Acquisition Date, the Issuer will make a loan to the Senior Secured Notes Issuer, pursuant to a proceeds loan in aggregate principal amount of \$400 million (the “*Additional Proceeds Loan*” and, together with the Initial Proceeds Loan and the July Proceeds Loan, the “*Proceeds Loans*”). The Additional Proceeds Loan will be subordinated to the Obligations of the Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations.

The Initial Proceeds Loan and the July Proceeds Loan have been, and the Additional Proceeds Loan will be, assigned as Notes Collateral to secure the Obligations of the Issuer and the Guarantors under the Notes and the Note Guarantees on a junior basis and to secure the Obligations of the Senior Secured Notes Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and its Hedging Obligations on a senior basis.

### **Intercreditor Agreement**

The relative priority among (a) the lenders under the Revolving Credit Facilities, (b) the lenders under the Guarantee Facility, (c) the lenders under the Senior Credit Facility, (d) the counterparties under certain Hedging Obligations secured on the Notes Collateral, (e) the holders of the Senior Secured Notes, (f) the holders of the Existing Senior Notes and (g) the Trustee and the Holders of the Notes under the Indenture with respect to the Security Interests in the Notes Collateral is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents, and the

security documents relating to the Revolving Credit Facilities, the Senior Credit Facility, such Hedging Obligations, the Guarantee Facility, the Senior Secured Notes and the Existing Senior Notes which provide, among other things, that:

- (i) the obligations under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations are secured equally and ratably by a first-priority interest in the Notes Collateral; *provided* that any liabilities in respect of obligations under the Revolving Credit Facilities and such Hedging Obligations will receive priority with respect to any proceeds received from any enforcement of the security over any Notes Collateral and certain distressed disposals of the Notes Collateral; and
- (ii) the obligations under the Notes and the Note Guarantees, the Existing Senior Notes and guarantees thereof will be secured by second-priority interests in the Notes Collateral (other than the Issuer Share Pledge).

The Issuer Share Pledge will only secure the obligations under the Notes, the Note Guarantees and certain other *Pari Passu* Indebtedness that is permitted to be secured thereby including the Existing Senior Notes and guarantees thereof.

The Indenture and the Intercreditor Agreement restrict the ability of the Holders of the Notes or the Trustee to instruct the Security Trustee to enforce the security interests over the Notes Collateral (other than the Issuer Share Pledge) and provide for the release of the Security Interests in certain circumstances upon enforcement by the lenders under the Revolving Credit Facilities, the lenders under the Guarantee Facility, the lenders under the Senior Credit Facility or the holders of our other senior secured debt, including the Senior Secured Notes. In general, the rights of the security trustee under the Intercreditor Agreement (acting on its own behalf or on behalf of the Holders) to take enforcement action under the Security Documents (other than the Issuer Share Pledge) with respect to the Notes Collateral are subject to certain standstill provisions similar to those that apply to the Note Guarantees and other limitations on enforcement.

Please see the section entitled “*Description of Other Indebtedness—The Intercreditor Agreement*”. In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Indenture to be secured on the Collateral, the Issuer will enter into Additional Intercreditor Agreements in compliance with the Indenture on substantially the same terms as the Intercreditor Agreement. See “—*Certain Covenants—Impairment of Security Interest*” and “—*Additional Intercreditor Agreements; Agreement to Be Bound*”.

#### ***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 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 and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement.

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

As of the Issue Date, all of Altice VII’s Subsidiaries were Restricted Subsidiaries. Green Datacenter and Auberimmo SAS have since been designated as unrestricted subsidiaries. In addition, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*”, Altice VII 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.

#### **Escrow of Proceeds; Special Mandatory Redemption**

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer entered into the Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers deposited with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes into the Escrow Account. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Notes Escrow Agreement) are referred to, collectively, as the “*Escrowed Property*”. The Escrowed Property is controlled by, and pledged on a first ranking basis in favor of, the Security Agent on behalf of the holders of the Notes.

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the “*Release*”), the Escrow Agent and the Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an officer’s certificate, in the form attached to the Notes Escrow Agreement:

- (1) if the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date and no Tricom Special Mandatory Redemption Triggering Event has occurred prior to such date,
  - (a) on or before the Orange Dominicana Acquisition Completion Date to the effect that:
    - (i) (A) the Orange Dominicana Acquisition will be consummated, promptly upon release of the Escrowed Property relating to the Orange Dominicana Acquisition, on substantially the same terms as described with respect to the Orange Dominicana Acquisition in this Offering Memorandum under the heading “The Transactions—ODO Acquisition”, and (B) no provision of the Orange Dominicana Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of holders of the Notes, other than any amendment or waiver made with the consent of holders of a majority of the outstanding Notes;
    - (ii) immediately after consummation of the Orange Dominicana Acquisition, Altice VII will own, directly or indirectly, at least 70% of the outstanding Capital Stock of, and shareholder debt issued by, Orange Dominicana; and
    - (iii) as of the Orange Dominicana Acquisition Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer or Altice VII; and
- (2) if the Tricom Acquisition Completion Date occurs prior to or concurrent with the Orange Dominicana Acquisition Completion Date and no Orange Dominicana Special Mandatory Redemption Triggering Event has occurred, to the effect that:
  - (i) (x) the Tricom Acquisition will be consummated, promptly upon release of the Escrowed Property relating to the Tricom Acquisition, on substantially the same terms as described with respect to the Tricom Acquisition in this Offering Memorandum under the heading “The Transactions—Tricom Acquisition”, and (y) no provision of either Tricom Purchase Agreement has been amended or waived in a manner or to an extent that would be materially prejudicial to the interests of holders of the Notes, other than any amendment or waiver made with the consent of holders of a majority of the outstanding Notes;
  - (ii) immediately after consummation of the Tricom Acquisition, Altice VII will own, directly or indirectly, at least 70% of the outstanding Capital Stock of, and subordinated shareholder debt and/or preferred equity certificates issued by, each Tricom Target; and
  - (iii) as of the Tricom Acquisition Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer or Altice VII,

*provided* that the applicable release will occur promptly upon the satisfaction of the applicable conditions set forth above and upon such Release, the applicable amount of Escrowed Property will be paid out in accordance with the Notes Escrow Agreement and upon the Release, the Escrow Account will be reduced to zero.

As used herein:

- (1) “*Orange Dominicana Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) the Orange Dominicana Acquisition Completion Date does not take place on or prior to the Escrow Longstop Date; or (b) the Orange Dominicana Acquisition Agreement terminates at any time prior to the Escrow Longstop Date;
- (2) “*Tricom Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) the Tricom Acquisition Completion Date does not take place on or prior to the Escrow Longstop Date; or (b) either of the Tricom Purchase Agreements terminates at any time prior to the Escrow Longstop Date;
- (3) “*General Special Mandatory Redemption Triggering Event*” means the occurrence of any of the following: (a) at any time prior to the Escrow Longstop Date, the Permitted Holders cease to beneficially own and control a majority of the issued and outstanding Capital Stock of Altice VII or Altice VII ceases to beneficially own and control 100% of the issued and outstanding Capital Stock of the Issuer; or (b) there is an event of bankruptcy, insolvency or court protection with respect to Altice VII or the Issuer on or prior to the Escrow Longstop Date; and



- (4) “*Special Mandatory Redemption Date*” means the date on which any Orange Dominicana Special Mandatory Redemption Triggering Event, Tricom Special Mandatory Redemption Triggering Event or General Special Mandatory Redemption Triggering Event occurs, as applicable.

If at any time on or prior the Tricom Acquisition Completion Date, any Orange Dominicana Special Mandatory Redemption Triggering Event occurs, the Issuer will redeem the Notes (the “*Orange Dominicana Special Mandatory Redemption*”) at the Special Mandatory Redemption Price (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If at any time prior to the Escrow Longstop Date, (i) any General Special Mandatory Redemption Triggering Event occurs or (ii) both an Orange Dominicana Special Mandatory Redemption Triggering Event and a Tricom Special Mandatory Redemption Triggering Event occurs, the Issuer will redeem the Notes (the “*General Special Mandatory Redemption*” and together with the Orange Dominicana Special Mandatory Redemption, the “*Special Mandatory Redemptions*”), in each case, at a price (the “*Special Mandatory Redemption Price*”) equal to 100% of the initial issue price of the Notes to be redeemed, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory 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).

Notice of the applicable Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the applicable Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Notes Escrow Agreement (any such date, a “*Special Mandatory Redemption Date*”). On or before the relevant Special Mandatory Redemption Date, the Escrow Agent shall pay to the principal paying agent under the Indenture for payment to each holder of Notes to be redeemed the Special Mandatory Redemption Price for such holder’s Notes and, in the event all of the outstanding Notes are redeemed in such Special Mandatory Redemption, concurrently with the payment to such holders, shall deliver any excess Escrowed Property (if any) to the Issuer.

On the Issue Date, Altice VII entered into a guarantee agreement pursuant to which it guarantees the Issuer’s obligations under the Notes in the event the Special Mandatory Redemption Price payable upon any Special Mandatory Redemption exceeds the amount of the Escrowed Property or, in the case of a partial release from the Escrow Account, the amount of Escrowed Property released in such Special Mandatory Redemption.

To secure the payment of the Special Mandatory Redemption Price, the Issuer granted to the Security Agent for the benefit of the holders of the Notes a security interest in the Escrow Account (the “*Escrow Assignment*”).

If at the time of the applicable Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

### **Optional Redemption**

Except as described below and except as described under “*Redemption for Changes in Withholding Taxes*”, and “*Escrow of Proceeds, Special Mandatory Redemption*”, the Notes are not redeemable until December 15, 2018. On and after December 15, 2018 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 30 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 December 15 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2018.....	104.063%
2019.....	102.708%
2020.....	101.354%
2021 and thereafter.....	100.000%

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 such redemption and notice may, in the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to December 15, 2016, 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 30 nor more than 60 days’ notice, with funds in an aggregate amount (the “*Redemption Amount*”) not exceeding the Net Cash Proceeds of

one or more Equity Offerings at a redemption price of 108.125% of the principal amount thereof, 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, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to December 15, 2018, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 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). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

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**

Except as described under "*Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is not 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 Trustee or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, 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 as the Trustee deems fair and appropriate or by lot or such other similar method in accordance with the procedures of Euroclear and Clearstream; *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 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 30 nor more than 60 days prior to the redemption date, the Issuer will 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. 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 30 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 the 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 the 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 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, 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 the Notes was 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 the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) 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.

The Trustee will accept and shall be entitled to rely 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.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

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 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 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 being a resident of such jurisdiction for Tax purposes), 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;
- (4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;
- (6) 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;
- (7) 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;
- (8) all United States federal backup withholding taxes;
- (9) 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;
- (10) any combination of items (1) through (9) 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 (10) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder 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 (5) or (7) through (9) 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 30 days prior to the date of that

payment (unless the obligation to pay Additional Amounts arises less than 30 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 Senior 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 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 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 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, 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 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 30 days nor later than 60 days from the date such notice is mailed) and the record date (the "Change of Control Payment 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;

- (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, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; 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 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 or, to the extent and in the manner permitted by such rules, 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 (as defined in the New Indentures) as required by the New Indentures*”.

On the Change of Control Payment Date, if the Change of Control 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 principal Paying Agent the 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 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 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. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. 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 may deter a third party from seeking to acquire Altice VII 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 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 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, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the 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 VII's management or its Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of Altice VII 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.

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. Future Indebtedness of the Issuer, Altice VII or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon 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 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 VII'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 (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 VII 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. 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 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 two-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, to the extent such proceeds are not used by the Senior Secured Notes Issuer to redeem the Senior Secured Notes, 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 VII or any Restricted Subsidiary from any Minority Shareholder Option Exercise and not otherwise applied to repay or repurchase Senior Indebtedness of the Issuer 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 35 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 principal amount 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 VII 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 Asset Disposition Offer Period (as defined below).

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 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 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 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 (or amend the applicable Global Note), and the Trustee, upon delivery 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 VII will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that:

- (1) the Senior Secured Notes Issuer may Incur Senior Secured Indebtedness if on the date on which such Senior Secured Indebtedness is Incurred, the Consolidated 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 period; and

- (2) the Issuer may Incur *Pari Passu* Indebtedness if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio would not exceed 4.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such *Pari Passu* Indebtedness had been incurred at the beginning of the relevant 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 €100 million and 4.0% of Total Assets; *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by Altice VII or any Restricted Subsidiary of Indebtedness of Altice VII 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 or a Guarantor, such Restricted Subsidiary complies with the first paragraph 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 VII or any Restricted Subsidiary securing Indebtedness of Altice VII 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 VII owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary; *provided, however*, that:
  - (a) 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 VII and the Restricted Subsidiaries and (ii) only to the extent legally permitted (Altice VII 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;
    - (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 VII or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than Altice VII 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 VII 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 thereof, issued on the Guarantee Trigger Acquisition Date, or, in the case of Orange Dominicana and the Tricom Targets, within 90 days of the Guarantee Trigger Acquisition Date, (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 Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Account), (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 Security Documents, the HOT Security Documents and the OMT Proceeds Loans Security Documents;

- (5) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice VII or a Restricted Subsidiary; *provided, however*, that immediately following the consummation of such acquisition or other transaction, (i) if such Indebtedness is Senior Secured Indebtedness, the Senior Secured Notes Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant and (ii) if such Indebtedness is not Senior Secured Indebtedness, the Issuer would have been able to Incur €1.00 of in additional Indebtedness pursuant to the first paragraph of this covenant, each case, after giving pro forma effect to the relevant acquisition or other transaction and the Incurrence of such Indebtedness pursuant to this clause (5);
- (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 so long as (i) such operating expenses and capital expenditures are denominated in Euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of Altice VII or the Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (8) Indebtedness consisting of (A) Capitalized Lease Obligations, 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, 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) 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 €75 million and 2.5% of Total Assets so long as such Indebtedness exists on the date of such purchase, design, construction, installation or improvement, or is Incurred within 180 days thereafter;
- (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 VII 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 VII 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 VII 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) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;
- (14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of Altice VII 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 VII and the Restricted Subsidiaries from the issuance or sale (other than to Altice VII or a Restricted Subsidiary) of its Subordinated Shareholder Funding 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 VII, 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), (6) and (10) of the third paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” to the extent Altice VII 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 VII or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” in reliance thereon;
- (15) Indebtedness (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 (15) and then outstanding, will not exceed the greater of €100 million and 4.0% of Total Assets.

Notwithstanding the foregoing, for so long as NewCo OMT is not a Guarantor, NewCo OMT 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)(c), (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 (4)(d), (8), (14) or (15) 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 Proceeds Loans to one or more Guarantors with all or substantially all of the net proceeds of the Incurrence of such Indebtedness by the Issuer.

In the event the Senior Secured Notes Issuer Incurs any Indebtedness pursuant to the first paragraph of this covenant or clauses (4)(c), (8), (14) or (15) of the second paragraph of this covenant, the Senior Secured Notes 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 Finco 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 Proceeds Loan) with all or substantially all of the net proceeds of the Incurrence of such Indebtedness by the Senior Secured Notes 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 clause (1) of the second paragraph of the description of this covenant cannot be reclassified;

- (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 (15) 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 VII or a Restricted Subsidiary, or Preferred Stock of Altice VII 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *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; (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 Senior Secured Leverage Ratio or the Consolidated 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *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; 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 Senior Secured Leverage Ratio or the Consolidated 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 Note Guarantor 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 Senior Secured Leverage Ratio or the Consolidated 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 VII 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.

#### ***Limitation on Restricted Payments***

Altice VII 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 VII’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving Altice VII or any Restricted Subsidiary) except:
  - (a) dividends or distributions payable in Capital Stock of Altice VII (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of Altice VII (other than Disqualified Stock) or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to Altice VII 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 VII 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 VII) any (a) Capital Stock of Altice VII or any direct or indirect Parent of Altice VII held by Persons other than Altice VII or a Restricted Subsidiary (other than in exchange for Capital Stock of Altice VII (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; 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) are referred to herein as a “Restricted Payment”), if at the time Altice VII 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) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first 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 VII and the Restricted Subsidiaries subsequent to December 12, 2012 (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), (16) and (17) of the immediately succeeding paragraph, but excluding all other Restricted Payments permitted by the second 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 VII’s most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of Altice VII 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 last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII subsequent to the Issue Date (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 VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII 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 and (y) Excluded Contributions);
  - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII or any Restricted Subsidiary from the issuance or sale (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) by Altice VII or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of Altice VII (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 last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII 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 VII 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 VII 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 VII or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *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 last paragraph of this covenant) of property, assets or marketable securities received by Altice VII or any Restricted Subsidiary in connection with:

- (A) the sale or other disposition (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and
- (B) any dividend or distribution made by an Unrestricted Subsidiary to Altice VII or a Restricted Subsidiary;

which Unrestricted Subsidiary was designated as such after the Issue Date; *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 VII or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into a Altice VII or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the last paragraph of this covenant) of any property, assets or marketable securities received by Altice VII 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 the Issue Date; *provided however*, that no amount will be included in Consolidated Net Income 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 VII or a Subsidiary of Altice VII) of, Capital Stock of Altice VII (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding 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 VII; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) 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) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of Altice VII 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 VII or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (a) (i) from Net Cash Proceeds of the Minority Shareholder Option Exercises permitted under "*—Offer to Repurchase with Minority Shareholder Option Proceeds*" above 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*" 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 and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

- (b) to the extent required by the agreement governing such Subordinated Indebtedness, 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 and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; 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 VII 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;
- (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 VII, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by Altice VII to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice VII, 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 VII, 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) €8 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 €15 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by Altice VII or the Restricted Subsidiaries since the Issue Date (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 VII 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 VII 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) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by Altice VII of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of Altice VII or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by Altice VII from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of Altice VII or contributed as Subordinated Shareholder Funding to Altice VII and (b) following the Initial Public Offering, an amount equal to the greater of (i) 5% of the Market Capitalization and (ii) 5% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans,



advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.0 to 1.0; *provided, further*, that if such Public Offering was of Capital Stock of a Parent, 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;

- (11) payments by Altice VII, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of Altice VII 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 the Issuer);
- (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) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of Altice VII issued after the Issue Date; *provided, however*, that the amount of all dividends declared or paid by Altice VII pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by Altice VII from the issuance or sale of such Designated Preference Shares;
- (16) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Leverage Ratio does not exceed 3.00 to 1.0 on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment; and
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €75 million and 2.0% of Total Assets.

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 VII 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 VII acting in good faith.

#### ***Limitation on Liens***

Altice VII 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, (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 and (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (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 Note Collateral.*”

#### ***No Layering of Debt***

The Issuer will not incur any Indebtedness (including any Indebtedness permitted to be incurred pursuant to the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of

payment to the Notes 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 solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

No Guarantor will Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) that is contractually subordinated in right of payment to any Senior Indebtedness of such Guarantor and senior in right of payment to such Guarantor’s Note Guarantee; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any Senior Indebtedness of any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, 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 Restrictions on Distributions from Restricted Subsidiaries***

Altice VII 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 VII or any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to Altice VII or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to Altice VII or any Restricted Subsidiary;
- (B) make any loans or advances to Altice VII or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to Altice VII 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 VII or any Restricted Subsidiary to other Indebtedness Incurred by Altice VII or any Restricted Subsidiary 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 Senior Secured Notes Indenture and the New Senior Secured Notes Indenture, the Senior Secured Notes and the Guarantees thereof, the indenture governing the Original Issuer Notes, the Original Issuer Notes and the Guarantees thereof, the indenture governing the July 2013 Issuer Notes, the July 2013 Issuer Notes and the Guarantees thereof, the Coditel Mezzanine Facility, the Coditel Senior Credit Facility, the Coditel Intercreditor Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Escrow Agreement, the Security Documents, the Senior Secured Notes Security Documents, the HOT Proceeds Note, the HOT Security Documents, the HOT Credit Facility, the OMT Proceeds Loans and each OMT Proceeds Loans Security Document, the Finco Loans (other than the HOT Proceeds Note) and the Proceeds Loan.
- (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 VII or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by Altice VII or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (*provided* that its direct or indirect Parent becomes a Restricted Subsidiary or is merged, consolidated or otherwise combined with or into Altice VII on such date) (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 VII or was merged, consolidated or

otherwise combined with or into Altice VII 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 VII 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 VII 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 VII 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;
- (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 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 Guarantee Trigger Acquisition 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) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, 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 and will not permit the Senior Secured Notes Issuer to make any Finco Asset Sale.

Subject to the immediately preceding paragraph, Altice VII will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) Altice VII 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 the Issuer, 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) received by Altice VII or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents.

After the receipt of Net Available Cash from an Asset Disposition, Altice VII or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of Altice VII or such Restricted Subsidiary):

- (a) (i) to prepay, repay, purchase or redeem any Senior Indebtedness within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), Altice VII or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer 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 shall prepay, redeem, repay or repurchase Pari Passu Indebtedness pursuant to this clause (ii) only if the Issuer makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer 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 (iv) to purchase the Notes pursuant to 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);
- (b) to the extent Altice VII 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 VII or another Restricted Subsidiary) within 395 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 the Issuer 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 395th day;
- (c) to make a capital expenditure within 395 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 the Issuer that is

executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 395th 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 VII 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 396th day (or the 576th 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 the Issuer pursuant to clauses (b) or (c) of the second 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 ("Asset Disposition 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 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.

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, the Issuer, the Senior Secured Notes Issuer and Altice VII 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 (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 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 of Indebtedness of Altice VII or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of Altice VII 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 VII or any Restricted Subsidiary from the transferee that are converted by Altice VII 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 VII 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 VII or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by Altice VII 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 €45.0 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 VII 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 VII (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 VII 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; 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 the Issuer 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.

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), (2) and (17) 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 VII, 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 the Issuer, 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 VII and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Altice VII, 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 VII, 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 Transactions and the entry into and performance of obligations of Altice VII 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;
- (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 VII or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of Altice VII 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 VII or any Restricted Subsidiary and any Affiliate of Altice VII or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because Altice VII or a Restricted Subsidiary or any Affiliate of Altice VII 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 VII 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 VII 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 VII 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 €5 million or 1.0% of Consolidated EBITDA (as reported by Altice VII in the financial statements delivered pursuant to clause (1) of the covenant under “*Reports*” for the most recent fiscal year ended prior to the date of determination) per year; (b) customary payments by Altice VII 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, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of Altice VII in good faith; and (c) payments of all fees and expenses related to the Transactions; and
- (12) any transaction effected as part of a Qualified Receivables Financing.

### ***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 VII will provide to the Trustee the following reports:

- (1) within 120 days after the end of Altice VII's fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to the Offering Memorandum, the following information: audited consolidated balance sheet of Altice VII as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of Altice VII for the three most recent fiscal years, 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 VII can provide *pro forma* financial statements prepared on a basis consistent with the *pro forma* information contained in "Pro Forma" section of this Offering Memorandum to meet the requirements set forth above); unaudited *pro forma* income statement information and balance sheet information of Altice VII (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 VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis or (ii) recapitalizations by Altice VII or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (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 VII, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of Altice VII, 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 VII beginning with the quarter ending March 31, 2014, all quarterly reports of Altice VII containing the following information: (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 VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA 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); *provided*, that for any report required to be delivered pursuant to this clause (2) for any quarterly period ended prior to March 31, 2014, Altice VII can meet its obligations hereunder by delivering the reports for such quarterly period that the Issuer provides to holders of the Original Issuer Notes; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in a senior executive officer or the Board of Directors of Altice VII or change in auditors of Altice VII, or any other material event that Altice VII or any Restricted Subsidiary announces publicly, a report containing a description of such event.

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 above, no report need include separate financial statements for Altice VII or Subsidiaries of Altice VII or any disclosure with respect to the results of



operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time any Subsidiary of Altice VII 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 VII and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Altice VII.

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 VII 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 VII and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by Altice VII in good faith) or (b) to the extent Altice VII 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 VII 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 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, post such reports on the official website of the Luxembourg Stock Exchange (*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.

### ***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.

#### *Senior Secured Notes Issuer*

The Senior Secured Notes Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Senior Secured Notes 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 Senior Secured Notes Issuer taken as a whole in one or more related transactions, to another Person.

#### *Altice VII*

Altice VII 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 VII) will be a Person organized and existing under the laws of any member state of the European Union, 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 VII) 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 VII under the Notes and the Indenture and (b) all obligations of Altice VII under the Intercreditor Agreement and the Security Documents, 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 applicable four-quarter period, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Consolidated 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 VII, which properties and assets, if held by Altice VII instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of Altice VII on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Altice VII.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Altice VII 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 VII 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 VII (so long as Altice VII 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 VII. 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 VII may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of Altice VII, reincorporating Altice VII in another jurisdiction or changing the legal form of Altice VII.

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 the Senior Secured Notes Issuer and 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 VII or 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 VII 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.

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 and Senior Secured Notes Issuer Activities***

Notwithstanding anything contained in the Indenture:

- (1) The Issuer will not, and will not permit the Senior Secured Notes Issuer to, 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 Notes, the Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facility, 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 or the Senior Secured Notes Indenture (including the lending, directly or indirectly, of the proceeds of such sale of the Notes, the Senior Secured Notes any Additional Notes or other Indebtedness permitted by the terms of the Indenture or the Senior Secured Notes Indenture pursuant to the Finco Proceeds Loans and the Proceeds Loan or borrowing directly or indirectly from Altice VII 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 Notes, the Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facility, the Guarantee Facility, any Additional Notes, the Finco Proceeds Loans, the 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 Senior Secured Notes Indenture, the New Senior Secured Notes Indenture, the Existing Senior Notes Indentures, any Security Document or Senior Secured Notes Secured Document to which it is a party, the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Indenture) or the Escrow Agreement;
  - (c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer’s and Senior Secured Notes Issuer’s corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Indenture, the Senior Secured Notes Indenture or the New Senior Secured Notes Indenture, as the case may be;
  - (d) directly related to investing amounts received by the Issuer (other than amounts not corresponding to required payments under the Notes) or the Senior Secured Notes Issuer (other than amounts not corresponding to required payments under the Senior Secured Notes) in such manner not otherwise prohibited by the Indenture, the Senior Secured Notes Indenture or the New Senior Secured Notes Indenture, as the case may be;
  - (e) in the case of the Issuer, making Permitted Issuer Investments and Incurring Permitted Issuer Liens and, in the case of the Senior Secured Notes Issuer, making Permitted Senior Secured Notes Issuer Investments and Incurring Permitted Senior Secured Notes Issuer Liens;

- (f) in the case of the Senior Secured Notes Issuer, related to cash management activities on behalf of the Issuer, Altice VII 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 Altice VII);
  - (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 the Proceeds Loan (or rights thereunder) except pursuant to the Security Documents; or
  - (f) amend any provision of, or waive any default or event of default under, any Proceeds Loan except in accordance with “—*Amendments and Waivers*”.
- (3) The Senior Secured Notes 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 Finco Proceeds Loan (or rights thereunder) except pursuant to the Security Documents; or
  - (f) amend any Finco Proceeds Loan except in accordance with “—*Amendments and Waivers*” provisions of the Senior Secured Notes Indenture;
- (4) 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 Altice VII, other than pursuant to the Issuer Share Pledge or the enforcement of such Issuer Share Pledge.
- (5) Whenever the Issuer receives a payment or prepayment under any Proceeds Loan, it shall use the funds received solely 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) or any other Indebtedness of the Issuer.
- (6) Whenever the Senior Secured Notes Issuer receives a payment or prepayment under a Finco Proceeds Loan, it shall use the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Senior Secured Notes Indenture (including any premium paid to holders of the Senior Secured Notes), the New Senior Secured Notes Indenture or any other Indebtedness of the Senior Secured Notes Issuer (including Indebtedness under any Proceeds Loans); *provided* that to the extent the Senior Secured Notes Issuer receives cash payment in respect of interest on a Finco Proceeds Loan previously paid in-kind and the amount of such cash payment exceeds the obligations of the Senior Secured Notes Issuer then due and payable (or due and payable within five Business Days of such receipt) under the Senior Secured Notes, the New Senior Secured Notes, the Proceeds Loan or any other Indebtedness of the Senior Secured Notes Issuer, the Senior Secured Notes Issuer may use such excess amount for any purpose not prohibited by the Indenture.

### ***Lines of Business***

Altice VII 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 VII and the Restricted Subsidiaries, taken as a whole.

### ***Additional Guarantors***

Altice VII 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*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the 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 subordinated to Senior Indebtedness of such Restricted Subsidiary and senior to or pari passu with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

Note Guarantees granted after the Issue Date pursuant to this covenant shall be released as set forth under “—*Releases of the Note Guarantees*”. Note Guarantees granted after the Issue Date pursuant to the first paragraph of this covenant may be released at the option of the Issuer if, at the date of such release, (i) the Indebtedness which required such Note Guarantee 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 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 were not a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, 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 additional Note 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 VII shall not be obligated to cause such Restricted Subsidiary to become a Guarantor 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 VII 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.

### ***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 paragraph of the covenant described under “—*Merger and Consolidation—Altice VII*” and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer, Altice VII 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*”.

### ***Impairment of Security Interests***

The Issuer shall not, Altice VII 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 the Issuer shall not, Altice VII 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, the Issuer, Altice VII and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (x) 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 (y) and Altice VII and its 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 Security Interest 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 in the good faith determination of the Issuer in order to implement transactions permitted under “—*Merger and Consolidation*;” (iv) add to the Notes Collateral; or (v) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, however, that, contemporaneously with any such action in clauses (ii), (iii), (iv) and (v), 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 VII 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 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.

In the event that the Issuer, Altice VII 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 VII 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 VII 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 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 VII 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, in connection with the Incurrence by Altice VII or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Liens, Altice VII or 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 Security Interests; *provided* that only one payment blockage notice (a “*Stop Notice*”) can be given by Designated Senior Indebtedness in any 360-day period or in respect of the same event or circumstances regardless of the number of Credit Facilities or other instruments constituting “Designated Senior Indebtedness” of a Guarantor or the number of intercreditor agreements; *provided further* that except in the event of a payment default in respect of Senior Indebtedness is outstanding, in no event may the total number of days for which a Stop Notice is in effect exceed 179 days in respect of any Stop Notice in the aggregate during any consecutive 365-day period; *provided further however 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; *provided further* that only Designated Senior Indebtedness shall be entitled to instruct the Security Agent to enforce Collateral (other than the Issuer Share Pledge) or initiate a payment blockage. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for senior, *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 provides that, at the 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 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 Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) make any change reasonably necessary, 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 the Credit Facilities 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 Security in a manner than would adversely affect the rights of the holders of the Notes 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, 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.

### ***Post-Closing Guarantees and Security***

On the Guarantee Trigger Acquisition Date:

- (1) Altice VII will cause each Completion Date Guarantor to execute a supplemental indenture Guaranteeing the Notes on a senior subordinated basis; and
- (2) the Issuer will make the Additional Proceeds Loan with the proceeds of the offering of the Notes on the Issue Date to the Senior Secured Notes Issuer and the Issuer will execute the Security Document attached to the Escrow Agreement to which it is intended to be a party and grant second-ranking Lien over such Additional Proceeds Loan for the benefit of the holders of the Notes; and
- (3) each of the Issuer and Altice VII will execute and deliver to the Security Agent the Security Documents attached to the Escrow Agreement and grant first-ranking or second-ranking Liens, as applicable, over the property and asset described above under “*Note Security*”.

Within 90 days after the Orange Dominicana Acquisition Completion Date (if it occurs), Altice VII will cause each Orange Dominicana Guarantor to execute a supplemental indenture Guaranteeing the Notes on a senior subordinated basis.

Within 90 days after the Tricom Acquisition Completion Date (if it occurs), Altice VII will cause each Tricom Guarantor to execute a supplemental indenture Guaranteeing the Notes on a senior subordinated basis.

### **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 VII 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, under the covenants described under “—*Certain Covenants*” above (in each case, other than (i) a failure to purchase Notes, which will constitute an Event of Default under clause (2) above (ii) a failure to comply with the covenant described under “—*Certain Covenants—Post-Closing Guarantees and Security*”, which shall be governed by clause (10) below and (iii) a failure to comply with the Escrow Agreement;
- (4) failure by Altice VII, 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 VII or any Restricted Subsidiary (or the payment of which is Guaranteed by Altice VII or any Restricted Subsidiary) other than Indebtedness owed to Altice VII 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, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (“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 VII 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 VII 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”);
- (9) any Guarantee of the Notes of Altice VII 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”);
- (10) failure by Altice VII or any Restricted Subsidiary to comply for 30 days with any of the provisions of the covenant described under “—*Certain Covenants—Post-Closing Guarantees and Security*”; and
- (11) failure by the Issuer to consummate the Special Mandatory Redemption as described under the caption “—*Escrow of Proceeds; Special Mandatory Redemption.*”

However, a default under clauses (3), (4), (5), (7) or (10) 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) and (10) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7) or (10), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) or (11) 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; *provided* that, in the case of an Event of Default specified in clause (11), the amount due and payable shall be equal to the aggregate gross proceeds of the offering of the Notes, plus accrued and unpaid interest and additional amounts, if any. 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.

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 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 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 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 or of exercising any trust or power conferred on the Trustee.

The Indenture provides that, in the event an Event of Default has occurred and is continuing, 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 satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and 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 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 affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver 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) release any of the security interests granted for the benefit of the Holders in the Notes Collateral (to the extent any Notes Collateral 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 the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture;
- (9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (10) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (11) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

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) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon Altice VII or any Restricted Subsidiary;
- (4) 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;
- (5) 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;
- (6) to provide for Altice VII or a Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, to add Guarantees with respect to the Notes, 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;
- (7) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this Description of Senior Notes to the extent that such provision in this Description of Senior Notes was

intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;

- (8) to 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;
- (9) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*”;
- (10) provide for the assumption of a successor Person of the obligations of HOT or any HOT Proceeds Note Guarantor under any HOT Proceeds Note Document;
- (11) 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 or any Restricted Subsidiary of HOT;
- (12) 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 or any other Finco Proceeds Loan;
- (13) to provide for to add Guarantees with respect to the HOT Proceeds Note, to add security to or for the benefit of the HOT Proceeds Note, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any HOT Proceeds Note Guarantee or Lien (including the HOT Proceeds Note Collateral and the HOT Security Documents) or any amendment in respect thereof with respect to or securing the HOT Proceeds Note when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the HOT Security Documents or any intercreditor agreement relating to the HOT Proceeds Note; or
- (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 to give effect to a repayment or reduction in the aggregate principal amount of the HOT Proceeds Note.

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.

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 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**

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 the Altice VII or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with Altice VII 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 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 Altice VII 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, 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 VII 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 by it for this purpose) cash in euro or European 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) in the United States to the effect that Holders 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 in the United States 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 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 and 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 Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee 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 by it for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, 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; and (4) 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 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 Altice VII or any of its 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**

Application has been made to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

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 VII's annual audited consolidated financial statements, Altice VII's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

## **Available Information**

Anyone who receives this Offering Memorandum, 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, the Notes Escrow Agreement 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**

Citibank, N.A., London Branch 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. The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. 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.

The Issuer shall deliver written notice to the Trustee with 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 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 will be validly given if mailed 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 Euroclear or Clearstream, notices may be given by delivery of the relevant notices to 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**

U.S. dollars are 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 the Note Guarantees, as the case may be, 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. dollars 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. dollars amount is less than the U.S. dollars 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, Alice VII 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 will, in the Indenture, appoint CT Corporation System 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 will 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 and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England. The Security Documents shall be governed by and construed in accordance with the laws of the State of Israel and the Grand Duchy of Luxembourg, as applicable.

### **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.

“*ABO*” means Alice Blue One SAS, a société par actions simplifiée, incorporated under the laws of France.

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (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 VII or any Restricted Subsidiary. 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 VII 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 VII or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Additional 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 Senior Secured Notes 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.

“*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.

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

“*Applicable Premium*” means, with respect to any Note the greater of:

- (A) 1% of the principal amount of such Note; and
- (B) the excess (to the extent positive) of:
  - (i) the present value at such redemption date of (i) the redemption price of such Note at December 15, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Note to and including December 15, 2018 (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
  - (ii) 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 VII and the Restricted Subsidiaries (other than the Issuer and the Senior Secured Notes 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 VII 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 VII 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 VII or by Altice VII 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 or Temporary Cash Investments;
- (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 Altice VII 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*”), or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to Altice VII 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 the Issuer;
- (7) (a) 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) of not greater than €15 million or (b) a transfer of Capital Stock of HOT pursuant to the exercise of a Minority Shareholder Call Option as in effect on December 12, 2012;
- (8) 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 transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment;
- (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 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 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 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 in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (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 VII 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 VII or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice VII and the Restricted Subsidiaries (considered as a whole); *provided further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 1.0% of Total Assets and €30.0 million; and
- (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 VII 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 VII 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*”.

“*Associate*” means (i) any Person engaged in a Similar Business of which Altice VII 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 VII or any Restricted Subsidiary.

“*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 (excluding employee representatives, if any) 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.

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

“*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. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. 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, the State of Israel, the United Kingdom, Switzerland or any member state of the European Union (other than Greece or Portugal), 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, any member of the European Union (other than Greece or Portugal) 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) bills of exchange issued in the United States, a member state of the European Union (other than Greece or Portugal), eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (7) 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 (6) 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 becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of Altice VII, measured by voting power rather than number of shares;
- (2) following the first Public Offering by the IPO Entity, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity (together with any new directors whose election by the majority of such directors on such Board of Directors of the IPO Entity or whose nomination for election by shareholders of the IPO Entity, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the IPO Entity 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 (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity, 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 VII and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder; or
- (4) the first day on which the Issuer fails to own, directly or indirectly, 100% of the Capital Stock of the Senior Secured Notes Issuer or Altice VII fails to own, directly or indirectly, 100% of the Capital Stock of the Issuer.

“*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., Coditel Holding, the companies listed therein as original debtors, ING Bank N.V. as senior agent, Wilmington Trust (London) Limited as mezzanine agent and ING Bank N.V. as security agent.

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

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

“*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.

“*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 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 at the time of 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 July 2013 Transactions, the Original Hot Transactions and the 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) any non-cash management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders (whether directly or indirectly, including through any Parent); 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 VII 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 (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 VII 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 VII 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 VII 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 VII and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than Altice VII or a Subsidiary of Altice VII;
- (5) the consolidated interest expense that was capitalized during such period;
- (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 VII or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by Altice VII or any Restricted Subsidiary or secured by a Lien on assets of Altice VII 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 the Original Issuer Notes Issue Date until the New Group Reference Date and (y) Altice VII 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 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 and (iv) net payments and receipts (if any) pursuant to Currency Agreements (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations).

“*Consolidated Leverage*” means the sum, without duplication, of the aggregate outstanding Indebtedness of Altice VII and its Restricted Subsidiaries (excluding (i) Hedging Obligations and (ii) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary).

“*Consolidated Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of 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 VII are available multiplied by 2.0; *provided, however*, that the *pro forma* calculation of the Consolidated 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*”

“*Consolidated Net Income*” means, for any period, the net income (loss) of Altice VII 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) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that Altice VII’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 VII 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 VII 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 and the Indenture, the HOT Proceeds Note, the OMT Proceeds Loans, the Coditel Senior Credit Facility or the Coditel Mezzanine Facility, (c) contractual or legal restrictions in effect on December 12, 2012 with respect to a Restricted Subsidiary (including pursuant to the Notes, the Intercreditor Agreement and the Existing Hot Unsecured Notes), 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 (d) 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 VII’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 VII 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 VII 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);
- (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 Original HOT Transactions, the July 2013 Transactions or the Transactions;
- (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 VII or any Restricted Subsidiary owing to Altice VII 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 VII 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 Senior Secured Leverage*” means the sum of the aggregate outstanding Senior Secured Indebtedness of Altice VII and its Restricted Subsidiaries (excluding Hedging Obligations).

“*Consolidated Senior Secured Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of 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 VII are available (or, if prior to the fiscal quarter ended December 31, 2013 and such financial statements are not available, consolidated combined financial statements of Altice VII and the Restricted Subsidiaries) multiplied by 2.0; *provided, however*, that the *pro forma* calculation of the Consolidated 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 the caption “—*Certain Covenants—Limitation on Indebtedness*”

“*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 VII to Cool in an amount equal to NIS 37 million.

“*Credit Facility*” means, with respect to Altice VII 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 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 VII 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.

“*Default*” means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

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

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by Altice VII 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 VII, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to Altice VII or a Subsidiary of Altice VII or an employee stock ownership plan or trust established by Altice VII or any such Subsidiary for the benefit of their employees to the extent funded by Altice VII 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*”.

“*Designated Senior Debt*” means (1) any Senior Indebtedness permitted to be Incurred under the Indenture that has, at the time of designation, an aggregate principal amount outstanding of at least €40.0 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and that has been designated by the Issuer in an instrument evidencing such Senior Indebtedness and in an Officer’s Certificate delivered to the Trustee as “Designated Senior Indebtedness” for purposes of the Indenture, (2) all Indebtedness arising under the Revolving Credit Facilities, (3) all Indebtedness arising under the Senior Secured Notes Indentures and the Senior Secured Notes and Guarantees thereof, (4) all Indebtedness arising under the Senior Credit Facility, the loans thereunder and Guarantees thereof and (5) all Indebtedness arising under the Guarantee Facility.

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of Altice VII 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 VII 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 VII 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 Contribution*” means the Net Cash Proceeds received by Altice VII as capital contribution to the equity of Altice VII or from the issuance of Capital Stock or Subordinated Shareholder Funding and designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“*Equity Offering*” means a public or private sale of (x) Capital Stock of Altice VII or (y) Capital Stock or other securities, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of Altice VII 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 VII, including the Issuer, Altice VII or a Restricted Subsidiary; and
- (5) any such sale that constitutes an Excluded Contribution.

“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 or property or assets received by Altice VII as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII) after the Issue Date or from the issuance or sale (other than to Altice VII, a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of Altice VII, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“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 Senior Notes” means the July 2013 Issuer Notes and the Original Issuer Notes.

“Existing Senior Notes Indentures” means the July 2013 Issuer Notes Indenture and the Original Issuer Notes Indenture.

“Existing Senior Secured Notes” means, collectively, the € 210 million aggregate principal amount of 8% senior secured notes due 2019, the \$460 million aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% senior secured notes due 2019 issued by the Senior Secured Notes Issuer under the Senior Secured Notes Indenture.

“Existing Senior Secured Notes Indenture” means the indenture dated as of December 12, 2012, as amended, among, *inter alios*, the Senior Secured Notes Issuer, as Issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Senior Secured Notes.

“Existing Revolving Credit Facility” means that certain agreement dated November 27, 2012 between, *inter alia*, the Issuer, the Company, certain financial institutions party thereto and Citibank International plc as facility agent and security agent, as amended.

“*fair market value*” wherever such term is used in this “Description of Senior 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 Senior Notes” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Finco Asset Disposition*” means the sale, lease, conveyance or other disposition of any rights, property or assets by the Issuer or the Senior Secured Notes Issuer. Notwithstanding the preceding, none of the following items will be deemed to be a Finco Asset Disposition:

- (1) the granting of a Permitted Issuer Lien or a Permitted Senior Secured Notes Issuer Lien;
- (2) any Permitted Issuer Investment or a Permitted Senior Secured Notes Issuer Investment; and
- (3) the sale or other disposition of cash or Cash Equivalents.

“*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 Solution25 AG), 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.

“*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 Senior Secured Notes 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) as of the Guarantee Trigger Acquisition Date, Altice VII, Cool, H. Hadaros 2012, Ltd., the Senior Secured Notes Issuer, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal and Cabovisao (subject to the Portugal Guarantee Limit Amount) and (ii) each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*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 VII to cause HOT and the HOT Proceeds Note Guarantors to become direct Guarantors of the Senior Secured Notes by causing each of them to provide a Guarantee of the Senior Secured Notes on a senior basis and grant an equivalent Lien over all of its assets that constitute HOT Proceeds Note Collateral on such date.

“*HOT Mobile*” means HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

“*HOT Mobile License Guarantee*” means the NIS 80 million bank guarantee to the Ministry of Communications and Broadcast Council Incurred in connection HOT’s acquisition of a frequency allotment and a cellular license in 2011.

“*HOT Proceeds Note*” means collectively, the proceeds term loan and the revolving facility proceeds loan made by the Senior Secured Notes Issuer to HOT on December 27, 2012.

“*HOT Proceeds Note Collateral*” means the rights, property and assets securing the HOT Proceeds Note and the HOT Proceeds Note Guarantees and any rights, property or assets over which a Lien has been granted to secure the Obligations of HOT and the HOT Proceeds Note Guarantors under the HOT Proceeds Note.

“*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 the HOT’s obligations under the HOT Proceeds Note, executed pursuant to the provisions thereof and the Indenture.

“*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 State of Israel 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.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that 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 VII 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 any Indebtedness pursuant to any revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder.

“*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 and such obligations are satisfied within 30 days of Incurrence), 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) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations (excluding network and duct leases in existence on the Issue Date) of such Person;
- (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),

*provided* that the aggregate principal amount of Indebtedness with respect to which the obligor on such Indebtedness has created an account with a financial institution described in clause (x)(A) of the immediately succeeding paragraph and has deposited in such account cash in order to hold such cash in custody for the benefit of the holder of such Indebtedness and for the purpose of securing and servicing such Indebtedness (“*cash-collateralized*”) shall not be included in any calculation of Indebtedness up to the amount of cash deposited in such account for so long as such cash remains in such account; *provided* further that to the extent any principal amount of such Indebtedness is no longer cash-collateralized, such Person shall be deemed to incur Indebtedness in an amount equal to the aggregate principal amount of such Indebtedness that is no longer cash-collateralized on the date the cash in respect thereto is released from such account.

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on December 12, 2012, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations Incurred in the ordinary course of business, (vi) obligations under or in respect of Qualified Receivables Financing, (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 VII or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by Altice VII 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) Indebtedness incurred by Altice VII 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 VII 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, 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.

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 VII 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; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

- (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; or
- (iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness.

“*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 an Equity Offering of common stock or other common equity interests of Altice VII or any Parent or any successor of Altice VII or any Parent (the “IPO Entity”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the intercreditor agreement dated December 12, 2012 and made between (among others) the Issuer, the Senior Secured Notes Issuer, 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, as amended.

“*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 VII 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 VII 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 VII’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 VII will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) Altice VII’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to Altice VII’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 the Issuer 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 the Issuer.

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 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 the controlling shareholder of Altice Group 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 VII or any of its Subsidiaries.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means December 12, 2013.

“*Issuer*” means Altice Finco S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 3 boulevard royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B171.151.

“*July 2013 Issuer Notes*” refers to the €250 million aggregate principal amount of the Issuer’s 9% Senior Notes due 2023 issued on June 14, 2013 and released from escrow on July 2, 2013.

“*July 2013 Issuer 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 Issuer Notes.

“*July 2013 Transactions*” means the transactions described under “The Transactions” in the offering memorandum dated June 19, 2013 relating to the July 2013 Issuer Notes.

“*License Assets*” means a “License Asset”, as defined under the Israeli Communications Law (Telecommunications and Broadcasting) of 1982 (“Communications Law”), which includes all assets necessary for the provision by the relevant company of services under its license.

“*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).

“*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 VII 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 VII, its Restricted Subsidiaries or any Parent not to exceed an amount (net of repayments of any such loans or advances) equal to €8 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) do not exceed €15 million in any fiscal year);
- (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 €7.5 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 VII 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 VII, any Restricted Subsidiary or any Parent.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Minority Shareholder*” means each of Yedioth Communications Ltd., Fishman Family Properties Ltd., Fishman Family Properties Management (1988) Ltd. and Monitin Itonut Holdings (1985) Ltd.

“*Minority Shareholder Call Option*” means the right to purchase shares of Capital Stock of HOT pursuant to the applicable Minority Shareholder Purchase Agreement.

“*Minority Shareholder Option Exercise*” means the exercise by a Minority Shareholder of the Minority Shareholder Call Option on the terms provided in the applicable Minority Shareholder Purchase Agreement.

“*Minority Shareholder Purchase Agreements*” means each of (a) the Agreement, dated as of November 5, 2012 entered into by and between Yedioth Communications Ltd., a company incorporated in Israel with a registered address of 2 Mozes Street, Tel Aviv, Israel and the Company and (b) the Agreement dated as of November 5, 2012 entered into by and among Fishman Family Properties Ltd. and Fishman Family Properties Management (1988) Ltd., each a company incorporated in Israel with a registered address of 20 Lincoln Street, Tel Aviv, Israel, and Monitin Itonut Holdings (1985) Ltd., a company incorporated in Israel with a registered address of 53 Etzel Street, Rishon Lezion 75706, Israel and the Company, in each case providing for waiver of certain consent rights relating to the Original HOT Transactions and granting of the Minority Shareholder Call Option as consideration therefor, in each case as in effect on December 12, 2012 except for amendments that are not materially adverse to the interests of the Holders of the Notes.

“*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 VII 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 VII 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*”, 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 means 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).

“*New Senior Secured Notes*” refers to \$1,309 million equivalent aggregate principal amount of senior secured notes due 2022 (comprising \$900 million aggregate principal amount of senior secured notes denominated in U.S. dollars and €300 million of senior secured notes denominated in euros) of the Senior Secured Notes Issuer to be issued on the Issue Date.

“*New Senior Secured Notes Indenture*” means the indenture dated as of the Issue Date, as amended, among, *inter alios*, the Senior Secured Notes Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the New Senior Secured Notes.

“*Notes Documents*” means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreements and the Proceeds Loan.

“*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.

“*Offering Memorandum*” means the offering memorandum in relation to the Notes to be 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 Proceeds Loans*” means collectively, the direct and indirect proceeds loans made by Altice Holdings to NewCo OMT and its Subsidiaries in connection with the Outremer Transaction (as defined in the Offering Memorandum under “The Transactions”).

“*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 Loan Collateral as contemplated by the Indenture and the OMT Proceeds Loan.

“*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, Altice VII or any of their Subsidiaries.

“*Orange Dominicana*” means Orange Dominicana S.A., a *sociedad anónima* incorporated and existing under the laws of the Dominican Republic.

“*Orange Dominicana Acquisition*” shall mean the acquisition by Altice VII (or one of its Affiliates) of Orange Dominicana pursuant to the Orange Dominicana Acquisition Agreement as described under “The Transactions—ODO Acquisition” elsewhere in this Offering Memorandum.

“*Orange Dominicana Acquisition Completion Date*” means the date of the consummation of the Orange Dominicana Transaction.

“*Orange Dominicana Transaction*” shall mean the Orange Dominicana Acquisition and the other transactions described under “The Transactions—ODO Acquisition” elsewhere in this Offering Memorandum.

“*Original HOT Transactions*” the transactions consummated on December 27, 2012 pursuant to which Cool acquired all of the remaining shares of HOT and repaid certain indebtedness of Cool and HOT.

“*Original Issuer Notes*” means, collectively, the \$425 million aggregate principal amount of 9<sup>7</sup>/<sub>8</sub>% Senior Notes due 2020 issued by the Issuer under the Original Issuer Notes Indenture.

“*Original Issuer Notes Indenture*” means the indenture dated as of December 12, 2012, as amended, among, *inter alios*, the Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Original Issuer Notes.

“*Original Issuer Notes Issue Date*” means December 12, 2012.



“*Parent*” means any Person of which Altice VII 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, Altice VII 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 VII 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 VII 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 VII, 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 July 2013 Transactions and the 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 VII or any of the Restricted Subsidiaries including acquisitions by Altice VII 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 Original HOT Transactions, the July 2013 Transactions and the Transactions or the ownership, directly or indirectly, by any Parent;
- (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 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 VII and its Subsidiaries;
- (7) other fees, expenses and costs relating directly or indirectly to activities of Altice VII and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Original HOT Transaction, the July 2013 Transactions or the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of Altice VII, in an amount not to exceed €5 million in any fiscal year;
- (8) any Public Offering Expenses; and
- (9) 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.

“*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.

“*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 VII 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) of the definition of “Permitted Liens”;
- (2) Liens on the Notes Collateral (other than any Notes Collateral subject to the Escrow Assignment and the Issuer Share Pledge) to secure (a) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, (b) Indebtedness that is permitted to be Incurred under clauses (1), (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), 4(b), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness), (7)(b), (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, the Issuer could have incurred €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and clause (15) 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 (x) equal to all other Liens on such Notes Collateral securing Senior Indebtedness of the Issuer and the Guarantors, if such Indebtedness is Senior Indebtedness of the Issuer or the Guarantors (as applicable), or (y) *pari passu* with or junior to the Liens securing the Notes and the Note Guarantees; and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and
- (3) Liens on the Issuer Share Pledge to secure *Pari Passu* Indebtedness of the Issuer that is permitted to be Incurred under covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than clauses (3), (4)(a), (5), (7), (9), (10), (11), (12) and (13) of the second paragraph thereof); *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes; (ii) in each case, all property and assets of the Issuer securing such Indebtedness also secure the Notes on a senior or *pari passu* basis; and (iii) each of the parties thereto will have entered into 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 VII, 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 Investment*” means (in each case, by Altice VII or any of the Restricted Subsidiaries and subject to the covenant described under the heading “—*Certain Covenants—Limitation on Issuer and Senior Secured Notes Issuer Activities*”):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary), Altice VII (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 VII or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents or Temporary Cash Investments;
- (4) Investments in receivables owing to Altice VII 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 VII 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 VII 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;
- (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 VII (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, the Existing Senior Notes, any Additional Notes, the Senior Secured Notes, the New Senior Secured Notes and loans under the Senior Credit Facility;
- (16) (a) Investments acquired after the Issue Date as a result of the acquisition by Altice VII or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into Altice VII 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 3% of Total Assets and €90.0 million; *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; and
- (18) Investments as a result of contribution of Tower Assets to a Towers Joint Venture within 365 days from the Original Issuer Notes Issue Date; *provided, however*, that if a definitive binding agreement or a commitment to enter into a Towers Joint Venture is approved by the Board of Directors of the Issuer within such time, such Investment shall be permitted by this clause (18) so long as such Investment is consummated within 180 days from the date of such approval.

“*Permitted Issuer Investments*” means Investments in:

- (1) cash and Cash Equivalents;
- (2) the Notes and the Existing Senior Notes;
- (3) any other Indebtedness of the Issuer permitted to be Incurred under the Indenture; and
- (4) any Proceeds Loan.

“*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 VII 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 VII 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 VII and the Restricted Subsidiaries;
- (7) Liens on assets or property of Altice VII 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 VII 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 VII 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 VII and the Restricted Subsidiaries in the ordinary course of business;
- (13) (a) with respect to Altice VII and its Restricted Subsidiaries (other than HOT and its Subsidiaries and NewCo OMT 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 Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Account); (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 Original HOT 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 NewCo OMT 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 VII 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 VII 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 VII or any Restricted Subsidiary securing Indebtedness or other obligations of Altice VII or such Restricted Subsidiary owing to Altice VII or another Restricted Subsidiary, or Liens in favor of Altice VII 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 VII 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;
- (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 VII 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 VII or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (30) subject to the covenant described under the heading “—*Certain Covenants—Limitation on Issuer and Senior Secured Notes Issuer Activities*”, Liens on the property and assets of Altice VII and the Restricted Subsidiaries to secure (a) Indebtedness that is permitted to be Incurred under the clause (1) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, (b) Indebtedness that is permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise specified in this clause (30)), (4)(b), (5), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness), (7)(b), (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, the Senior Secured Notes Issuer could have incurred €1.00 of Indebtedness pursuant to clause (1) the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and clause (15) 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 such Indebtedness (other than Indebtedness Incurred under clauses (1), (5) and (15) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) is Senior Indebtedness of the Guarantors; and
- (31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €30.0 million and 1% of Total Assets.

“*Permitted Senior Secured Notes Issuer Investments*” means Investments in:

- (1) cash and Cash Equivalents;
- (2) the Senior Secured Notes and loans under the Senior Credit Facility;
- (3) any other Indebtedness of the Senior Secured Notes Issuer permitted to be Incurred under the Indenture; and
- (4) any Finco Proceeds Loan.

“*Permitted Senior Secured Notes 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), (28) of the definition of Permitted Liens and (30).

“*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 VII 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 VII 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 the Consolidated Senior Secured Leverage Ratio 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 VII 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 VII 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 VII 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, 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 VII 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).

“*Proceeds Loan*” means any loan agreement entered into between the Issuer and the Senior Secured Notes Issuer pursuant to which the Issuer lends to the Senior Secured Notes Issuer all or substantially all of the net proceeds of any Incurrence of Indebtedness by the Issuer; *provided* that (i) the principal amount of, and interest rate on, such Proceeds Loan will not be less than the principal amount of, and interest rate on, the Indebtedness of the Issuer that funded such Proceeds Loan, (ii) a Lien over such Proceeds Loan is granted at the time of its Incurrence on a junior basis to secure the Notes and the Note Guarantees and (iii) such Proceeds Loan shall be subject to the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*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 Market*” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“*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 VII 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 VII 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 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 VII 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 VII 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 VII), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by Altice VII) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Altice VII 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.

“*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 VII or any of its Subsidiaries pursuant to which Altice VII or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by Altice VII 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 VII 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 VII 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 VII (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with Altice VII in which Altice VII or any Subsidiary of Altice VII (other than the Issuer and the Senior Secured Notes Issuer) makes an Investment and to which Altice VII or any Subsidiary of Altice VII transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Altice VII 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 VII (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 VII 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 subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by Altice VII or any other Restricted Subsidiary, (iii) is recourse to or obligates Altice VII or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of Altice VII or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither Altice VII nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which Altice VII reasonably believes to be no less favorable to Altice VII or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Altice VII; and
- (3) to which neither Altice VII 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.

Any such designation by the Board of Directors of Altice VII shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice VII 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 VII 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 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) (i) subject to clause (ii) of this clause (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, (ii) if the Indebtedness being refinanced was originally Incurred by the Issuer or the pursuant to the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (4)(a), (4)(b) (in respect of the Existing HOT Unsecured Notes) or (5) of second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”, such Indebtedness is incurred by the Issuer or the Senior Secured Notes Issuer,

*provided, however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or the Senior Secured Notes Issuer that refinances Indebtedness of an Unrestricted Subsidiary, (ii) Indebtedness of the Issuer owing to and held by Altice VII or any Restricted Subsidiary, Indebtedness of Altice VII owing to and held by the Issuer, Altice VII or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary or (iii) any Finco Proceeds Loan or any Proceeds Loan.

“*Related Person*” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*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, Altice VII or any Subsidiary of Altice VII);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of Altice VII or any Subsidiary of Altice VII;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, Altice VII or any Subsidiary of Altice VII; or
  - (e) having made any payment in respect to any of the items for which Altice VII 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 VII 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 VII and Subsidiaries of Altice VII would have been required to pay on a separate company basis or on a consolidated basis if Altice VII and the Subsidiaries of Altice VII had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of Altice VII and the Subsidiaries of Altice VII.

“*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.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means a Subsidiary of Altice VII other than an Unrestricted Subsidiary.

“*Revolving Credit Facilities*” means the Existing Revolving Credit Facility and the Additional Revolving Credit Facility.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*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, successor or delegate thereof pursuant to an Additional Intercreditor Agreement.

“*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 June 24, 2013 between the Senior Secured Notes 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, as amended.

“*Senior Indebtedness*” means, whether outstanding on the Issue Date or thereafter Incurred:

- (1) all Indebtedness of the Issuer or any Guarantor outstanding under the Revolving Credit Facilities, Senior Credit Facility, the Guarantee Facility, all Hedging Obligations and all Obligations with respect to any of the foregoing;
- (2) the Senior Secured Notes, the New Senior Secured Notes and Guarantees thereof; and
- (3) any other Indebtedness of the Issuer or any Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is Incurred (or the Intercreditor Agreement or any Additional Intercreditor Agreement to which such Indebtedness is subject) expressly provides, in the case of the Issuer, that it is subordinated in right of payment to the Notes, or in the case of any Guarantor, that it is on a parity with or subordinated in right of payment to the Note Guarantee of such Guarantor, including, without limitation, any Subordinated Indebtedness, and all Obligations with respect to any of the foregoing.

Notwithstanding anything to the contrary in the preceding, Senior Indebtedness will not include:

- (1) any liability for national, state, local or other taxes owed or owing by Altice VII or any Restricted Subsidiary;
- (2) any (i) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary, (ii) Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary or (iii) any Indebtedness of Altice VII or any Restricted Subsidiary owing to any of Affiliate of Altice VII;
- (3) any trade payables;
- (4) the portion of any Indebtedness that is incurred in violation of the Indenture; or
- (5) Indebtedness which is classified as non-recourse in accordance with IFRS or any unsecured claim arising in respect of any insolvency proceedings.

“*Senior Secured Indebtedness*” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred by Altice VII or any Restricted Subsidiary (other than the Issuer) under clause (2) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4)(b) and (c), (5), (7), (14) or (15) 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 (other than (i) Liens on the Capital Stock of the Senior Secured Notes Issuer, Cool and Altice Holding and (ii) Liens on the Proceeds Loans and Subordinated Shareholder Loan, if any, in each case, that secure *Pari Passu* Indebtedness of the Guarantors that also secure the Notes and the Note Guarantees).

“*Senior Secured Notes*” means the Existing Senior Secured Notes and the New Senior Secured Notes.

“*Senior Secured Notes Indentures*” means the Existing Senior Secured Notes Indenture and the New Senior Secured Notes Indenture.

“*Senior Secured Notes Issuer*” means Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 3 boulevard royal, L-2449 Luxembourg.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) Altice VII’s and the Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of Altice VII on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) Altice VII’s and the Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of Altice VII on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) if positive, Altice VII’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 VII 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 VII or any of its Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by Altice VII or any of its Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by Altice VII or any Subsidiary of Altice VII which the Issuer has determined in good faith to be customary in a Receivables Financing, including 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 to the Note Guarantee of such Guarantor.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to Altice VII 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 VII 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 VII 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.

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

“*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 and the Senior Secured Notes Issuer) that Guarantees the Notes.

“*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) any European Union member state (other than Greece or Portugal), (iii) the State of Israel, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by Altice VII or a Restricted Subsidiary in that country with such funds or (v) 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 VII 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, any European Union member state (other than Greece or Portugal) 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 or a member state of the European Union (other than Greece or Portugal) 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.

"*Total Assets*" means the consolidated total assets of Altice VII and the Restricted Subsidiaries as shown on most recent the consolidated balance sheet prepared on the basis of IFRS prior to the relevant date of determination; *provided* that, for the purposes of the Incurrence of any Indebtedness pursuant to clauses (1), (8) and (15) of the covenant described under "*Certain Covenants—Limitation on Indebtedness*", Total Assets shall be calculated to give *pro forma* effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of such debt Incurrence.

"*Towers Assets*" communication masts/towers owned by HOT Mobile as part of its mobile telephony infrastructure.

"*Towers Joint Venture*" means the joint venture formed by the contribution of the Towers Assets by HOT Mobile, contribution of towers assets by another Israeli mobile telephony service provider and contribution of financing and operational expertise by an operator that results in nationwide coverage for HOT Mobile mobile telephony services network.

“*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 December 15, 2018; *provided* that if the period from such redemption date to December 15, 2018 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.

“*Tricom Acquisition*” means the acquisition by Altice VII (or one of its Affiliates) of Tricom and Global Interlinks pursuant to the Tricom Purchase Agreements as described under “The Transactions—Tricom Acquisition” elsewhere in this Offering Memorandum.

“*Tricom Acquisition Completion Date*” means the date of the consummation of the Tricom Transactions.

“*Tricom Transactions*” shall mean the Tricom Acquisition and the other transactions described under “The Transactions—Tricom Acquisition” elsewhere in this Offering Memorandum.

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America as in effect from time to time.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) Green Datacenter and Auberimmo SAS;
- (2) any Subsidiary of Altice VII that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Altice VII in the manner provided below); and
- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of Altice VII may designate any Subsidiary of Altice VII (other than the Issuer or the Senior Secured Notes Issuer) (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, Altice VII or any other Subsidiary of Altice VII 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 VII 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 VII shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice VII 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 VII 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 could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated 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 a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.



## **BOOK-ENTRY, DELIVERY AND FORM**

### **General**

Each series of the New 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”). The Regulation S Global Notes representing the Dollar Senior Secured Notes and the New Senior Notes (the “Dollar Regulation S Global Notes”) were deposited upon issuance with Citibank, N.A., as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Senior Secured Notes (the “Euro Regulation S Global Notes”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of the New 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”). The 144A Global Notes representing the Dollar Senior Secured Notes and the New Senior Notes (the “Dollar 144A Global Notes”) were deposited upon issuance with Citibank, N.A., as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Senior Secured Notes (the “Euro 144A Global Notes”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the “Dollar Global Notes”. The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the “Euro Global Notes”.

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, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in the Euro Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in the Dollar Global Notes will be 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, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. 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 New Notes are in global form, owners of interest in the Global Notes will not have the New Notes registered in their names, will not receive physical delivery of the New Notes in certificated form and will not be considered the registered owners or “holders” of the New Notes, under each of the New Indentures for any purpose.

So long as the New Notes are held in global form, the common depository for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under each of the New Indentures. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under each of the New Indentures.

Neither we, the Registrar, Citibank, N.A., as custodian for DTC nor the Trustee under each of the New Indentures nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of each of the New Indentures, owners of Book-Entry Interests will receive definitive New Notes in registered form (the “Definitive Registered Notes”):

- if DTC (with respect to the Dollar Global Notes), or Euroclear and Clearstream (with respect to the Euro Global Notes) notify the applicable Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the applicable Issuer within 120 days,

- if DTC (with respect to the Dollar Global Notes), or Euroclear or Clearstream (with respect to the Euro Global Notes) so requests following an event of default under the relevant Indenture, or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream, as applicable, following an event of default under the applicable New Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, as applicable, or the applicable Issuer, as applicable (in accordance with their 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 referred to in “*Transfer Restrictions*”, unless that legend is not required by the applicable New Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent 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.

We will not impose any fees or other charges in respect of the New Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

### **Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, 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, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the New Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided, however*, that no Book-Entry Interest of less than €100,000, in the case of the Euro Global Notes, or \$200,000, in the case of the Dollar Global Notes, 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) will be made by each of the Issuers to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of each of the New Indentures, the Issuers and the Trustee will treat the registered holder of the Global Notes (for example, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee, the Registrar nor the U.S. Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments 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 and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interest in such New Notes (each a “Euroclear/Clearstream Holder” and together, the “Euroclear/Clearstream Holders”) through Euroclear and/or Clearstream, as applicable, in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (each a “DTC Holder” and together, the “DTC Holders”) through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such Euroclear/Clearstream Holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar 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 DTC Holder.

## **Action by Owners of Book-Entry Interests**

DTC, Euroclear and Clearstream have advised the Issuers that they will take any action permitted to be taken by a holder of the New Notes 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 New Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream 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 any of the New Indentures, each of DTC, Euroclear and Clearstream reserves the right to exchange the 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. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the New 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 each of the Indentures.

The Global Notes will bear a legend to the effect set forth in “*Transfer Restrictions*”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “*Transfer Restrictions*”.

Through and including the 40th day after the later of the commencement of the offering of the New 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 denominated in the same currency 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 each of the New Indentures) 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 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 each of the New Indentures) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available).

Subject to the foregoing, and as set forth in “*Transfer Restrictions*”, Book-Entry Interests may be transferred and exchanged as described under “*Description of New Senior Secured Notes—Transfer and Exchange*” and “*Description of New Senior 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 Senior Secured Notes—Transfer and Exchange*” and “*Description of Senior Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in each of the New Indentures) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such New Notes. See “*Transfer Restrictions*”.

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar 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, Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide 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. Neither we, nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuers that it is:

- a limited purpose trust company organized under New York Banking Law,
- a “banking organization” within the meaning of New York Banking Law,
- a member of the Federal Reserve System,
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and
- a “clearing agency” registered pursuant to the provision of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (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.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book- entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers

and trust companies, that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, 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, Euroclear or Clearstream systems, 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. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The New 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 New Notes will therefore be required by DTC to be settled in immediately available funds. The Issuers expect that secondary trading in any certificated New 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 we, the Trustee, the Registrar nor the Principal Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the New Notes will be made in euro and U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

Application has been made to the Luxembourg Stock Exchange for the New Notes represented by the Global Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and trading on its Euro MTF Market. We expect that secondary trading in the New Notes will also be settled in immediately available funds.

The Book-Entry Interests will trade through participants of DTC and Euroclear or Clearstream 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.

## TRANSFER RESTRICTIONS

The New Notes have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the New 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 New Notes are being offered, sold and issued to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) 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 New 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 under the U.S. Securities Act are used herein as defined therein):

- (1) You are not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the Issuers, you are not acting on behalf of the Issuers 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 New 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 New Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the New Notes in an offshore transaction pursuant to Regulation S.
- (2) You understand that the New 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 New 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 New Notes, such New Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the New 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 under the U.S. Securities Act; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the applicable Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the applicable 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 New Notes from you or it of the resale restrictions referred to the legend below.
- (3) You acknowledge that none of us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the New Notes, other than by us with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the New Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the New Notes as you deemed necessary in connection with your decision to purchase any of the New Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.
- (4) You also acknowledge that:
  - (a) the Issuers and the Trustee reserve the right to require in connection with any offer, sale or other transfer of New Notes under the paragraph two above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuers and the Trustee; and
  - (b) each Global Note will contain a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “U.S. SECURITIES ACT”), THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED, DISPOSED OR

OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

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 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 AND IN THE CASE OF REGULATION S NOTES: 40 DAYS 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), 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, 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) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THERE IN 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" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S 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); (2) NEITHER ISSUER NOR ANY OF

ITS AFFILIATES IS A “FIDUCIARY” (WITHIN THE MEANING OF SECTION 3(21) OF ERISA 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 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; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHER THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF 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 ISSUERS, C/O ALTICE FINCO S.A., 3, BOULEVARD ROYAL, L-2449 LUXEMBOURG +352 226 05 640 ATTN: CHIEF FINANCIAL OFFICER.

If you purchase New Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these New Notes as well as to holders of these New Notes.

- (1) You acknowledge that the registrar will not be required to accept for registration of transfer any New Notes acquired by you, except upon presentation of evidence satisfactory to the Issuers and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) The Issuers, 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 the Issuers and the Initial Purchasers promptly in writing; and
  - (b) if you are acquiring any New 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 New Notes notice of any restrictions on the transfer of the New 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 New Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of the New Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the applicable Issuer or any of its affiliates was the owner of the New Notes or any predecessor of the New 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 Issuers or the Initial Purchasers that would permit a public offering of the New Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuers, the New Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the New Notes will be subject to the selling restrictions set forth hereunder and/or in the front of this Offering Memorandum



under “*Notice to European Economic Area Investors*”, “*Notice to Certain European Investors*”, “*Notice to Israeli Investors*” and/or under “*Plan of Distribution*” or “*Certain Employee Benefit Plan Considerations*”.

## TAX CONSIDERATIONS

### *EU Savings Directive*

On June 3, 2003, the Council of the European Union adopted the EU Savings Directive. According to the EU Savings Directive, effective as from July 1, 2005, Member States are required to provide to the tax authorities of another Member State details of payment of interest or other similar income within the meaning of the EU Savings Directive made by a paying agent established within its jurisdiction to an individual resident or certain entities called “Residual Entities” (within the meaning of the EU Savings Directive) established in that other Member State or in a Territory (as defined below).

However, for a transitional period, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not opt for the exchange of information or does not provide specific tax certificate reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The rate of withholding is 35% since July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following the agreement by certain countries to the exchange of information in relation to such payments. The Luxembourg government has announced that it will elect out of the withholding tax system in favor of the automatic exchange of information with effect as of January 1, 2015.

Also with effect from July 1, 2005, a number of non-E.U. countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Sint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) (the “Territories”) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity (within the meaning of the EU Savings Directive) established in one of those Territories.

Investors should note that the E.U. Commission has announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an E.U. resident individual, and (ii) a wider range of income similar to interest.

### *Luxembourg Taxation*

The following discussion summarizes certain important Luxembourg taxation principles that may be relevant to you if you invest in, own, hold or dispose of the Notes. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and decision in effect in Luxembourg at the date of this Offering Memorandum (as referred to herein, collectively, “*Luxembourg Tax Laws*”), and as such, may be superseded after such date. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this summary. This summary does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of the Notes and is not intended as tax advice to any particular investor or potential investor in the Notes. You should consult your own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Notes (including with respect to receiving interest on and redeeming the Notes). This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg Tax Laws and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge 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.

### *Luxembourg tax residency of the Noteholders*

A Luxembourg non-resident Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

#### *Withholding Tax*

In this section, “Interest”, “Residual Entities” and “Paying Agent” have the meaning given thereto in the Luxembourg laws of June 21, 2005 implementing the EU Savings Directive (or the relevant agreements). “Interest” will include accrued or capitalized interest at the sale, repayment or redemption of the Notes. “Residual Entities” include, in general, all entities established in the EU and certain Territories (as defined below) other than legal entities, UCITS, and entities taxed as enterprises. “Paying agent” is defined broadly for this purpose and, in the context of the Notes, means any economic entity established in Luxembourg which pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the Residual Entity whether the entity is, or acts on behalf of, the Issuers or is instructed by, the beneficial owner, or the Residual Entity, as the case may be, to collect such payment of interest.

Under Luxembourg income tax law currently applicable there is no withholding tax on the payment of interest, principal, premium or (to the extent the transaction is conducted on an arms-length basis) accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes, subject to

- a. the application of the Luxembourg laws of June 21, 2005 implementing the Council directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments (the “EU Savings Directive”) and several agreements concluded with certain dependent or associated territories (the “Agreements”) providing for the possible application of a withholding tax (35% from July 1, 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called “Residual Entities” as construed by article 4.2 of the EU Savings Directive) where the Issuers appoint a paying agent established in Luxembourg within the meaning of the EU Savings Directive (see section “EU Savings Directive” below) or Agreements apply; and
- b. the application of the Luxembourg law of December 23, 2005 regarding Luxembourg resident individuals (acting within the context of their private wealth) which introduced a 10% final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of June 21, 2005 implementing the EU Savings Directive).

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

#### **Other Withholding Taxes**

If interest is paid by an entity that is not considered a Luxembourg entity, other withholding taxes could apply. A company that is considered an Israeli resident for tax purposes paying interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at a rate of 25%, except for interest paid to “material shareholders,” who are subject to tax according to their marginal tax rate (currently 48%). “Material shareholders” for these purposes are shareholders who hold directly or indirectly, including with others, at least 10% of any means of control in the company. Taxes to be withheld from interest paid to non-Israeli residents by an Israeli company may be reduced under an applicable tax treaty.

A company that is an Israeli for tax purpose paying interest on a similar note to a corporate entity will be subject to 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%.

For purposes of the discussion above, payment by a company who is considered an Israeli resident for tax purposes, of any principal amount of New Senior Notes that is treated as original issue discount for Israeli tax purposes would be subject to tax withholding provisions described above. The New Senior Note would generally be treated as having been issued with original issue discount if its served principal amount exceeds its issue price.

#### ***Taxation of the Noteholders***

##### *Taxation of Luxembourg residents*

Noteholders who are residents of Luxembourg, or non-resident Noteholders that have a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax

purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

#### *Luxembourg resident individuals*

A Luxembourg resident individual Noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments. See paragraph (b) of “—*Withholding Tax*”.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (income tax levied at progressive rates and municipal business tax). For Luxembourg resident individuals receiving interest as income from assets used in their professional capacity, the 10% withholding tax levied is credited against their final tax liability. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

#### *Luxembourg corporate residents*

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (corporate income tax and municipal business tax).

#### *Luxembourg corporate residents benefiting from a special tax regime*

Luxembourg corporate resident Noteholders that benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended law December 17, 2010, (ii) specialized investment funds subject to the law dated February 13, 2007 or (iii) family wealth management companies subject to the law dated May 11, 2007, are exempt from income tax in Luxembourg except for an annual subscription tax (*tax d'abonnement*) and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

#### *Taxation of non-resident Noteholders*

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment, neither a fixed place of business, nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes. Noteholders who are non-residents of Luxembourg and who have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

### **Net Wealth Tax**

#### *Individuals*

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

#### *Corporations*

Corporate Luxembourg resident Noteholders or non-resident Noteholders which maintain a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes or income thereon are attributable, are subject to an annual Luxembourg net wealth tax on such Notes levied at a rate of 0.5% of their value, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law December 17, 2010, (iii) securitization vehicles governed by the law of March 22, 2004 on securitization (as amended), (iv) a company governed by the law of June 15, 2004 on venture capital vehicles (as amended), (v) a specialized investment fund subject to the law of February 13, 2007 (as amended) or (vi) a family wealth management company subject to the law of May 11, 2007.

### **Other Taxes**

#### *Registration taxes and stamp duties*

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*”).

#### *Value added tax*

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuers, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Due to the activity of the Issuers, this value-added tax could be a final cost. Foreign value-added tax that might be payable in respect of fees charged for certain services rendered to the Issuers could also be a final cost.

#### *Inheritance tax and gift tax*

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg at the time of his death for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes in instances where the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

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

**Pursuant to Internal Revenue Service (“IRS”) Circular 230, you are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on any taxpayer under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Such description was written in connection with the marketing by the Issuers of the New Notes. Taxpayers should seek advice based on the taxpayers’ particular circumstances from an independent tax advisor.**

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the New Notes by a U.S. Holder thereof as defined below. This description only applies to New Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the New 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 New 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 New Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the New 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 Dollar Senior Secured Notes, the Euro Senior Secured Notes or the New Senior Notes, as applicable, is sold for money) and assumes that the New Senior Notes will be treated as debt for U.S. federal income tax purposes. If the New Notes are not treated as debt for U.S. federal income tax purposes, the tax consequences of acquiring, owning and disposing of the New Notes could be substantially different from those described herein. 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 New 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 consequences described herein. No opinion of counsel to the Issuers or the holders or ruling from the 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 New 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 New 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 Issuers may be obligated to make payments in excess of stated interest and the adjusted issue price of the New Notes and/or redeem the New Notes in advance of their stated maturity. The Issuers intend to take the position that the New Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments. This position is based in part on assumptions, as of the date of issuance of the New Notes, regarding the likelihood that such payments will have to be paid and/or relating to the expected yield to maturity of the New 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 or Disposition by a U.S. Holder*” and any payments of Additional Amounts in an amount in excess of stated interest and the adjusted issue price 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. An 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 New Notes. U.S. Holders should consult their own tax advisors regarding the potential application to the New Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the New Notes are not treated as contingent payment debt instruments.

### **U.S. Holders**

#### ***Stated Interest***

Stated interest on the New Notes (including Additional Amounts and any non- U.S. taxes withheld on payments of such stated interest or Additional Amounts) will generally be taxable to 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.

Interest (including original issue discount (“OID”), if any, as described below) included in a U.S. Holder’s gross income with respect to the New Notes will be 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 should generally constitute “passive category income”, or in the case of certain U.S. Holders, “general category income”. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

With respect to the Euro Senior Secured Notes, stated interest paid in euros will be included in a U.S. Holder’s gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

#### ***Original Issue Discount***

The Dollar Senior Secured Notes, the Euro Senior Secured Notes or the New Senior Notes may be treated as issued with OID for U.S. federal income tax purposes. A New Note will be treated as having been issued with OID for U.S. federal income tax purposes if its stated principal amount 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 stated principal amount of the New Note multiplied by the number of complete years from its issue date to maturity.

If a New Note is issued with OID a U.S. Holder will generally 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 New Note a U.S. Holder must include in income is the sum of the “daily portions” of the OID for the New Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the New 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 New 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 difference between (1) the product of the “adjusted issue price” of the New Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any stated interest allocable to the accrual period. The “adjusted issue price” of a New Note at the beginning of any accrual period is the sum of the issue price of the New Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the New Note that were not stated interest.

Under these rules, a U.S. Holder will generally 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 New Note with OID may elect to include in gross income all interest that accrues on the New Note using the constant yield method described above. Once made with respect to the New 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 Issuers, c/o Altice Finco S.A., 3, Boulevard Royal, L-2449 Luxembourg +352 226 05 640 attn: Chief Financial Officer.

Any OID on a Euro Senior Secured Note generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of such a New

Note), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

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.

#### ***Sale, Exchange or Disposition by a U.S. Holder***

A U.S. Holder's adjusted tax basis in a New 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 New Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a New Note equal to the difference, if any, between the amount realized on the sale, exchange, redemption, retirement or other disposition of the New 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 New Note. If a U.S. Holder purchases a Euro Senior Secured Note with euros, the U.S. dollar cost of the Euro Senior Secured Note will generally be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Euro Senior Secured Note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Euro Senior Secured Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Euro Senior Secured Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Euro Senior Secured Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other disposition of a New Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the New Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder is generally 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 or other disposition of a New Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Euro Senior Secured Note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Euro Senior Secured Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the date of purchase of the Euro Senior Secured Note. If the Euro Senior Secured Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the settlement date of the purchase of the Euro Senior Secured Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Euro Senior Secured Notes.

#### ***Exchange of Amounts in Other than U.S. Dollars***

If a U.S. Holder receives euros as interest on a Euro Senior Secured Note or on the sale, exchange, retirement or other disposition of a Euro Senior Secured Note, such U.S. Holder's tax basis in the euros will equal the U.S. dollar value when the interest is received or at the time of the sale, exchange, retirement or other disposition. If a U.S. Holder purchased a Euro Senior Secured Note with previously owned non-U.S. currency, gain or loss will be recognized in an amount equal to the difference, if any, between the U.S. Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States provided that the residence of the U.S. Holder is considered to be the United States for purposes of the rules governing foreign currency transactions.

#### ***Reportable Transaction Reporting***



Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Euro Senior Secured Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Euro Senior Secured Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the Euro Senior Secured Notes.

### ***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, and to proceeds from the sale or disposition of New 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 New 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 or disposition to a holder of a New Note that is not a U.S. person are generally 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 New Notes, subject to certain exceptions (including an exception for New 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 New Notes.

### **FATCA**

Legislation referred to as the Foreign Account Tax Compliance Act (“FATCA”) generally may impose withholding at a rate of 30% on payments made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest 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. Based on current guidance, the Issuers do not expect payments on the New Notes to be subject to the withholding tax rules under FATCA; however, if the New Notes are materially modified after the date that is the later of (x) six months after the date final regulations define a “foreign passthru payment” under FATCA and (y) June 30, 2014, certain “foreign passthru payments” made on the New Notes on or after January 1, 2017 may become subject to the withholding tax rules under FATCA. If such withholding is required under FATCA, holders and beneficial owners of the New Notes will not be entitled to receive any additional amounts to compensate them for such withholding. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the New 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 New Notes. Prospective purchasers of the New Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

## 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 New 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 New Notes to such Plans, the purchase of such New 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 New 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 New Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the New 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 Issuers, the acquisition or holding of the New Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the New Notes or other indebtedness issued by the Issuers 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 Issuers 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.

EACH ACQUIRER AND EACH TRANSFEREE OF A NEW 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 NEW 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 NEW 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 NEW 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, 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 NEW NOTES, OR AS A RESULT OF ANY EXERCISE BY THE NOTES ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NEW 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 NEW NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NEW NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NEW NOTES OR ANY INTEREST THEREIN OTHER THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NEW NOTE.

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 NEW NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NEW NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NEW 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 New 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.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the New 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 New 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.

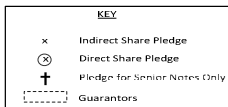
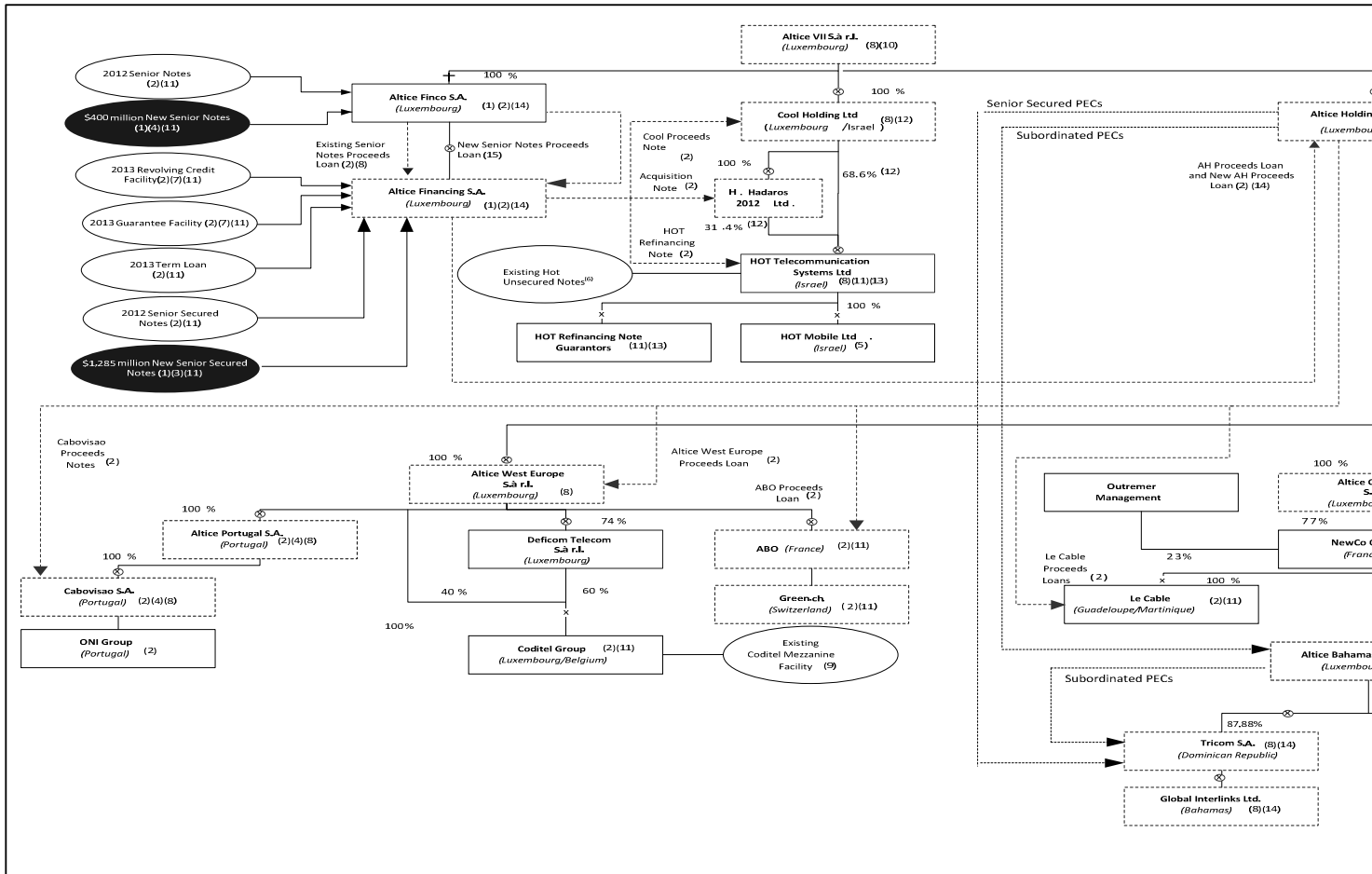
The sale of any New Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal 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 this Offering Memorandum, 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 New 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 New Transactions and the 2013 Coditel New Notes and the application of the proceeds therefrom as described in “The Transactions”, “Use of Proceeds” and “General Description of Developments.” The following is provided for indicative and illustration purposes only and should be read in conjunction with the information in the Memorandum. For a summary of the debt obligations referred to in the following diagram, see “Description of Senior Secured Notes”, “Description of Subordinated Debt” and “Description of Indebtedness”.



Restricted Group<sup>(15)</sup>

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- (1) In connection with the New Transactions, the Senior Notes Issuer issued the New Senior Notes (\$400 million) and the Senior Secured Notes Issuer issued the New Senior Secured Notes (\$1,309 million equivalent). The Initial Purchasers (i) deposited the gross proceeds from the offering of the New Senior Notes into a segregated escrow account for the benefit of the holders of the New Senior Notes and (ii) deposited the gross proceeds from the offering of the New Senior Secured Notes into segregated escrow accounts for the benefit of the respective holders of the New Senior Secured Notes, pending satisfaction of the conditions to the release of the escrow proceeds as set forth in “Description of Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption” and “Description of Senior Notes—Escrow of Proceeds; Special Mandatory Redemption”. See “The Transactions—The Financing.”

The New Senior Secured Notes are senior secured obligations of the Senior Secured Notes Issuer and the New Senior Notes are senior obligations of the Senior Notes Issuer. Prior to the release of all of the proceeds of the offering of the New Senior Secured Notes and the New Senior Notes (as applicable) from the applicable escrow accounts, the New Senior Secured Notes are secured by a first ranking pledge over the Senior Secured Notes Issuer’s rights under the Senior Secured Notes Escrow Agreement and the assets in the Senior Secured Notes Escrow Accounts; provided that in the event the Orange Dominicana Acquisition Completion Date occurs prior to the Tricom Acquisition Completion Date, the first ranking assignment over the remaining proceeds in the Senior Secured Notes Escrow Accounts and the rights of the Senior Secured Notes Issuer under the Senior Secured Notes Escrow Agreement will also secure all of the other senior secured indebtedness of the Senior Secured Notes Issuer on a pari passu basis, and the New Senior Notes will be secured by a first ranking pledge over the Senior Notes Issuer’s rights under the Senior Notes Escrow Agreement and the assets in the Senior Notes Escrow Account.

- (2) In connection with the 2012 Transaction, the Senior Secured Notes Issuer issued the 2012 Senior Secured Notes and the Senior Notes Issuer issued the 2012 Senior Notes. The Senior Notes Issuer made an intercompany loan of the gross proceeds of the offering of the 2012 Senior Notes (the “2012 Senior Notes Proceeds Loan”) to the Senior Secured Notes Issuer, which in turn used amounts borrowed under the 2012 Senior Notes Proceeds Loan and the proceeds under the 2012 Senior Secured Notes to purchase the Cool Proceeds Note, the Acquisition Note, the HOT Refinancing Note and to pay certain fees and expenses incurred in connection with the 2012 Transaction and for general corporate purposes.

In connection with the 2013 Transactions, the Senior Secured Notes Issuer entered into the 2013 Term Loan, which is its senior secured obligation, the 2013 Revolving Credit Facility and the 2013 Guarantee Facility, and the Senior Notes Issuer issued the 2013 Senior Notes, which are its senior obligations.

In connection with the 2013 Transactions, the Senior Notes Issuer made an intercompany loan of the gross proceeds of the offering of the 2013 Senior Notes (the “2013 Senior Notes Proceeds Loan”) to the Senior Secured Notes Issuer, which in turn used amounts borrowed under the 2013 Senior Notes Proceeds Loan, the proceeds drawn under the 2013 Term Loan and cash on hand to make an aggregate €933 million proceeds loan (the “AH Proceeds Loan”) to Altice Holdings. Altice Holdings used the AH Proceeds Loan as follows:

- (i) to purchase bonds issued by Cabovisão in an amount of € 22.2 million (together with the Original Cabovisão Proceeds Notes, the “Cabovisão Proceeds Notes”), the proceeds of which were used by Cabovisão to consummate the ONI Acquisition;
- (ii) to consummate the ONI Refinancing, in connection with which Altice Holdings subscribed bonds issued by Onitelecom in an amount of € 47.5 million (the “Onitelecom Proceeds Notes”) and (ii) the ONI Security was assigned to secure the Senior Secured Debt (other than the New Notes) up to an amount equal to the Aggregate ONI Security Limit;
- (iii) to consummate the Coditel Refinancing;
- (iv) in connection with the Outremer Transaction, to make (A) a €78 million intercompany loan to Altice Caribbean (which was used to subscribe to convertible bonds issued by Altice Blue Two (the “NewCo 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 Group Outremer Telecom (the “GOT On-Loan”), and (D) a €25 million intercompany loan to Outremer Telecom (collectively, but excluding the NewCo Convertible Bonds and the GOT On-Loan, the “Outremer Proceeds Loans”);
- (v) to make 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;
- (vi) to make a €48 million intercompany loan to ABO (the “ABO Proceeds Loan”) to consummate the ABO Refinancing;
- (vii) to consummate the Cabovisão Refinancing, in connection with which the collateral securing the Cabovisão Bridge Facility was assigned to secure the Senior Secured Debt (other than the New Senior Secured Notes); and
- (viii) to subscribe 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.

The New AH Proceeds Loans (as defined in note 14 below), the AH Proceeds Loan, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Notes are referred to collectively as the “Senior Secured Notes Issuer Pledged Proceeds Notes”. The ABO Proceeds Loan, the Original Cabovisão Proceeds Notes, 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 Senior Secured Notes Issuer Pledged Proceeds Notes are referred to collectively as the “Pledged Proceeds Notes”.

- (3) On the first release of the proceeds of the offering of the Euro Senior Secured Notes and the Dollar Senior Secured Notes (as applicable) from the applicable escrow accounts, the New Senior Secured Notes, will be guaranteed (the “Senior Secured Note Guarantees”) by Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Cabovisão, Altice Bahamas, and, following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom S.A., Global Interlinks Ltd. and ODO (and in respect of the Existing Senior Secured Notes only, ABO) (the “Senior Secured Guarantors”). Following the first release of the proceeds of the offering of the Euro Senior Secured Notes and the Dollar Senior Secured Notes (as applicable) from the applicable escrow accounts, the New Senior Secured Notes, together with the Existing Senior Secured Notes, the 2013 Term Loan, the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility and the 2013 Guarantee Facility (collectively, the “Senior Secured Debt”) and the Senior

Secured Note Guarantees, together with the guarantees of the other Senior Secured Debt by the Senior Secured Guarantors (collectively, the “Senior Secured Guarantees”), will be secured by:

- (i) first-ranking pledges over all of the share capital of the Senior Secured Notes Issuer, the Senior Secured Notes Guarantors and the capital stock of HOT (other than Altice VII and, in respect of the New Senior Secured Notes only, Green, Cabovisão and Altice Portugal);
- (ii) a first-ranking pledge over the bank accounts and all receivables of the Senior Secured Notes Issuer, including the Senior Secured Notes Issuer Pledged Proceeds Notes,
- (iii) first-ranking pledges over all of the material assets of each Senior Secured Guarantor including the capital stock of HOT and the Covenant Party Pledged Proceeds Loans, but 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, (iii) in respect of the New Senior Secured Notes only, the assets of ABO, (iv) Cabovisão and Altice Portugal, and (v) the HOT Minority Shareholder Call Options (as defined in “Management and Governance”) and certain management options);
- (iv) a first-ranking pledge over the Senior Notes Proceeds Loans (as defined in note 14 below);
- (v) a first-ranking pledge over the Cool Shareholder Loan; and
- (vi) an assignment for security purposes of claims and rights relating to bank accounts of Green in Switzerland (subject to local standard rights of the account bank to set off its claims and a lien to secure such claims) and an assignment for security purposes of account receivables and inter-company receivables of Green.

The Senior Secured Debt (other than the New Senior Secured Notes) will be secured (up to an amount equal to the Aggregate Portuguese Guarantee Limit) by:

- (i) a first ranking pledge over all of the share capital of Altice Portugal and Cabovisão; and
- (ii) first ranking security over all material assets of Altice Portugal and Cabovisão (including pledge of bank accounts of Cabovisão, pledge and assignment of shareholders’ credits of Altice Portugal, floating charge over the business as a going concern of Cabovisão and pledge of € 24 million unsecured Cabovisão bonds).

The Senior Secured Debt (other than the New Senior Secured Notes) will also be secured (up to an amount equal to the Aggregate ONI Security Limit) by:

- (i) a first ranking pledge over the shares of ONI S.G.P.S., its wholly owned subsidiaries (including Onitelecom, Hubgrade, F300 and Knewon) and the OniAçores shares held by Onitelecom; and
- (ii) first ranking security over certain assets and rights of Winreason, ONI S.G.P.S. and its wholly owned subsidiaries (including pledge and assignment as security of shareholders’ credits, pledge of certain bank accounts of ONI S.G.P.S. and its subsidiaries and pledge and assignment as security of the receivables under certain telecommunication contracts).

Pursuant to the Intercreditor Agreement, the holders of the New Senior Secured Notes will share in the proceeds of enforcement of the Cabovisão Security and the ONI Security up to an amount equal to the Aggregate Portuguese Guarantee Limit and the Aggregate ONI Security Limit, respectively.

The Senior Secured Debt will be secured by a pledge of the HOT Refinancing Notes 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 11 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”).

The Senior Secured Debt will be secured by a pledge of Altice Holdings’ interests under the Coditel Senior Facility and thereby indirectly benefit 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 11 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.

The Senior Secured Debt will be secured by a pledge of the Outremer Proceeds Loans and the Le Cable Proceeds Loans and will thereby indirectly benefit from the security that will secure the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the NewCo Convertible Bonds and the GOT On-Loan (in each case, up to the amount outstanding under the relevant intercompany loan). See note 11 below. Each Outremer Proceeds Loan, each Le Cable Proceeds Loan, the NewCo 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 Senior Secured 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) provided that, for the avoidance of doubt, ABO will not provide a Senior Secured Guarantee in respect of the New Senior Secured Notes. See “*Limitation on Validity and Enforceability of Guarantees and the Security Interests*” and “*Risk Factors—Risks*”

*Relating to the New Notes and the Structure—Corporate benefit and financial assistance laws and other limitations on the obligations under the Guarantees may adversely affect the validity and enforceability of the Guarantees.”*

- (4) On the first release of the proceeds of the offering of the New Senior Notes from the applicable escrow account, the New Senior Notes and the Existing Senior Notes (together, the “Senior Notes”) will be guaranteed on a senior subordinated basis (the “Senior Notes Guarantees” and, together with the Senior Secured Guarantees, the “Guarantees”) by Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Cabovisão, Altice Bahamas, and, following the Tricom Acquisition and the ODO Acquisition, as applicable, Tricom S.A., Global Interlinks Ltd. and ODO, (and in respect of the Existing Senior Notes only, ABO) (the “Senior Notes Guarantors” and, together with the Senior Secured Notes Guarantors, the “Guarantors”). Following the first release of the proceeds of the offering of the New Senior Notes from the applicable escrow account, the New Senior Notes and the Senior Notes Guarantees will be secured by:
- (i) a first-ranking pledge over all of the share capital of the Senior Notes Issuer;
  - (ii) second-ranking pledges over all of the share capital of the Senior Secured Notes Issuer, Cool Holding and Altice Holdings;
  - (iii) second-ranking pledges over the Senior Notes Proceeds Loans; and
  - (iv) a second-ranking pledge over the Cool Shareholder Loan.

The maximum liability of Altice Portugal and Cabovisão under their Senior Secured Guarantees and Senior Notes Guarantees collectively will be limited to the Aggregate Portuguese Guarantee Limit (€95 million). Since the Senior Notes Guarantees are subordinated in right of payment to the Senior Secured Debt, including the Senior Secured Guarantees by Altice Portugal and Cabovisão, the Aggregate Portuguese Guarantee Limit will effectively mean that the creditors of the Senior Secured Debt will be entitled to all amounts available from Altice Portugal and Cabovisão in the event of enforcement unless such Senior Secured Debt is repaid through other means. The maximum liability of ODO under the Senior Secured Guarantees and the Senior Notes Guarantees collectively will be limited to the ODO Guarantee Limit (\$856 million). The maximum liability of Tricom under the Senior Secured Guarantees and the Senior Notes Guarantees collectively will be limited to \$260 million.

The obligations of a Senior Notes 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) provided that, for the avoidance of doubt, ABO will not provide a Senior Notes Guarantee in respect of the New Senior Notes. See *“Limitation on Validity and Enforceability of Guarantees and the Security Interests”* and *“Risk Factors—Risks Relating to the New Notes and the Structure—Corporate benefit and financial assistance laws and other limitations on the obligations under the Guarantees may adversely affect the validity and enforceability of the Guarantees”*.

- (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 have 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 to 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. 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 September 30, 2013, the total principal amount of the Existing HOT Unsecured Notes outstanding was €278 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 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 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility (together, the “Revolving Credit Facilities”) 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 Revolving Credit Facility Agreements and the 2013 Guarantee Facility”*.
- (8) Each Guarantor (other than Cabovisão, Green, Tricom S.A., Global Interlinks Ltd. and ODO) 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 Senior Notes and respective Pledged Proceeds Note.
- (9) The Existing Coditel Mezzanine Facility constitutes subordinated obligations of Coditel Holding and Coditel Luxembourg as borrower and guarantor, respectively, which mature on September 30, 2018. As of September 30, 2013, the total principal amount of the Existing Coditel Mezzanine Facility outstanding was €106 million. The Existing Coditel Mezzanine Facility Agreement contains call protection provisions



that require a make-whole premium to be paid in case of prepayment prior to November 2014. After November 2014, the Existing Coditel Mezzanine Facility can be prepaid at 106.875% (until November 2015), 103.475% (from November 2015 until November 2016) and at par thereafter. The Existing Coditel Mezzanine Facility is:

- (i) subordinated to the Coditel Senior Facility;
- (ii) structurally senior to the Senior Secured Debt and the Senior Notes and the guarantees thereof granted by the Guarantors; and
- (iii) subject to the Existing Coditel Intercreditor Agreement.

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 and the Existing Senior Secured Notes Indentures.

- (10) Altice VII is a part of the restricted group (and a guarantor) for the New Indentures, the 2013 Term Loan, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the 2013 Senior Notes. Altice VII is also a guarantor under the 2012 Senior Secured Notes Indenture, the 2012 Senior Notes Indenture and the 2012 Revolving Credit Facility, but is not subject to the covenants thereunder.
- (11) The Senior Secured Debt and the 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 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 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 September 30, 2013, 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 Coditel Proceeds Loan will be subject to the Existing Coditel Intercreditor Agreement. As of September 30, 2013, the amount outstanding under the Coditel Senior Facility and the Existing Coditel Proceeds Loan were €131 million and €80.6 million, respectively.

Each borrower or issuer under the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the NewCo 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 NewCo 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 NewCo 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 Senior Secured Notes 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 and the 2013 Senior Notes, which has resulted in enforcement actions due to which Altice VII 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 NewCo Convertible Bonds, indirectly as a result of an assignment of the NewCo Convertible Bonds by Altice Caribbean in favor of Altice Holdings and the assignment of the relevant Pledged Proceeds Note and Group Outremer Telecom 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 the 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.

- (12) Cool Holding and SPV1 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 SPV1. 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.

Upon the exercise of certain Minority Shareholder Call Options (as defined under “*Description of Senior Secured Notes*” and “*Description of Senior Notes*”), the Senior Secured Notes Issuer must offer to repurchase or prepay as applicable, the 2012 Senior Secured Notes, the 2013 Term Loan and the New 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. In the event there are any remaining net cash proceeds after the completion of such offer, the Senior Notes Issuer must offer to repurchase the New Senior Notes and the Existing 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. See “*Description of Senior Secured Notes—Offer to Repurchase with Minority Shareholder Option Proceeds*” and “*Description of Senior Notes—Offer to Repurchase with Minority Shareholder Option Proceeds*.”

- (13) All of the assets of HOT are currently pledged on a second priority basis to the State of Israel to secure certain payment obligations (which are subordinated to the HOT Refinancing Notes) related to our ownership of the cable network. The final installment of such payment obligations will be due on January 1, 2015. As of September 30, 2013, the total amount of such payment obligations was approximately NIS 61 million. See “*Description of Our Business—Material Contracts—Agreement with State of Israel relating to ownership of our cable network*”.
- (14) In connection with the issuance of the New Notes offered hereby, the Senior Notes Issuer will make an intercompany loan of the gross proceeds of the offering of the New Senior Notes (the “New Senior Notes Proceeds Loan” and, together with the 2012 Senior Notes Proceeds Loan and the 2013 Senior Notes Proceeds Loan, the “Senior Notes Proceeds Loans”) to the Senior Secured Notes Issuer, which in turn will use amounts borrowed under the New Senior Notes Proceeds Loan and the gross proceeds of the offering of the New Senior Secured Notes to make an aggregate \$1,709 million equivalent proceeds loan (the “New AH Proceeds Loan”) to Altice Holdings. Altice Holdings will use the proceeds under the New AH Proceeds Loan to subscribe to common shares and subordinated preferred equity certificates issued by Altice Bahamas and its subsidiaries, which in turn will use such proceeds to consummate the ODO Acquisition and the Tricom Acquisition.

Following the Tricom Acquisition, Altice Caribbean or one of its subsidiaries (the “Tricom Purchaser”) is expected to purchase all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, “Tricom”) (the “Tricom Acquisition”) from Hispaniola Telecom Holdings, Ltd (the “Tricom Sellers”). Altice Holdings is expected to hold \$260 million of senior secured preferred equity certificates in the Tricom Purchaser (which is expected to merge with Tricom) and Altice Bahamas and the Tricom Sellers will hold \$48.9 million and \$20 million subordinated preferred equity certificates in the Tricom Purchaser respectively (as Altice Bahamas will have contributed \$96.10 million of its subordinated preferred equity certificates to increase the share capital of the Tricom Purchaser). Upon completion of the Tricom Acquisition, the Tricom Sellers will enter into a shareholders’ agreement with the parent of the Tricom Purchaser providing, in particular, that the Tricom Sellers will have the right, under certain conditions, to convert all or part of their subordinated preferred equity certificates into shares representing up to 12.12% of the total outstanding shares of the Tricom Purchaser. This ownership structure is subject to change, including in the event we agree with the Tricom Sellers that its minority investment will be held in a common holding company of Tricom and ODO. See “*General Description of our Business and the Offering—Recent Developments—ODO Acquisition*”. Distributions from the Tricom Purchaser will be applied first to Altice Holdings in relation to its senior secured preferred equity certificates, second, pro rata as between Altice Bahamas and the Tricom Sellers in relation to their subordinated preferred equity certificates and third, pro rata as between Altice Bahamas and the Tricom Sellers (if applicable) in relation to their equity interests in the Tricom Purchaser.

While we are still in negotiations with potential minority investors and final ownership percentages are yet to be agreed, we expect to own 75% of the equity interest in ODO following the ODO Acquisition. The negotiations are in advanced stages and in no event will Altice VII own less than 70% of the equity interest in ODO. However, if the minority investors in ODO and Tricom, purchase equity interests in the common holding company of ODO and Tricom (expected to be Altice Bahamas), Altice VII will own at least 70% of the equity interests in such holding company and therefore at least 70% of the equity interests of each of ODO and Tricom. Further, Altice Bahamas will hold \$856 million preferred equity certificates in ODO. Distributions from ODO will be applied first to Altice Bahamas in relation to its preferred equity certificates and second, pro rata as between Altice Bahamas and the Altice Bahamas Minority Shareholders in relation to their equity interests.

A 10% withholding tax will be payable on amounts of interest and dividends paid from Tricom and/or Orange (being Dominican Republic entities) to Altice Holdings and/or Altice Bahamas (being Luxembourg entities). All of the preferred equity certificates held by members of the Group that are issued in relation to the ODO Acquisition and the Tricom Acquisition will be pledged to secure the Senior Secured Debt.

- (15) The Restricted Group excludes Valvision, Green Datacenter and Auberimmo (and in the case of the Senior Secured Notes, also excludes the Senior Notes Issuer). We disposed of our interests in Valvision in 2013 and designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. In each of the years ended December 31, 2011 and 2012, Green Datacenter contributed €4.3 million and €10.3 million to aggregated and pro forma revenues and €3.5 million and €9.0 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million and €0.8 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013, Green Datacenter contributed €8.8 million to pro forma revenue and €7.6 million to pro forma EBITDA and Auberimmo contributed €0.7 million and €0.5 million to aggregated revenue and €0.7 million and €0.5 million to aggregated EBITDA.

## 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 Issuers and the Guarantors are organized.

### 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 temporary receiver 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.

A transaction in the assets of the company made after the commencement of the liquidation is void unless the court has otherwise ordered. In addition, certain security interests created in proximity to liquidation may be voided at liquidation. Such transactions include a floating charge created in the six months prior to liquidation (unless it is proven that the company was solvent immediately after the creation thereto), a transaction made when the company was not able to pay its debts when due, the transaction was entered into to create a preference or the transaction was entered into within three months prior to the petition for liquidation.

#### *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.

Pursuant to amendments to the Israeli Companies Law which are to become effective in January 2013, an authorized person appointed by the court in case of a request for arrangement or compromise may sell pledged assets if deemed necessary for the rehabilitation of the company, provided that the secured creditors have “adequate protection” from the proceeds of the sale or other assets acquired in substitution of the sold assets. These amendments also provide that such authorized person may cause the company to raise new financing secured by assets that are already charged and, if determined by the court to be necessary, such new security would be senior to the then-existing security; provided that the court determined that there is “adequate protection” for the existing secured lenders.

#### *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, SPV1, HOT and HOT Net and the interests in HOT Telecom, 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. Pledgees 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 limitation 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.

Each of the New Indentures 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 applicable 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 Completion Date or which will be Subsidiaries of that Luxembourg Guarantor hereafter) by the applicable Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the New Notes increased by
- (B) the greater of:
- (1) 90% 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 Completion Date (whether as original party or by way of accession); or
  - (2) 90% 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 New Notes; or
  - (3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and 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 Completion 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 and 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 New 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 (i) acknowledged by the company which has issued the shares and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration 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 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 actual and reasonable direct or indirect potential benefit to the Portuguese Company.

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 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 supplemental 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 an example, 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. A receivables pledge becomes enforceable against the debtor after it has been notified to, or acknowledged by, the debtor. A bank account pledge becomes effective against the banks after having been notified to, or acknowledged by, the account bank. 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. 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.

#### *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 company incorporated in Portugal (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 Law 66—B/2012 of 31 December 2012 (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 also 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).

## **France**

### ***Limitations on guarantees***

#### ***Corporate benefit, financial assistance and other limitations***

As described in “*Corporate and Financing Structure*”, certain guarantees and securities have been granted by companies incorporated in France, and security has been granted over assets located in France.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Guarantees to be granted by Guarantors incorporated under the laws of France (each, a “**French Guarantor**”) in respect of the payment obligations of the Issuer under the New Notes:

- the obligations and liabilities of a French Guarantor under its Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225 216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241 3, L. 242 6 or L.244 1 of the French Commercial Code; and
- the obligations and liabilities of a French company under its Guarantee for the obligations of any Issuer under the New Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the New Notes to the extent directly or indirectly on lent by such Issuer to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and be limited to the amount outstanding, if any, at the time a demand is made from such French Guarantor under its Guarantee; it being specified that:
  - any payment made by such French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce pro tanto the outstanding amount of the intercompany loans (if any) due by such French Guarantor to that obligor under the intercompany loan arrangements referred to above;
  - any payment made by such French Guarantor under the Guarantee and Indemnity provisions of the 2013 Term Loan and the 2013 Revolving Credit Facility in respect of the obligations of any other obligor shall (without double counting) reduce pro tanto the outstanding amount of the intercompany loans (if any) due by such French Guarantor to that obligor under the intercompany loan arrangements referred to above.

However, the balance of such inter company loans, which are financed directly or indirectly with the proceeds of the New Notes, will increase and decrease in the ordinary course of business, in line with the needs of the business and availability of such proceeds for other utilizations.

A French insolvency court may also refuse to enforce a guarantee if it is determined that the grantor was insolvent at the time the guarantee was granted and that the relevant secured party had knowledge, at the time the guarantee was granted, of such insolvency.

#### ***Grace periods***

A French court may, pursuant to articles 1244-1 *et seq.* of the French Civil Code, in any civil proceedings involving a debtor, whether initiated by the debtor or its creditor, taking into account the debtor’s financial position and the creditor’s financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of the principal. If a court order under article 1244-1 of the French Civil Code is made, it will suspend any pending enforcement measures that may have been initiated by the creditors, and any contractual interest or penalty for late payment will not accrue or be due during the grace period ordered by the court. A creditor cannot contract out of such grace periods.

#### ***French insolvency laws***

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors. Consequently, the commencement of pre-insolvency or insolvency proceedings at the level of a company which has provided security and/or a guarantee in respect of the New Notes may limit the ability of holders of the New Notes to enforce a guarantee and/or security granted by such company in relation to the New Notes.

Under Council Regulation (EC) No.1346/2000 of 29 May 2000 on insolvency proceedings, French courts may have jurisdiction over the main insolvency proceedings of a company incorporated in the jurisdiction of another EU Member State if the center of main interests of such company is deemed to be in France. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the New Notes in this respect.

#### **Insolvency (*cessation des paiements*) under French law**

Under French law, a company is deemed insolvent (*en cessation des paiements*) when it is not able to pay its debts which are due with its available assets taking into account credit lines available to it, and debt rescheduling which its creditors have granted to it.

### **Warning procedure (*procédure d'alerte*)**

In order to anticipate a debtor's difficulties to the extent possible, French law provides for warning procedures. Indeed, when there are elements which they believe put the company's existence as a going concern in jeopardy, the statutory auditors of a company can request the management to provide an explanation. Failing satisfactory explanations or corrective measures, the auditors can request that a board of directors (or the equivalent body), and, at a later stage, the shareholders' meeting be convened. Depending on the answers provided to them (and the type of company), the auditors can or must inform the President of the relevant Commercial Court of the warning procedure.

Shareholders representing at least 5% of the share capital and the workers' committee (or, in their absence, the employees' representatives) have similar rights.

The President of the relevant Commercial Court can also himself summon the management to provide explanations on elements which the President of the court believes put the company's existence as a going concern in jeopardy (or when the company has not filed its financial statements within the statutory timeframe, despite his injunction).

### **Court-assisted pre-insolvency proceedings**

A company that has its center of main interests in France and faces difficulties may request the commencement of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders under the aegis of a third party moderator (*mandataire ad hoc* or *conciliateur*), whose name can be suggested by the debtor, appointed by the President of the relevant court (usually the Commercial Court). These proceedings are amicable, confidential (subject to the details below as regards conciliation proceedings) and do not involve any automatic stay.

### **Mandat ad hoc proceedings**

French law does not provide for any specific rule in respect of *mandat ad hoc*. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic, legal or financial nature but are not insolvent. The *mandataire ad hoc*'s duties are determined by the relevant court. This *mandataire ad hoc* is usually appointed in order to facilitate the negotiations with the debtor's main creditors or stakeholders but he cannot coerce the creditors to accept any proposal and the dissenting creditors will not be bound by the arrangement, if any. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so. *Mandat ad hoc* proceedings are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the *mandataire ad hoc* can be reported by the latter to the President of the court but is not sanctioned by the court or the President of the court.

In any event, the debtor retains the right to petition the relevant judge for a grace period as set forth in article 1244-1 *et seq.* of the French Civil Code (see "*France—Limitations on guarantees—Grace periods*").

### **Conciliation proceedings**

*Conciliation* proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which is not insolvent or has not been insolvent for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and stakeholders. *Conciliation* proceedings are confidential (subject to the below) and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims. However, if, during the *conciliation* proceedings, a creditor initiates a legal action against the debtor or gives the debtor formal notice to pay, the debtor retains the right to petition the President of the Court for debt rescheduling for a maximum of two years pursuant to article 1244-1 *et seq.* of the French Civil Code (see "*France—Limitations on guarantees—Grace periods*"). In that case, the President of the Court who commenced the *conciliation* proceedings has jurisdiction and will take his/her decision after having been informed by the conciliator (*conciliateur*).

Upon its execution, the agreement reached by the parties becomes binding upon them and creditors party thereto may not take action against the company in respect of claims governed by the agreement. In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable. The acknowledgement of the conciliation agreement keeps the conciliation proceedings confidential; or

- upon the debtor’s request, sanctioned (*homologué*) by a decision of the court, subject to the satisfaction of certain conditions (*i.e.*: (i) the debtor is not insolvent or the conciliation agreement puts an end to the debtor’s insolvency; (ii) the conciliation agreement effectively ensures that the company will survive as a going concern; and (iii) the agreement does not infringe upon the rights of the non-signatory creditors). The judgment will make the conciliation proceedings public only in respect of the existence of the conciliation proceedings but not in respect of the content of the agreement (except for the guarantees and security interests as well as the amount of “new money” detailed below, as provided for in the agreement) which shall have the following specific consequences:
- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-petition and post-petition claims (other than certain pre-petition employment claims and procedural costs), in the event of subsequent safeguard (including the accelerated financial safeguard proceedings referred to below) proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (*cessation de paiements*) and therefore the starting date of the so-called suspect period (as defined below) cannot be set by the court at a date earlier than the date of the sanction of the agreement by the court, except in the case of fraud (see the definition of the date of the *cessation des paiements* above).

Joint debtors, personal guarantors, or any third party that granted a security interest can benefit from the provisions of the sanctioned or acknowledged agreement. Provided the agreement (whether acknowledged, sanctioned or not) is duly executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

In case of breach of the agreement, any party thereto can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, except for those amounts already paid to them. In any event, the debtor retains the right to petition for debt rescheduling pursuant to article 1244-1 *et seq.* of the French Civil Code (see “*France—Limitations on guarantees and security interests—Grace periods*”).

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings as described below.

***Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings***

Court-administered insolvency proceedings may be initiated:

- in the event of safeguard or accelerated financial safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor. The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the commencement of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of it becoming insolvent (unless it filed for conciliation proceedings in the meantime). If it fails to do so, its directors and officers may incur civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months. During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company. Creditors do not have effective control over the procedure, which remains in the hands of the company and the administrator and is overseen by the court. In safeguard proceedings, the administrator’s mission is limited to either supervising or assisting the debtor’s management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator’s mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include a business continuation plan (equivalent to a safeguard plan) and/or the sale of all or part of the company’s business to a third party. In judicial reorganization, the court may also decide that the administrator will manage the company alone in lieu of the debtor’s management.

At the end of the observation period, if it considers that the company can survive as a going concern, the court will adopt a safeguard or reorganization plan which will essentially entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor’s assets and businesses (a sale of the entire business is not possible in a safeguard plan). At any time during safeguard proceedings, the court may convert at its own initiative such proceedings

into reorganization proceedings if the debtor becomes insolvent or at the debtor's request, if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard proceedings end. At any time during safeguard or reorganization proceedings, the court may also convert such proceedings into liquidation proceedings if the debtor is insolvent and its recovery is manifestly impossible. However, it cannot be ruled out (further to a recent decision from the French Constitutional Court dated December 7, 2012), that the constitutionality of the conversion of safeguard proceedings into judicial reorganization or liquidation proceedings, when it is decided upon the judge's own initiative, may be challenged.

### ***Creditors' committees and adoption of the safeguard or reorganization plan***

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million) or where authorized by the supervising judge for smaller companies, two creditors' committees (one for credit institutions having a claim against the debtor or entities having granted credit or advances in favor of the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers—the smaller suppliers, if invited by the administrator, may elect to be members of such committee) have to be established. To be eligible to vote, suppliers must have their claims set forth in the list provided by the debtor to the judicial administrator as certified by the debtor's statutory auditor (or, in its absence, its accountant).

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting gathering all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the "bondholders' general meeting"). The New Notes would constitute *obligations* for the purposes of a safeguard or reorganization proceedings and the Noteholders would therefore vote within the bondholders' general meeting.

These two committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plan drafted by the debtor's management, together with the judicial administrator, during the observation period.

The draft plan submitted to the committees and the bondholders:

- must take into account subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may in particular include a rescheduling or cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

In the first instance, the plan must be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 20 to 30 days of its proposal to the debtor (such time can be reduced or extended by the supervising judge, at the request of the debtor or the judicial administrator, it being noted that it cannot last less than 15 days). Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee that express a vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the amount of the claims held by bondholders expressing a vote in the bondholders' general meeting.

Creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. For those creditors outside such committees or where no such committees have been convened, the creditors' representative may elect not to consult them.

Following approval by the creditors' committees and the bondholders' general meeting (and approval by each creditor that is not a member of the committees or a bondholder of a proposal, including in particular a rescheduling or a cancellation of part of its debt), the plan has to be approved by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan), as well as those creditors outside such committees / general meeting (it being noted that they can only have imposed upon them debt rescheduling by the court as detailed below).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan (or has not rendered its decision within 6 months of the judgment commencing the proceedings), the plan will not be approved by the court, which can still adopt a safeguard plan in the time remaining until the end of the observation period, in which

case a consultation of the creditors on an individual basis will take place. They will be asked whether they accept rescheduling, cancellation of debt and/or debt-for-equity swaps provided for in the draft plan. Where the consultation is in writing, the creditor is deemed to have accepted the debt rescheduling and/or write-offs proposal if he fails to respond within thirty days upon receipt of the creditors' representative's letter. However, with respect to debt-to-equity swap proposals, the creditors' representative must obtain the agreement of each individual creditor in writing within this 30-day timeframe.

In such circumstances, for those individual creditors who have not reached a negotiated agreement, the court can only impose uniform debt deferrals over a maximum period of 10 years, except for claims with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The court cannot impose on them debt write-offs or debt-to-equity swaps. The same rule applies with respect to creditors who are not members of the committees, or where no such committees or general meeting of bondholders are convened.

The first payment must be made within a year of the judgment adopting the plan (as from the third year included, the minimum annual installment is 5% of the total admitted liabilities), it being noted, however, that if the contractual provisions relating to a debt claim provide that the principal amount of such debt claim is repayable *in fine* and its maturity date falls within the implementation period of the plan, the repayment of such principal amount only starts on the first annual installment date (as set out in the plan) following the original contractual maturity date of that debt claim and such payment follows specific rules.

### ***Court-administered proceedings—accelerated financial safeguard proceedings***

A debtor in conciliation proceedings may request commencement of accelerated financial safeguard proceedings. Accelerated financial safeguard proceedings are very similar to safeguard proceedings (see above) but have been designed to “fast-track” purely financial difficulties of large companies having (i) either more than 150 employees or a turnover greater than €20 million or (ii) whose total balance sheet exceeds (a) €25 million or (b) €10 million if they control another company (A) which has more than 150 employees or (B) whose turnover for the previous financial year is greater than €20 million or (C) whose total balance sheet exceeds €25 million.

The proceedings apply only to debt owed to financial institutions and bondholders (*i.e.*, debts towards creditors eligible to be part of the credit institutions' committee and bond debts) the payment of which is to be affected by the plan adopted through accelerated financial safeguard proceedings, other debts continuing to be paid in the ordinary course of business (*e.g.*, trade debt or debt to the tax or social security administrations) in accordance with their contractual or legal terms.

Other creditors, such as public creditors (*e.g.*, the tax or social security administration) or suppliers, are not directly impacted by accelerated financial safeguard proceedings. Their debt continues to be due and payable according to their contractual or legal terms. The list of claims of credit institutions and bondholders party to the conciliation proceedings shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims (see below) unless the creditors otherwise elect to make such a filing (see below).

To be eligible to accelerated financial safeguard proceedings, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be insolvent and (ii) face difficulties which it is not able to overcome;
- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of the accelerated financial safeguard proceedings;
- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (*i.e.*, credit institutions and bondholders) to render likely its adoption by the credit institutions' committee and the bondholders' meeting, if any, within a maximum of two months of the commencement of the proceedings.

Where accelerated financial safeguard proceedings are commenced, the credit institutions' committee and the bondholders' general meeting are convened and are required to vote on the proposed safeguard plan within a minimum period of eight days of delivery of the proposed plan (as compared to a minimum period of 15 days for regular safeguard proceedings).

The total duration of the accelerated financial safeguard proceedings (*i.e.*, the period between the judgment commencing accelerated financial safeguard proceedings and the judgment adopting the plan) is one month, unless the court decides to extend it by one additional month.

### ***Status of creditors during safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings***



Contractual provisions pursuant to which the commencement of the proceedings constitutes an event of default are not enforceable against the debtor, while the judicial administrator can unilaterally request the termination of ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The judicial administrator can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that it fully performs its post-petition contractual obligations.

In addition, during the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is deferred by at least one year);
- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge to recover assets for which recovery is justified by the continued operation of the business; and
- creditors may not pursue any individual legal action against the debtor (or, in safeguard or reorganization proceedings, against a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
  - to terminate a contract for non-payment of pre-petition amounts owed to the creditor; or
  - to enforce the creditor's rights against any assets of the debtor, except where such asset—whether tangible or intangible, moveable or immovable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of article 5 of EC Regulations 1346/2000).

In accelerated financial safeguard proceedings, the above rules only apply to the creditors which are subject to the proceedings (*i.e.*, creditors eligible to the credit institutions' committee and bondholders).

As a general rule, creditors domiciled in France whose claims arose prior to the commencement of proceedings must file their claims with the creditors' representative (*mandataire judiciaire*) within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*) (provided that the deadline starts upon receipt of an individual notification for those creditors whose claim arose out of a published contract or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the plans sanctioned by the court. Employees are not subject to limitations and are preferred creditors under French law.

In accelerated financial safeguard proceedings, a simplified process is applicable to financial creditors that took part in the conciliation proceedings.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

In case of judicial reorganization or liquidation with a continuation of the business, if the court adopts a plan for the sale of the business (*plan de cession*), the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking. However, in practice, where a plan for the sale of the business is considered, it will usually appoint a judicial administrator to manage the company and organize such sale of the business process.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-petition legal costs (essentially fees of the officials appointed by the insolvency court), creditors who, as part of a sanctioned conciliation agreement, have provided new money or goods or services, certain pre-petition secured creditors in judicial liquidation proceedings only, post-petition creditors, the French State (taxes and social charges), other pre-petition secured creditors and pre-petition unsecured creditors.

### ***Judicial reorganization or liquidation proceedings***

Judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaire*) are open to insolvent debtors, whose recovery prospects are respectively possible or manifestly impossible. They may be initiated upon petition by the debtor or any creditor or the public prosecutor, or, for liquidation proceedings, at the court's own initiative (such an initiative as regards the commencement of the judicial reorganization proceedings having however recently been held anti-constitutional by the French Constitutional Court in its decision dated December 7, 2012 (see "*France—Limitations on guarantees—Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings*"). Further to such decision, it cannot be ruled out that likewise the commencement of judicial liquidation proceedings at the court's own initiative will be challenged). The company is required to petition for such insolvency proceedings (or for conciliation proceedings as discussed above) within 45 days of becoming insolvent. If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers may be subject to civil liability.

The date of insolvency is generally deemed to be the date of the court ruling commencing proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such ruling. Except for fraud, the date of insolvency may not be set at an earlier date than the date of the final court decision which sanctioned (*homologué*) the conciliation agreement in the context of a conciliation procedure. The period of time starting on such date of insolvency and ending on the date of such ruling is named the "suspect period" ("*période suspecte*"). Certain transactions undertaken during the so-called suspect period may become automatically void or voidable as detailed in the next section.

The court ruling commencing the proceedings may order either the liquidation or the reorganization of the company. In the event of a judicial reorganization, an administrator is appointed by the court to assist or represent the debtor (see the court-administered insolvency proceedings section above for the description of the observation period and the Creditors' Committees and Adoption of the Safeguard or Reorganization Plan section for the consultation of the creditors on the draft reorganization plan). At any time during the observation period, the court can order the liquidation of the company if recovery of the debtor is manifestly impossible (as mentioned above, it cannot be ruled out that likewise, the commencement of judicial liquidation proceedings at the court's own initiative be challenged further to the decision of the French Constitutional Court dated December 7, 2012 (see "*France—Limitations on guarantees—Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings*"). At the end of the observation period, the outcome of the proceedings is decided by the court.

There is no observation period in case of judicial liquidation proceedings being commenced against the debtor. The outcome of these proceedings, which is decided by the court without a vote of the creditors, may be a plan for the sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. In case a plan for the sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the public prosecutor's request), the effects of which are similar to an observation period.

### ***The "Suspect Period" in judicial reorganization and liquidation proceedings***

The court determines the date on which insolvency is deemed to have occurred. It can be any date within the 18 months preceding the date of the commencement of the proceedings. This marks the beginning of the so-called suspect period. Certain transactions entered into by the debtor during such suspect period are automatically void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the so-called suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures, unless the right of attachment or seizure predates the date of insolvency (*cessation de paiements*), the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guarantee of pre-existing debts.

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the so-called suspect period, if the court determines that the creditor knew of the insolvency (*cessation de paiements*) of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the so-called suspect period. (See "*—Fraudulent Conveyance.*")

There is no suspect period prior to the commencement of safeguard or accelerated financial safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

### ***Fraudulent Conveyance***

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings, the so-called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*) in insolvency proceedings of the relevant person or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the New Notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the New Notes or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the New Notes may not enjoy the benefit of the New Notes, the guarantees and the value of any consideration that holders of the New Notes received with respect to the New Notes or the guarantees could also be subject to recovery from the holders of the New Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the New Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

## **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) 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.

### ***Financial assistance rules***

Financial assistance by Green 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 approved by the board of directors and the shareholders of Green. Such financial assistance must be limited to the freely distributable reserves of Green, as measured by an auditor's report at the time of enforcement.

Payments under the guarantee/security interest provided by Green may be subject to the withholding tax at the rate of 35%, 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. 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). 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 no 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.

### ***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 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 (*Nachlassvertrag*). 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 New 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. 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. 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 (*Betriebsamt*). 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 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.

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 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, VAT legislation 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.

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.

### ***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 seems possible to reach a composition agreement, the court will grant the debtor a moratorium. Such moratorium may last four to six months and can be extended to twelve months and, in particularly complex cases, to twenty-four months. In the event of an extension exceeding twelve months, the creditors must be heard. The moratorium can also be granted provisionally. The provisional moratorium shall not exceed the duration of two months and during that period the debtor must reapply for the final moratorium.

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 private 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.

During a moratorium, debt collection proceedings cannot be initiated and pending Swiss court proceedings are stayed. Furthermore, the debtor’s power to dispose of its assets and to manage its affairs is restricted. A security interest granted by the debtor is generally not affected by the moratorium and private enforcement of pledged assets is still possible. However, enforcement proceedings cannot be initiated or continued as long as the moratorium is in effect, except for privileged (first class) claims and 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. 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 adjudication).

The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors 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 debtor and the administrator jointly draft 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 the case of a liquidation agreement, it is required that creditors receive a higher dividend than in a bankruptcy. Furthermore, the performance of the agreement, 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 under the applicable rules of avoidance. The avoidance may relate to situations where: (i) an over-indebted company repays unmaturing debts, settles a debt by unusual means of payment, or grants collaterals for previously unsecured liabilities within one year before the opening bankruptcy proceedings; (ii) a debtor disposes of assets for free or for inadequate consideration, for example, guarantees or security interests 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 his creditors or of favoring certain of his creditors to the disadvantage of others and in doing so damages the other creditors. 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.

In the event that such disputed transactions are successfully avoided, the creditors (such as holders of the New 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 list their claim 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 never opened and followed until it reaches its conclusion. There is no legal precedent of a bankruptcy process that has been concluded in the Dominican Republic. Typically, once the bankruptcy process begins and all executions are stayed, the super priority creditors and the priority creditors have already realized their security interests and no assets remain in the debtor prior to the stays or freezes on creditor executions.

***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

The Issuers have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuers, the entire aggregate principal amount of the New Notes. The sale was made pursuant to a purchase agreement dated the Issue Date.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase New Senior Secured Notes from the Senior Secured Notes Issuer and New Senior Notes from the Senior Notes Issuer, are several and not joint. Pursuant to the terms of the purchase agreement, the Senior Secured Notes Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Senior Secured Notes Issuer, together with all other Initial Purchasers, Dollar Senior Secured Notes in an aggregate principal amount of \$900 million and Euro Senior Secured Notes in an aggregate principal amount of €300 million, and the Senior Notes Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Senior Notes Issuer, together with all other Initial Purchasers, New Senior Notes in an aggregate principal amount of \$400 million.

The Initial Purchasers initially propose to offer the New Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell New 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 Issuers have agreed that:

- The Issuers will not offer or sell any of their debt securities (other than the New Notes and subject to certain other exceptions), without the prior consent of the Representatives (as defined therein), for a period of 45 days after the date of the final Offering Memorandum.
- The Issuers will indemnify the Initial Purchasers 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.

### United States

Each purchaser of New Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under “*Transfer Restrictions*”.

The New Notes 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 under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the New Notes, an offer or sale of New Notes initially sold in reliance on Regulation S within the United States 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 under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the New Notes, see “*Transfer Restrictions*”.

The New Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any New Note to the public.

### United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

- (i) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom; and
- (ii) it has only communicated or caused to be communicated and it 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 FSM Act) received by it in connection with the issue or sale of any New Notes in circumstances in which section 21(1) of the FSM Act does not apply to such Initial Purchaser.

This Offering Memorandum is 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”). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

### **Grand Duchy of 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 New Notes to the public in an EEA Member State (including Luxembourg), the Initial Purchasers can also make an offer of the New 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 New Notes in Israel will be made through the Initial Purchasers and/or through an Israeli broker(s) engaged by them. The New Notes will not be 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 has (x) completed and signed a questionnaire regarding qualification as a Qualified Israel Investor and (y) certified that it has an exemption from Israeli withholding taxes on interest.

### **General**

The New Notes are a new issue of securities, and there is currently no established trading market for the New Notes. In addition, the New Notes are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions”. The Senior Notes Issuer will apply for the New Senior Notes and the Senior Secured Notes Issuer will apply for the New Senior Secured Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Initial Purchasers have advised us that they intend to make a market in the New Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the New Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the New Notes, that you will be able to sell your New Senior Notes at a particular time or that the prices that you receive when you sell 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 New Notes or possesses or distributes this Offering Memorandum, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of New Notes under the laws and regulations in force.

In connection with the offering of the New Notes, the Initial Purchasers may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the New Notes in the open market for the purpose of pegging, fixing or maintaining the price of the New Notes. Syndicate covering transactions involve purchases of the New Notes in the open market after the distribution has been completed in order to

cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the New Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Delivery of the New Notes was made against payment on the New Senior Notes on or about the Issue Date, which was five business days following the date of pricing of the New Notes (this settlement cycle is referred to as "T+5"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the New Notes on the date of this Offering Memorandum or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the New Notes who wish to make such trades should consult their own advisors.

### **Other Relationships**

The Initial Purchasers and their respective affiliates are providing, from time to time have provided in the past and may provide in the future investment banking, commercial lending, consulting and financial advisory services to members of our group, including the Issuers, and any of its respective affiliates in the ordinary course of business for which the Initial Purchasers may receive customary advisory and transaction fees and expense reimbursement. Each of the Initial Purchasers other than Barclays Bank PLC and Deutsche Bank AG, London Branch, or their affiliates are lenders under the 2012 Revolving Credit Facility Agreement. Each of the Initial Purchasers or their affiliates are lenders under the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the 2013 Term Loan (other than Barclays Bank PLC in respect of the 2013 Guarantee Facility and the 2013 Term Loan and Morgan Stanley & Co. International plc in respect of the 2013 Term Loan). In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements. In addition, in the event that Next L.P. makes an equity contribution to fund a portion of the purchase price for either or both the Tricom Acquisition and the ODO Acquisition it is expected to fund the equity contribution from loans made by the Initial Purchasers or their affiliates to a subsidiary of Next L.P. that is not a member of the Restricted Group. Furthermore, affiliates of the Issuers may purchase New Notes in the offering.

## LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray International, 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, as to matters of Luxembourg law, by Macedo Vitorino & Associados, as to matters of Portuguese law; by Franklin and Nabbaro & Hinge 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 will be passed upon for the Initial Purchasers by Latham & Watkins, as to matters of United States federal, New York and English law; by Goldfarb Seligman & Co., as to matters of Israeli law; by Elvinger, Hoss & Prussen, as to matters of Luxembourg law; by Linklaters, as to matters of Portuguese law; by Latham & Watkins as to matters of French law; by Pestalozzi Attorneys at Law Ltd as to matters of Swiss law and by Pellerano & Herrera as to matters of Dominican law.

Certain legal matters in connection with this offering will be passed upon for the Trustee by White & Case LLP, as to matters of New York law.

## ENFORCEMENT OF JUDGMENTS

The Issuers are a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg and the Guarantors are incorporated under the laws of France, Israel, Luxembourg, Switzerland, Portugal and the Dominican Republic.

Many of the directors, members of the supervisory board, general partners, officers and other executives of the Issuers and the Guarantors are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuers or the Guarantors, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of each of the New Indentures, the Issuers and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within France, Israel, Luxembourg, Switzerland, Portugal and the Dominican Republic upon those persons, the Issuers or the Guarantors provided that the Hague Convention on the Service Abroad of Judicial and Commercial Matters of November 15, 1965 is complied with.

### Israel

The Issuers have been advised by their 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

The Issuers have been advised by Luther, their Luxembourg counsel, that a valid final and conclusive judgment against an issuer of Luxembourg nationality with respect to the New 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 set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;

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

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

### **Portugal**

The Issuers have been advised by Macedo Vitorino & Associados, Sociedade de Advogados, R.L., their 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.

### **France**

As described in “*Corporate and Financing Structure*”, certain guarantees and securities have been granted by companies incorporated in France, and security has been granted over assets located in France.

The United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon U.S. Federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court



(*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matters as the dispute is sufficiently connected with the jurisdiction of the court which rendered it, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French laws No. 80- 538 of July 16, 1980 and No. 200-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as last modified by Order No. 2011-1012 of August 24, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

If an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. Federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country towards French persons (article 14) and can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country towards the foreign claimant (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of articles 14 and 15 of the French Civil Code.

The French Supreme Court (*Cour de Cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (potestative). Accordingly, any provisions to the same effect in any relevant documents would not be binding over the party submitted court.

## **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 (“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 this practice extends 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. Enforcement and recognition of judgments of U.S. courts in Switzerland are governed by the provisions of the Swiss Civil Procedure Code. 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 New 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. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists 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 Issuers have been advised by Castillo Y Castillo, their 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 will 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 VII as of and for the years ended December 31, 2012, and 2011 have been audited by Deloitte Audit S.à r.l.

The standalone financial statements of Orange Dominicana, S.A. as of and for the two years ended December 31, 2012 have been audited by Deloitte & Associés.

The financial statements of Cabovisão—Televisão por Cabo, S.A. for the twelve-month period ended December 31, 2011 have been audited by Baker Tilly, PG & Associados, SROC, S.A.

The pro forma consolidated financial statements of Winreason, S.A. as of and for the twelve-month periods ended December 31, 2012 and 2011 have been audited by Deloitte & Associados, SROC S.A.

The consolidated financial statements of Groupe Outremer Telecom as and for the year ended December 31, 2012 have been audited by Constantin Associés and Ernst & Young et Autres.

The consolidated financial statements of Groupe Outremer Telecom as and for the year ended December 31, 2011 have been audited by Constantin Associés and Ernst & Young et Autres.

The financial statements of Coditel Brabant SPRL for the period of seven months ended July 31, 2011 have been audited by Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises.

The financial statements of Coditel S.à r.l. for the seven-month period ended July 31, 2011 have been audited by Deloitte Audit S.à r.l.

The financial statements of Ma Chaîne Sport S.A.S. for the year ended December 31, 2012 have been audited by KPMG Audit (department de KPMG S.A.).

The financial statements of Altice Portugal, S.A. as of and for the year ended December 31, 2012 have been audited by Baker Tilly, PG & Associados, SROC, S.A..

The consolidated financial statements of Tricom S.A. as of and for the year ended December 31, 2012 have been audited by KPMG Central America, S.A.

The consolidated financial statements for Global Interlinks Ltd as of and for the year ended December 31, 2012 have been audited by KPMG Central America, S.A.

## LISTING AND GENERAL INFORMATION

### Listing

Application has been made for each of the New Notes, to be listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market. Notice of any optional redemption, Minority Shareholder Option Proceeds Offer, change of control or any change in the rate of interest payable on the New 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 or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuers, Transfer Agent and Principal Paying Agent so long as the New 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:

- (1) the articles of association of the Issuers and the Guarantors;
- (2) Altice VII's annual reports and quarterly reports and consolidated financial statements required to be provided under "*Description of Senior Secured Notes—Certain Covenants—Reports*" and "*Description of Senior Notes—Certain Covenants—Reports*";
- (3) the annual consolidated financial statements, and, where required under certain rules of the Luxembourg Stock Exchange, semi-annual condensed consolidated financial statements of each of the Issuers;
- (3) the New Indentures; and
- (4) the security documents governing the Collateral.

So long as the New 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 Issuers will maintain a paying and transfer agent and an office or agency where Notes may be presented for transfer or exchange. The Issuers reserve 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 New Notes will be freely transferable on the Luxembourg Stock Exchange.

The gross proceeds of the offering of the New Senior Secured Notes will be \$1,309 million (equivalent) and the gross proceeds of the offering of the New Senior Notes will be \$400 million.

### Clearing Information

#### *Dollar Senior Secured Notes*

The Dollar Senior Secured Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of DTC and have been assigned CUSIP numbers L0178W AE2 and 02154C AC7, respectively. The ISIN for the Dollar Senior Secured Notes sold pursuant to Regulation S is USL0178WAE23 and the ISIN for the Dollar Senior Secured Notes sold pursuant to Rule 144A is US02154CAC73. The common code for the Dollar Senior Secured Notes sold pursuant to Regulation S is 100327384 and the common code for the Dollar Senior Secured Notes sold pursuant to Rule 144A is 100327325.

#### *Euro Senior Secured Notes*

The Euro Senior Secured Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear and have been assigned common codes 100390515 and 100391759, respectively. The ISIN for the Euro Senior Secured Notes sold pursuant to Regulation S is XS1003905152 and the ISIN for the Euro Senior Secured Notes sold pursuant to Rule 144A is XS1003917595.

#### *New Senior Notes*

The New Senior Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of DTC and have been assigned CUSIP numbers L0179R AF9 and 02154E AB5, respectively. The ISIN for the New Senior Notes sold pursuant to Regulation S is USL0179RAF93 and the ISIN for the New Senior Notes sold pursuant to Rule 144A is US02154EAB56. The common code for the New Senior Notes sold

pursuant to Regulation S is 100327287 and the common code for the New Senior Notes sold pursuant to Rule 144A is 100327201.

### **Legal Information**

The Senior Secured Notes Issuer is incorporated under the name of Altice Financing S.A. as a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg on August 17, 2012. The articles of association of the Senior Secured Notes Issuer have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 27 September 2012, under number 2407, page 115493 et seq. The registered office of the Senior Secured Notes Issuer is 3, Boulevard Royal, L-2449 Luxembourg. The Senior Secured Notes Issuer's telephone number is +352 226 05 640. The Senior Secured Notes Issuer is registered with the Luxembourg Trade and Companies Register under number B171162.

The Senior Secured Notes Issuer has a share capital of €2,000,000 comprised of 2,000,000 shares 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 Senior Secured Notes Issuer relating to its corporate object, the Senior Secured Notes 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 the Grand Duchy of Luxembourg and abroad.

The Senior Secured Notes 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 Senior Secured Notes Issuer may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Senior Secured Notes Issuer has an interest or which form part of the group of companies to which the Senior Secured Notes Issuer belongs (including shareholders or affiliated entities) or any other companies. The Senior Secured Notes Issuer may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer will not enter into any transaction which would constitute a regulated activity of the financial sector.

The creation and issuance of the New Senior Secured Notes has been authorized by resolutions of the Board of Directors of the New Senior Secured Notes Issuer dated December 4, 2013.

The Senior Notes Issuer is incorporated under the name of Altice Finco S.A. as a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg on August 17, 2012. The articles of association of the Senior Notes Issuer have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 28 September 2012, under number 2426, page 116402 et seq. The registered office of the Senior Notes Issuer is 3, Boulevard Royal, L- 2449 Luxembourg. The Senior Notes Issuer's telephone number is +352 226 05 640. The Senior Notes Issuer is registered with the Luxembourg Trade and Companies Register under number B171151.

The Senior Notes Issuer has a share capital of €2,004,000 comprised of 2,004,000 shares 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 Senior Notes Issuer relating to its corporate object, the Senior Notes 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 the Grand Duchy of Luxembourg and abroad.

The Senior Notes 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 Senior Notes Issuer may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Senior Notes Issuer has an interest or which form part of the group of companies to which the Senior Notes Issuer belongs (including shareholders or affiliated entities) or any other companies. The Senior Notes Issuer may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Senior Notes 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 Senior Notes 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 Senior Notes Issuer will not enter into any transaction which would constitute a regulated activity of the financial sector.

The creation and issuance of the New Senior Notes has been authorized by resolutions of the Board of Directors of the Senior Notes Issuer dated December 4, 2013.

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 22 60 56 40. 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 a 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, with a nominal value of NIS 1.00 (one shekel) each.

SPV1 was incorporated in Israel under the name of H.Hadaros 2012 Ltd. on March 22, 2012. The registered office of SPV1 is 16 Abba Hillel Rd., Ramat Gan, 52506, Israel. SPV1 is registered with the Israeli Registrar of Companies under number 51-475212-0.

According to its Articles of Association, SPV1's corporate objectives are to carry on any legal business. SPV1 has a share capital of NIS 100,000 comprised of 10,000,000 ordinary shares with a par value of NIS 0.10 per ordinary share, of which 100 ordinary shares are issued and outstanding.

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 +352 226 05 640. Altice Holdings is registered with the Luxembourg Trade and Companies Register under number B174906.

Altice Holdings has a share capital of €2,000,000 comprised of 2,000,000 shares 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 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 the Grand Duchy of 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.



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 with the Commercial Registry Office of Lisbon under the registration number 510 160 549. The articles of association of Altice Portugal have been filed with the Commercial Registry Office of Lisbon and were published in the site of the Minister of Justice (<http://www.mj.gov.pt/publicacoes>). The registered office of Altice Portugal is Rua do Alecrim, 26-E, 1200-018 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 with a nominal value of €1.00 each, 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.

Cabovisão was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on September 27, 1993. Cabovisão is registered with the Commercial Registry Office of Palmela under the registration number 503 062 081. The articles of association of Cabovisão were filed with the Commercial Registry Office of Palmela and were published in the Official Gazette (*Diário da República*). The registered office of Cabovisão is Lugar de Poços, Vale de Touros, Palmela, Portugal. Cabovisão's telephone number is +351 210 810 505.

Cabovisão has a share capital of €5,000,040.00 comprised of 2,500,020 shares with a nominal value of €2.00 each, all of which have been subscribed and fully paid-up.

According to Article 3/1 of Cabovisão's articles of association, the company's purpose is the installation, operation, marketing and technical assistance for images transmitting systems and cable television signals, the provision of telecommunications and/or television services, or directly or indirectly related to them, for all systems or physical transmission mediums, marketing or provision of media or television services, of all kind, by cable TV transmission network or other.

Pursuant to article 3/2 of Cabovisão's articles of association, Cabovisão may, by resolution of the Board of Directors, purchase shareholdings in companies with different corporate purposes or governed by specific regulations, as well as enter into association with other legal entities through European groups of companies of economic interest (*agrupamentos europeus de interesse económico*), complementary groups of companies (*agrupamentos complementares de empresas*), consortia or partnerships (*associações em participação*).

In general, Cabovisão 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.

Altice VII exists under the name of Altice VII S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008. The articles of association of Altice VII 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 VII is 3, Boulevard Royal, L-2449 Luxembourg. Altice VII's telephone number is +352 226 05 640. Altice VII is registered with the Luxembourg Trade and Companies Register under number B143725.

Altice VII has a share capital of €7,430,115.10 comprised of 743,011,510 shares 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 VII relating to its corporate object, Altice VII 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 the Grand Duchy of Luxembourg and abroad.

Altice VII 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 VII may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice VII has an interest or which form part of the group of companies to which Altice VII belongs (including shareholders or affiliated entities) or any other companies. Altice VII may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice VII 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 VII 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.

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 5 June 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' telephone number is +352 226 05 640. Altice West Europe is registered with the Luxembourg Trade and Companies Register under number B178.002.

Altice West Europe has a share capital of €2,000,000 comprised of 2,000,000 shares 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 the Grand Duchy of 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.

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 +352 226 05 640. Altice Caribbean is registered with the Luxembourg Trade and Companies Register under number B172223.

Altice Caribbean has a share capital of €12,500 comprised of 12,500 shares 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 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 the Grand Duchy of 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 creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the Board of Managers of Altice VII dated December 4, 2013.

The Issuers may issue, and the Guarantors may guarantee, Additional Notes permitted to be issued under the applicable New Indenture. Such issuance of Additional Notes may occur from time to time.

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 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 \$26,729 comprised of 26,729 shares 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 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 the Grand Duchy of 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.

Orange Dominicana, S.A. (“ODO”) is a limited liability corporation (*sociedad anónima*) incorporated under the laws of the Dominican Republic on July 5th, 1993. The bylaws of ODO 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 ODO is Avenida Núñez de Cáceres No. 8, GINAKA Building, Bella Vista, Santo Domingo, National District, Dominican Republic. ODO’s telephone number is +1 809 859 1000. ODO 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.

ODO has a share capital of RD\$5,800,000,000.00 comprised of 58,000,000 shares with a nominal value of RD\$100 each. All of ODO’s shares have been subscribed and fully paid in.

According to Article 2 of ODO’s Bylaws relating to its corporate object, ODO 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 ODO’s General Extraordinary Shareholder’s Meeting prior to the granting of such guarantees.

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</sup>/<sub>2</sub>, 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 with a nominal value of RD\$100 each, of which 79,998,936 have been subscribed and fully paid in.

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.

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.

Global Interlinks 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 Interlinks Ltd. is registered in the Register of Companies by the Registrar of Companies in The Bahamas under company registration number 160,205B.

Global Interlinks 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.

## **Management**

Each of the Issuers 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. Anne-Laure COATES; and
3. Mr. Laurent GODINEAU.

SPV1 is managed by a board of directors of which Cool Holding is the sole member.

As of the date of this Offering Memorandum, 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 this Offering Memorandum, Cabovisão is managed by a board of directors composed of four (4) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN;
3. Mr. Dexter GOEI; and
4. Mr. Laurent GODINEAU.

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.

Altice VII 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.

Altice West Europe is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Mr. Sébastien BACH; and
3. Mr. Laurent GODINEAU.

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.

Altice Bahamas 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.

Green is managed by a board of directors composed of two (2) members being:

1. Mr. Franz GRÜTER (chairman); and
2. Mr. Jérémie BONNIN.

Tricom S.A. is managed by a board of directors composed of five (5) members being:

1. Michael David Kazma;
2. Miguel Heras Castro;
3. Scott Haxton Fischer;
4. Guillermo Soto; and
5. Miguel Heras.

ODO is managed by a board of directors composed of a minimum of three (3) members being:

1. Jean Michel Garrousteig;
2. Bertrand Du Boucher; and
3. Pierre Hamon.

Global Interlink Ltd. is managed by its board of directors which is composed of the following three (3) members:

1. Mr. Scot FISCHER;
2. Mr. Michael KAZMA; and
3. Mr. Miguel HERAS.

***Business Year***

The business year for each Issuer 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 commences on August 17, 2012, and ends on December 31, 2012.

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 SPV1 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 SPV1 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, except for the first business year which commences on January 31, 2013, being the date of incorporation of Altice Holdings and ends on December 31, 2013.

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 Cabovisão begins on the first day of January and ends on the last day of December of each year. Until August 31, 2012, the business year for Cabovisão began on the first day of September and ended on the last day of August of each year.

The business year for Altice VII 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, except for the first business year which commences on June 5, 2013, being the date of incorporation of Altice West Europe and ends on December 31, 2013.

The business year for Altice Caribbean 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 commences on October 4, 2012, being the date of incorporation of Altice Caribbean and ends on December 31, 2012.

The business year for Altice Bahamas 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 commences on October 14, 2013, being the date of incorporation of Altice Bahamas and ends on December 31, 2013.

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 Interlinks Ltd. begins on the first day of January and ends on the last day of December of each year.

The business year for ODO 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.

### ***Financial statements***

Altice VII will publish consolidated financial statements on an annual basis and condensed consolidated financial statements on a quarterly basis. These statements will be audited by Altice VII's auditors.

### ***Auditors***

The independent auditor (*réviseur d'entreprises agréé*) of the Issuers is Deloitte Audit, 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*.

The independent auditor (*fiscal único*) of Altice Portugal and Cabovisão is Baker Tilly, PG & Associados, SROC, S.A.

The independent auditor of Orange Dominicana, S.A. is Deloitte & Associés.

The independent auditor of Cabovisão—Televisão por Cabo, S.A. was Baker Tilly, PG & Associados, SROC, S.A. prior to its acquisition by us.

The independent auditor of Winreason, S.A. was Deloitte & Associados, SROC S.A. prior to its acquisition by us.

The independent auditors of Groupe Outremer Telecom were Constantin Associés and Ernst & Young et Autres prior to its acquisition by us.

The independent auditor of Coditel Brabant SPRL was Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises prior to its acquisition by us.

The independent auditor of Coditel S.à r.l. was Deloitte Audit S.à r.l. prior to its acquisition by us.

The independent auditor of Ma Chaîne Sport S.A.S. was KPMG Audit (department de KPMG S.A.) prior to its acquisition by us.

The independent auditor of Green is KPMG AG, Lucerne, Switzerland.

The independent auditors of Tricom S.A. were KPMG Central America, S.A.

The independent auditors of Global Interlinks Ltd. were KPMG Central America, S.A.

### ***Litigation***

Other than as disclosed in this Offering Memorandum, there are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Issuers or the Guarantors, nor are the Issuers 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 Issuers.

### ***Other Information***

On December 31, 2013, Green Datacenter and Auberimmo were designated as unrestricted subsidiaries under the terms governing our existing indebtedness.



## **Offering Memorandum**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the consolidated financial position of the Issuers or the Guarantors since September 30, 2013; and
- none of the Issuers or any of the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) since the dates of their incorporation, which may have, or have had in the recent past, significant effects on the Issuers' or the Guarantors' financial position or profitability.

The Issuers accept responsibility for the information contained in this Offering Memorandum. The information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

### **The Trustee**

The New Notes provide for the Trustee to take action on behalf of the holders of the New Notes in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the New Notes and accordingly in such circumstances, the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for the holders of the New Notes to take action directly. If the Trustee resigns or is removed, the Issuers will appoint a successor.

## GLOSSARY

<u>Term</u>	<u>Definition</u>
“3G” .....	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
“4G” .....	The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband Internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
“ADSL” .....	Asymmetrical DSL; an Internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
“ARPU” .....	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.
“bandwidth” .....	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
“broadband” .....	Any circuit that can transfer data significantly faster than a dial-up phone line.
“churn” .....	The number of RGUs for a given service disconnected (either at the customer’s request or due to termination of the subscription by us) during the period divided by the number of average RGUs for such service for such period; statistics do not include customers excluding transfers between our services (other than a transfer between our cable services and our mobile services).
“CPE” .....	Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
“DSL” .....	Digital Subscriber Line; DSL is a technology that provides high-speed Internet access over traditional telephone lines.
“DTT” .....	Digital terrestrial television.
“FTTx” .....	Fiber optic infrastructure
“HD” .....	High definition.
“HFC” .....	Hybrid fiber coaxial.
“HSPA” .....	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
“IMS” .....	IP Multimedia Subsystem.
“Internet” .....	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
“IP” .....	Internet Protocol.
“IPTV” .....	Internet Protocol television
“IRU” .....	Indefeasible Right of Use, the effective temporary ownership of a portion of the capacity of an international cable. IRUs are specified in terms of a certain number of channels of a given bandwidth. IRU is granted by the company or consortium of companies that built the (usually optical fiber) cable.
“ISP” .....	Internet Service Provider.
“IT” .....	Information technology, a general term referring to the use of various software and hardware components when used in a business.

<u>Term</u>	<u>Definition</u>
“local loop” .....	The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the “last mile” because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network.
“LTE” .....	Long term evolution technology being a standard in mobile network technology.
“M2M” .....	Machine-to-machine
“MHz” .....	Megahertz; a unit of frequency equal to one million Hertz.
“Mbps” .....	Megabits per second; each megabit is one million bits.
“Moody’s” .....	Moody’s Investors Services, Inc.
“multiple-play” .....	The bundling of different telecommunications services, e.g. digital cable television, broadband Internet and fixed telephony services, by one provider.
“MVNO” .....	Mobile virtual network operator. Refers to a company that provides mobile services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.
“network” .....	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
“PacketCable™” .....	A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable™ networks use Internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.
“PSTN” .....	Public switched telephony network
“PVR” .....	Personal video recording
“quad-play” .....	Triple-play with the addition of mobile service.
“RGU” .....	Revenue Generating Unit. RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per source service basis and RGUs for fixed-line telephony are counted on a per line basis. Mobile RGUs is equal to the net number of lines or SIM cards that have been activated on our mobile network.
“S&P” .....	Standard & Poor’s Investors Ratings Services.
“SOHOs” .....	Small offices and home offices.
“triple-play” .....	Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services, from us.
“UMTS” .....	Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.
“U.S. Docsis 3.0” .....	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
“VoD” .....	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.
“VoIP” .....	Voice over Internet Protocol; a telephone service via Internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
“VPN” .....	Virtual private network, a business service enabling users to obtain remote access to network functionality.
“VDSL” .....	Very high speed DSL. A high speed variant of ADSL.
“VoN” .....	Voice over Net, a form of telephony over the Internet that is usually a lower quality than VoIP.

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# ALTICE VII S.à r.l.

Société à responsabilité limitée

**Condensed consolidated financial statements  
as of and for the 9 month period ended  
30 September 2013**



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To the Partners of  
Altice VII S.à r.l.  
3, boulevard Royal  
L-2449 Luxembourg

## **REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Altice VII S.à r.l. as of September 30, 2013 and the related condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the nine month period then ended and the other explanatory notes, (collectively, the "Interim Financial Statements"). The Board of Managers is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*  
Partner

John Psaila, *Réviseur d'entreprises agréé*

November 13, 2013

**ALTICE VII S.À R.L.**

**Condensed consolidated income statement  
for the period ended September 30, 2013**

	Notes	Nine months ended September 30,	
		2013	2012
(€ in millions)			
<b>Revenues</b> . . . . .	8	<b>928.4</b>	<b>813.0</b>
Purchases and subcontracting services . . . . .	8	(262.2)	(216.6)
Other operating expenses . . . . .		(192.3)	(189.1)
Staff costs and employee benefits expenses . . . . .		(19.6)	(19.2)
General and administrative expenses . . . . .	9	(24.0)	(22.6)
Other sales and marketing expenses . . . . .		(53.3)	(60.8)
<b>Operating profit before depreciation and amortization(*)</b> . . . . .		<b>377.1</b>	<b>304.7</b>
Depreciation and amortization . . . . .		(277.6)	(290.9)
Other expenses, net . . . . .		(8.9)	(14.4)
Management fees . . . . .		(0.7)	(2.6)
Restructuring and other non-recurring costs . . . . .		(3.4)	(8.4)
<b>Operating profit/(loss)</b> . . . . .		<b>86.5</b>	<b>(11.5)</b>
Finance income . . . . .		36.2	4.3
Finance costs . . . . .		(184.3)	(114.4)
<b>Loss before income tax expenses</b> . . . . .		<b>(61.6)</b>	<b>(121.7)</b>
Income tax expenses . . . . .	12	(27.5)	(1.0)
<b>Loss for the period</b> . . . . .		<b>(89.1)</b>	<b>(122.7)</b>
<i>Attributable to equity holders of the parent</i> . . . . .		(83.1)	(92.4)
<i>Attributable to non-controlling interests</i> . . . . .		(6.0)	(30.3)

(\*) Operating profit before depreciation and amortization is further referred to as "EBITDA" in these condensed consolidated financial statements.

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

**ALTICE VII S.À R.L.**

**Condensed consolidated statement of other comprehensive income  
for the period ended September 30, 2013**

	<u>Notes</u>	<u>Nine months ended September 30,</u>	
		<u>2013</u>	<u>2012</u>
		(€ in millions)	
<b>Loss for the period</b> .....		<b>(89.1)</b>	<b>(122.7)</b>
<b>Other comprehensive income/(loss)</b>			
Exchange differences on translating foreign operations .....		0.6	(3.6)
Other items .....		3.6	5.3
<b>Total comprehensive loss for the period</b> .....		<b>(84.9)</b>	<b>(121.0)</b>
<i>Attributable to equity holders of the parent</i> .....		(79.6)	(92.5)
<i>Attributable to non-controlling interests</i> .....		(5.3)	(28.5)

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

**ALTICE VII S.À R.L.**

**Condensed consolidated statement of financial position  
As of September 30, 2013**

	<u>Notes</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
(€ in millions)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .		61.9	129.7
Trade & other receivables . . . . .		279.7	183.2
Inventories . . . . .		11.1	6.1
Current tax assets . . . . .		10.8	5.5
<b>Total current assets</b> . . . . .		<b><u>363.4</u></b>	<b><u>324.5</u></b>
<b>Non-current assets</b>			
Restricted cash . . . . .		10.2	9.6
Deferred tax assets . . . . .		38.9	19.3
Investments in financial assets held as available for sale . . . . .		39.2	6.1
Trade & other receivables . . . . .		37.8	43.3
Property, Plant & Equipment . . . . .		1,141.2	1,067.8
Other Intangible assets . . . . .		555.1	458.5
Goodwill . . . . .	3	1,126.7	790.9
<b>Total non-current assets</b> . . . . .		<b><u>2,949.0</u></b>	<b><u>2,395.5</u></b>
<b>Total assets</b> . . . . .		<b><u>3,312.4</u></b>	<b><u>2,720.0</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings from banking corporations and debentures . . . . .	7	47.6	113.2
Trade and other payables . . . . .		482.4	419.4
Current loans from related parties . . . . .	7	5.7	2.7
Current tax liabilities . . . . .		19.9	10.7
Provisions . . . . .		2.2	—
<b>Total current liabilities</b> . . . . .		<b><u>557.9</u></b>	<b><u>546.0</u></b>
<b>Non-current liabilities</b>			
Borrowings from banking corporations and debentures . . . . .	7	2,232.0	1,373.1
Non-current loans from related parties . . . . .	7	101.2	109.0
Other financial liabilities . . . . .	7	203.8	173.5
Provisions . . . . .		27.2	25.6
Other non-current liabilities . . . . .		49.8	49.5
Retirement benefit obligations . . . . .		9.0	9.1
Deferred tax liabilities . . . . .		219.6	148.2
<b>Total non-current liabilities</b> . . . . .		<b><u>2,842.7</u></b>	<b><u>1,888.3</u></b>
<b>Equity</b>			
Issued capital . . . . .	4	7.4	7.4
Share premium . . . . .	4	5.4	—
Other reserves . . . . .	6	(3.5)	277.5
(Accumulated losses)/retained earnings . . . . .		(4.4)	144.5
Loss for the period . . . . .		(83.1)	(148.9)
<b>Equity attributable to shareholders of the parent</b> . . . . .		<b><u>(78.1)</u></b>	<b><u>280.5</u></b>
<b>Non-controlling interests</b> . . . . .		<b><u>(9.8)</u></b>	<b><u>5.2</u></b>
<b>Total equity</b> . . . . .		<b><u>(87.8)</u></b>	<b><u>285.7</u></b>
<b>Total equity and liabilities</b> . . . . .		<b><u>3,312.4</u></b>	<b><u>2,720.0</u></b>

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

**ALTICE VII S.À R.L.**

**Condensed consolidated statement of changes in equity  
for the nine months ended September 30, 2013**

	Issued capital	Share Premium	Other Reserves	Retained earnings/ (Accumulated losses)	Net income	Total equity attributable to shareholders of the parent	Non- controlling interests	Total equity
	(€ in millions)							
<b>Equity at January 1, 2012</b>	<b>7.4</b>	<b>—</b>	<b>232.9</b>	<b>25.8</b>	<b>118.4</b>	<b>384.5</b>	<b>349.2</b>	<b>733.6</b>
Allocation to retained earnings	—	—	—	118.4	(118.4)	—	—	—
Loss for the period	—	—	—	—	(92.3)	(92.3)	(30.4)	(122.7)
Movement in Currency Translation Reserve	—	—	1.5	—	—	1.5	(5.1)	(3.6)
Increase or decrease of ownership interest	—	—	14.1	—	—	14.1	(50.9)	(36.9)
Change in method of consolidation	—	—	—	—	—	—	(26.1)	(26.1)
Other movements	—	—	(1.6)	—	—	(1.6)	6.9	5.3
<b>Equity at September 30, 2012</b>	<b>7.4</b>	<b>—</b>	<b>246.8</b>	<b>144.2</b>	<b>(92.3)</b>	<b>306.1</b>	<b>243.5</b>	<b>549.6</b>
<b>Equity at January 1, 2013</b>	<b>7.4</b>	<b>—</b>	<b>277.5</b>	<b>144.5</b>	<b>(148.9)</b>	<b>280.5</b>	<b>5.2</b>	<b>285.7</b>
Allocation to retained earnings	—	—	—	(148.9)	148.9	—	—	—
Loss for the period	—	—	—	—	(83.1)	(83.1)	(6.0)	(89.1)
Variation in CPEC	—	—	68.1	—	—	68.1	—	68.1
Distribution to CPEC holders	—	—	(275.3)	—	—	(275.3)	—	(275.3)
Issuance of share premium	—	5.4	—	—	—	5.4	—	5.4
Movement in Currency Translation Reserve	—	—	—	—	—	—	0.6	0.6
Increase or decrease of ownership interest	—	—	(79.7)	—	—	(79.7)	(9.6)	(89.3)
Other movements	—	—	6.0	—	—	6.0	0.1	6.1
<b>Equity at September 30, 2013</b>	<b>7.4</b>	<b>5.4</b>	<b>(3.5)</b>	<b>(4.4)</b>	<b>(83.1)</b>	<b>(78.1)</b>	<b>(9.8)</b>	<b>(87.8)</b>

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

**ALTICE VII S.À R.L.**

**Condensed consolidated statement of cash flows  
for the nine months ended September 30, 2013**

	Notes	September 30, 2013	September 30, 2012
(€ in millions)			
<b>Loss for the period</b> . . . . .		<b>(89.1)</b>	<b>(122.7)</b>
Adjustments for:			
Depreciation and amortization . . . . .		277.6	290.9
Gains and losses on disposals . . . . .		(4.1)	4.6
Other non-cash operating gains and losses . . . . .		6,5	16.8
<b>Net cash provided by operating activities before changes in working capital, finance costs and income tax</b> . . . . .		<b>190.9</b>	<b>189.6</b>
Finance costs, net . . . . .		152.4	102.4
Income tax expense recognised in profit and loss . . . . .		27.0	0.6
Income tax paid . . . . .		(4.8)	(1.6)
Changes in working capital . . . . .		(76.5)	32.5
<b>Net cash provided by operating activities</b> . . . . .		<b>289.0</b>	<b>323.5</b>
Purchases of tangible and intangible assets . . . . .		(184.1)	(267.5)
Acquisitions of available for sale financial assets . . . . .		(18.3)	—
Proceeds from disposal of tangible, intangible and financial assets . . . . .		1.9	—
Increase/(Decrease) in loans and other non-current financial assets . . . . .		7.4	(17.6)
Increased/(Decrease) of restricted cash . . . . .		(0.6)	19.5
Transactions with non-controlling interests . . . . .	5	(105)	0.0
Net payments on acquisition of subsidiaries . . . . .	2	(203.5)	(35.1)
<b>Net cash used in investing activities</b> . . . . .		<b>(502.3)</b>	<b>(300.6)</b>
Proceeds from issuance of share premium . . . . .	2	1.8	—
Dividends paid . . . . .		0.0	(26.1)
Proceeds from debt issuance . . . . .	7	1,021.9	268.4
Repayment of debt . . . . .	7	(546.4)	(161.2)
Distribution to CPEC's holders . . . . .		(212.5)	0.0
Interest paid . . . . .		(119.4)	(91.3)
<b>Net cash provided by/(used in) financing activities</b> . . . . .		<b>145.4</b>	<b>(10.2)</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies . . . . .		—	0.2
<b>Net increase in cash and cash equivalents</b> . . . . .		<b>(67.9)</b>	<b>12.9</b>
Cash and cash equivalents at the beginning of the period . . . . .		129.7	19.8
Net (decrease)/increase in cash and cash equivalents . . . . .		(67.9)	12.9
<b>Cash and cash equivalents at the end of the period</b> . . . . .		<b>61.9</b>	<b>32.6</b>

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

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements

#### 1—Nature of the business, basis of preparation and accounting policies

##### Nature of the business

Altice VII S.à r.l. (the “Company”) was incorporated on December 15, 2008 as a public limited company (société anonyme) under the laws of the Grand-Duchy of Luxembourg and is registered under B143.725 with the Luxembourg Company Register. The Company was converted into a private limited liability company (société à responsabilité limitée) on October 7, 2009. References to the “Group” refer to the Company and its subsidiaries.

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

The Group offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access and fixed-line telephony, and in certain countries mobile telephony to residential customers and corporate customers.

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 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.

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, the Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the group companies aim at sharing skills and best practices across the various operations of the Group.

##### Basis of presentation

The Condensed Consolidated Financial Statements of the Company as of and for the nine months ended September 30, 2013 have been prepared in accordance with International Accounting Standard (“IAS”) No. 34 “Interim Financial Reporting”. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2012 which have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

##### Accounting policies

The Condensed Consolidated Financial Statements have been prepared on a historical cost basis, except for (i) available for sale financial assets, (ii) derivative financial instruments and (iii) inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the Condensed Consolidated Financial Statements are similar to those described in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2012.

There were no other significant effects on the Condensed Consolidated Financial Statements as a result of the adoption of any of the below mentioned standards or interpretations.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Board of Managers reviews its estimates on an on-going basis using information available at that point in time. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

Notes to the Condensed consolidated financial statements (Continued)

1—Nature of the business, basis of preparation and accounting policies (Continued)

**IFRS 13: Fair value measurement**

The Group has applied IFRS 13 for the first time in the current period. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instruments and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions which are within the scope of IFRS 2 Share based payment, leasing transactions, that are within the scope of IAS 17 leases and measurements that have some similarities to fair value but are not fair value.

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

IFRS 13 requires prospective application from January 1, 2013.

**Amendment to IFRS 7 disclosure—Offsetting Financial Assets and Financial Liabilities**

The 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 condensed 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 condensed 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 condensed consolidated financial statements.



## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 2—Business combinations

##### Outremer Telecom S.A. (“OMT”)

On July 5, 2013 the Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 76.3% of the shares and voting interests in the company. This acquisition enables the Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed €51.0 million to revenue and €8.3 million to operating profit to the Group’s results for the nine months ended September 30, 2013.

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

Total consideration paid to the vendors for the shares of the acquired entity amounted to €228.6 million, including cash at closing of €33.6 million (used at closing to refinance existing debts). Additionally, the vendor has a put option to sell the minority stake of 23.7% starting in July 2016, currently valued at €53.2 million in the accounts of the Group.

The total value of assets transferred in consideration for the values mentioned above amounted to €255.3 million, comprising mainly of intangible assets for a net value of €106.7 million, property, plant and equipment for a total value of €69.5 million and trade receivables for a total amount of €30.7 million. Other miscellaneous assets totalled €44.8 million. Total liabilities amounted to €320.7 million, comprising of €231.4 of non-current liabilities and €89.3 million of current liabilities. The residual value of €294.0 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the values derived from a third party valuation performed in 2013 and preliminary updated by an independent expert during 2013. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

Total consideration transferred . . . . .	€228.6 million
Fair value of identifiable assets and liabilities . . . . .	€(70.8) million
Goodwill . . . . .	€294.0 million

##### Winreason S.A. (“ONI”)

On August 8, 2013 the 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 €17.4 million in revenue and €1.2 million in operating loss to the Group’s result for the nine months ended September 30, 2013.

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

Total consideration paid to the Vendors amounted to €22.3 million, of which €0.2 million was paid to minority controlling interests. This amount included cash at closing of €0.9 million. In addition, €47.5 was provided to the acquired entity to refinance existing financial debts.

The total value of assets transferred in consideration for the purchase price amounted to €93.5 million and was mainly comprised of intangible assets for €10.8 million, property plant and equipment for €51.9 million and trade receivables for €19.7 million. Other miscellaneous assets totalled €11.2 million.

Total liabilities totalled €154.5 million, including €75.6 million in non-current and €78.2 million in current liabilities. Both posts included debts towards the previous shareholder for €28.2 and €28.0 million respectively, which were considered at a zero value asset by the new buyers and hence excluded for the

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 2—Business combinations (Continued)

purpose of calculating the net acquired asset position. Thus, the adjusted net liability position stood at €97.8 million, hence leaving a net liability position of €4.2 million. Residual goodwill was provisionally recognised for an amount of €26.5 million.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Winreason S.A.. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

Total consideration transferred . . . . .	€22.3 million
Fair value of identifiable assets, liabilities and contingent liabilities . . . . .	€(4.2) million
Goodwill . . . . .	€26.5 million

The profit and loss of these two new subsidiaries for the period from January 1, 2013 to the date of their consolidation into the Group's accounts is given below:

	<u>OMT</u>	<u>ONI</u>
	<u>(€ in millions)</u>	
<b>Revenues</b> . . . . .	<b>96.5</b>	<b>59.0</b>
Purchases and subcontracting services . . . . .	(30.1)	(31.3)
<b>Gross Profit</b> . . . . .	<b>66.4</b>	<b>27.7</b>
Other operating expenses . . . . .	(19.8)	(11.2)
General and administrative expenses . . . . .	(6.1)	(5.9)
Other sales and marketing expenses . . . . .	(7.3)	(1.3)
<b>Operating profit before depreciation and amortization</b> . . . . .	<b>33.2</b>	<b>9.2</b>
Depreciation and amortization . . . . .	(11.4)	(9.9)
Other expenses, net . . . . .	(2.0)	(1.7)
Management fees . . . . .	(0.4)	—
Reorganization and non-recurring costs . . . . .	—	(0.5)
<b>Operating profit</b> . . . . .	<b>19.4</b>	<b>(2.8)</b>
<b>Profit/(loss) for the period (including non-controlling interests)</b> . . . . .	<b>10.9</b>	<b>(8.8)</b>

#### 3—Goodwill

Goodwill is tested at the cash-generating units (“CGU”) level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of 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.

The Board of Managers estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Managers has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable and therefore no updated

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 3—Goodwill (Continued)

impairment model analysis has been carried out nor any impairment recorded for the period ended September 30, 2013.

#### 4—Issued capital and share premium

##### Issued capital

On September 30, 2013, the issued capital amounted to €7.4 million and was divided into 743,011,510 fully paid equity interests with a nominal value of €0.01 each.

A capital increase amounting to €4.500 took place on May 30, 2013 and the 450.000 equity interests have been fully subscribed by Next LP, the sole equity holder.

##### Share premium

In the nine month period ended September 30, 2013, the share premium increased by a total amount of €5.4 million. This increase is a consequence of the following operations:

- €1.8 million related to the capital increase dated May 30, 2013; and
- €3.6 million resulting from capitalization of a debt instrument granted by Next LP.

#### 5—Transactions with minority shareholders

On April 23, 2013, the Group proceeded to the buy-out of the minority interests held by APAX Partners in its Portuguese subsidiary Cabovisao. The total amount of the consideration paid amounted to €105.0 million, of which €90.1 million was attributable to the equity buy-out and €15.0 million corresponded to the repayment of a shareholder loan.

#### 6—Reserves

	September 30, 2013	December 31, 2012
	(€ in millions)	
Master CPECs/CPECs . . . . .	164.8	219.1
Distribution to CPECs holder . . . . .	(170.4)	(17.5)
Master YFPECs/YFPECs . . . . .	22.7	22.7
IFL . . . . .	2.6	—
Employee benefits . . . . .	0.5	0.3
Currency Translation Reserve . . . . .	(6.8)	(6.7)
Impact of changes of ownership interest . . . . .	(18.5)	61.3
Other . . . . .	1.5	(1.7)
<b>Group reserves . . . . .</b>	<b><u>(3.5)</u></b>	<b><u>277.5</u></b>

The Convertible Preferred Equity Certificates (“CPEC”) have maturities comprised between 2058 and 2061.

The movement in the value of CPECs is explained by the redemptions of CPECs for a total amount of €54.3 million and the conversion and subscription of additional Master CPECs totaling €122.4 million together with distributions amounting to €275.3 million.

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 €8.3 million as of September 30, 2013.

The carrying value of YFPECs remained stable as compared to the year ended December 31, 2012. Fair value adjustments on these instruments are recorded in the condensed consolidated statement of

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 6—Reserves (Continued)

income and booked in the line item 'finance costs'. For the period ended September 30, 2013, a charge of €2.5 million was recorded in the Condensed Consolidated Financial Statements.

On June 6, 2013, all categories of CPECs (A to I) and YFPECs (letters C to K) issued from 2009 to 2012 have been converted, respectively, into Master CPECs and YFPECs categories. Following this transfer, the main characteristics of CPECs and YFPECs instruments remain materially unchanged (specifically, maturity date and conditions of redemption).

The movement in the changes of ownership interest was due to the buyout of the minority stake in Cabovisao on April 23, 2013. The total impact on equity was of €90.1 million, of which €79.7 million was attributable to the Group and the remainder to intermediary minority shareholders.

#### 7—Borrowings and other financial liabilities

The total financial liabilities are broken down as follows:

	September 30, 2013	December 31, 2012
	(€ in millions)	
Bonds . . . . .	1,333.3	1,108.5
Loans from related parties . . . . .	101.2	109.0
Bank credit facilities . . . . .	897.0	257.2
Finance leases . . . . .	1.7	7.4
Other financial liabilities . . . . .	116.5	111.0
Financial instruments . . . . .	87.3	62.5
<b>Non-current financial liabilities<sup>(1)</sup></b> . . . . .	<b>2,537.0</b>	<b>1655.6</b>
Bonds . . . . .	40.6	25.4
Bank credit facilities . . . . .	0.7	86.5
Finance leases . . . . .	0.8	1.4
Bank overdraft . . . . .	0.1	—
Other financial liabilities . . . . .	5.4	—
Accrued interests . . . . .	5.7	2.7
<b>Current financial liabilities<sup>(2)</sup></b> . . . . .	<b>53.3</b>	<b>116.3</b>

(1) Non-current financial liabilities are contained in the condensed consolidated statement of financial position under the line items, 'Non-current borrowings from banking corporations and debentures', 'Non-current loans from related parties', and 'other financial liabilities'

(2) Current financial liabilities are contained in the condensed consolidated statement of financial position under the line items, 'Current borrowings from banking corporations and debentures' and 'current loans from related parties'.

The decrease in current bank credit facilities is mainly explained by the repayment of the Altice Blue One loan, for a total amount of €65.9 million on July 2, 2013.

**ALTICE VII S.À R.L.**

**Notes to the Condensed consolidated financial statements (Continued)**

**7—Borrowings and other financial liabilities (Continued)**

**Bonds and Loans from related parties**

<u>Issuer</u>	<u>Effective interest rate</u>	<u>Year of maturity</u>	<u>Carrying amount September 30, 2013</u>	<u>Carrying amount December 31, 2012</u>
<b>Bonds</b>				
—Debentures . . . . .	Variable (3.9% and 6.9% + Consumer Price Index)	2018	254.5	269.2
—Senior Secured Notes . . . .	between 7.9% and 9.9%	2019/2020	506.0	516.7
—Senior Secured Notes . . . .	between 7.9% and 9.9%	2019/2020	572.7	322.7
<b>Related party loans</b>				
—Alpecs . . . . .	Variable	2057 to 2061	91.9	104.6
—Yfpecs . . . . .	4.76%	2058 to 2061	8.3	4.4
<b>Nominal value of bonds . . . .</b>			<b>1,432.3</b>	<b>1,217.6</b>
Of which due within one year .			—	—
Of which due after one year . .			1,432.3	1,217.6

For the period ended September 30, 2013, the Group's long term financial liabilities were mainly comprised of debentures issued in Israel by HOT (the "HOT bond) and in Luxembourg by Altice Financing S.A. and Altice Finco S.A. and of the Term Loan B issued by Altice Financing S.A. during June 2013.

The details of the HOT bond are given below:

- The Series A debentures—€167.0 million, are linked to the Consumer Prices Index for the month of February, 2011, and bear interest at a rate of 3.9% a year. The Series A debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and ending on September 30, 2018.
- The Series B debentures—€137.0 million bear interest at a fixed rate of 6.9% a year. Series B debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and ending on September 30, 2018.

Bonds also include Senior Notes and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

The senior notes in U.S. dollar, issued by Altice Finco S.A and with a face value of \$425.0 million (€322.0 million) mature on December 15, 2020 and bear coupons of 9,875% annually.

The senior secured notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of \$460 million (€348.5 million) mature on December 15, 2019 and bear coupons of 7,875% annually.

The senior secured notes in Euro, issued by Altice Financing S.A and with a face value of €210.0 million mature on December 15, 2019 and bear coupons of 8% annually.

Altice Finco S.A. issued €250.0 million Senior Notes during the period sended September 30, 2013 bearing an annual interest rate of 9% and maturing in 2023. The Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market.

In addition, Altice Financing S.A. obtained a covenant lite term loan (the Term Loan B) in USD, for a Euro equivalent of €795.0 million (\$1,034 million), maturing on July 2, 2019 and bearing interest at 3 month USD LIBOR + 4.5%. To date, the Group has drawn €714.0 million of these available amounts. Interest payments on the term loan B are due every quarter, starting on July 31, 2013.

**ALTICE VII S.À R.L.**

**Notes to the Condensed consolidated financial statements (Continued)**

**7—Borrowings and other financial liabilities (Continued)**

**Financial instruments**

Subordinated financial instruments have been issued by Altice VII S.à r.l. and Coditel Holding S.A. and consist mainly of:

Master YFPECs: Yield Free Preferred Equity Certificates;

Master ALPECs: Asset Linked Preferred Equity Certificate.

In 2013, all categories of ALPECs (letters A to J) and YFPECs (letters C to K) issued from 2009 to 2012 have been transferred in a master ALPECs and master YFPECs. Following this transfer, main characteristics of ALPEC and YFPEC instruments remain unchanged (specifically, maturity date and conditions of redemption).

**Classification and fair value of financial assets and liabilities**

The Group has financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

The financial instruments that are presented in the condensed consolidated statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

As of September 30, 2013, the classification of financial instruments is summarized below:

<u>For the nine month period ended September 30, 2013</u>	<u>Recorded Value in Condensed Consolidated Statement of Financial Position</u>	<u>Level 1</u> <u>Quoted Prices in active markets for identical assets/liabilities</u>	<u>Level 2</u> <u>Significant other observable inputs</u>	<u>Level 3</u> <u>Inputs that are not based on observable market data</u>
		(€ in millions)		
<b>Recurring Fair Value Measurements</b>				
<i>Financial assets</i>				
—Wananchi Group . . . . .	31.9			31.9
—Partner Communications Co. . . . .	7.3	7.3		
<i>Financial liabilities</i>				
—Finco—Other derivatives financial liabilities at FVTPL (currency hedge) . . . . .	87.3		87.3	

ALTICE VII S.À R.L.

Notes to the Condensed consolidated financial statements (Continued)

7—Borrowings and other financial liabilities (Continued)

As of September 30, 2013, the level 3 classification has been based on the latest capital increase that occurred of the Wananchi Group level.

For the year ended December 31, 2012	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1	Level 2	Level 3
		Quoted Prices in active markets for identical assets/liabilities	Significant other observable inputs	Inputs that are not based on observable market data

(€ in millions)

Recurring Fair Value Measurements

Financial assets

—Partner Communication Co. . . . . 5.7 5.7

Financial liabilities

—Finco—Other derivatives financial liabilities at FVTPL (currency hedge) . . . . . 62.5 62.5

The swap contracts exchange Shekel and Euros into Dollars.

Except as detailed in the following table, the Board of Managers considers that the carrying amount of financial assets and liabilities recorded at amortized cost in the condensed consolidated financial statements are approximately equal to fair values, except as follows:

	Carrying amount		Fair value	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012

(€ in millions)

Financial liabilities

—YFPECs . . . . . 37.7 36.3 4.7 4.4  
 —IFL . . . . . 3.9 0.2

8—Segmental analysis

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 Board of Managers 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)
- Other (Switzerland, others)

Activities have been split as follows:

- Cable
- Mobile
- Others (B2B/Content/others)

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

ALTICE VII S.À R.L.

Notes to the Condensed consolidated financial statements (Continued)

8—Segmental analysis (Continued)

Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows. The reconciliation to (Loss)/profit before income tax expenses is presented below as per the requirements of IFRS 8 (operating segments).

	Nine months ended September 30, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories	Others	Total
	(€ in millions)					
<b>Cable</b>						
Revenue . . . . .	527.0	45.7	83.4	37.1	1.3	694.5
Purchases and subcontracting services	(101.6)	(7.2)	(26.2)	(8.7)	(0.3)	(143.9)
<b>Gross Profit . . . . .</b>	<b>425.4</b>	<b>38.5</b>	<b>57.3</b>	<b>28.3</b>	<b>1.0</b>	<b>550.6</b>
<b>Mobile</b>						
Revenue . . . . .	142.4	0.8	—	32.7	—	175.9
Purchases and subcontracting services	(82.8)	(0.7)	—	(10.3)	—	(93.8)
<b>Gross Profit . . . . .</b>	<b>59.6</b>	<b>0.1</b>	<b>—</b>	<b>22.4</b>	<b>—</b>	<b>82.1</b>
<b>Other</b>						
Revenue . . . . .	—	6.7	17.5	—	33.9	58.0
Purchases and subcontracting services	—	(1.3)	(10.2)	—	(12.9)	(31.0)
<b>Gross Profit . . . . .</b>	<b>—</b>	<b>5.4</b>	<b>7.2</b>	<b>—</b>	<b>20.9</b>	<b>27.0</b>
<b>Total Revenue . . . . .</b>	<b>669.4</b>	<b>53.2</b>	<b>100.9</b>	<b>69.8</b>	<b>35.1</b>	<b>928.4</b>
Total Purchases and subcontracting services . . . . .	(184.4)	(9.1)	(36.4)	(19.1)	(13.2)	(262.2)
<b>Total Gross Profit . . . . .</b>	<b>485.0</b>	<b>44.1</b>	<b>64.5</b>	<b>50.7</b>	<b>21.9</b>	<b>666.2</b>
Operating expenses . . . . .	(215.1)	(8.6)	(28.7)	(22.3)	(14.3)	(289.1)
<b>Operating income before depreciation and amortisation . . . . .</b>	<b>269.9</b>	<b>35.4</b>	<b>35.8</b>	<b>28.5</b>	<b>7.6</b>	<b>377.1</b>
Depreciation and Amortisation . . . . .	(200.5)	(12.3)	(44.4)	(12.8)	(7.6)	(277.6)
Other expenses, net . . . . .	(8.7)	(4.0)	(3.0)	(2.8)	9.4	(9.1)
<b>Operating income . . . . .</b>	<b>60.7</b>	<b>18.9</b>	<b>(12.6)</b>	<b>12.0</b>	<b>9.6</b>	<b>86.5</b>
Net Financial income/(costs . . . . .	(33.9)	(10.6)	(6.1)	(10.8)	(86.7)	(148.1)
<b>(Loss)/profit before income tax expenses . . . . .</b>	<b>26.9</b>	<b>8.3</b>	<b>(18.7)</b>	<b>1.2</b>	<b>(79.2)</b>	<b>(61.6)</b>



ALTICE VII S.À R.L.

Notes to the Condensed consolidated financial statements (Continued)

8—Segmental analysis (Continued)

	Nine months ended September 30, 2012					Total
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories	Others	
	(€ in millions)					
<b>Cable</b>						
Revenue . . . . .	509.6	45.2	68.8	19.2	1.8	644.7
Purchases and subcontracting services	(120.2)	(8.0)	(27.3)	(3.0)	(0.4)	(158.9)
<b>Gross Profit . . . . .</b>	<b>389.4</b>	<b>37.2</b>	<b>41.6</b>	<b>16.2</b>	<b>1.4</b>	<b>485.8</b>
<b>Mobile</b>						
Revenue . . . . .	125.3	—	—	—	—	125.3
Purchases and subcontracting services	(43.1)	—	—	—	—	(43.1)
<b>Gross Profit . . . . .</b>	<b>82.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>82.1</b>
<b>Other</b>						
Revenue . . . . .	—	7.6	—	—	35.4	76.3
Purchases and subcontracting services	—	(0.5)	—	—	(14.1)	(31.0)
<b>Gross Profit . . . . .</b>	<b>—</b>	<b>7.1</b>	<b>—</b>	<b>—</b>	<b>21.3</b>	<b>45.3</b>
<b>Total Revenue . . . . .</b>	<b>634.9</b>	<b>52.8</b>	<b>68.8</b>	<b>19.2</b>	<b>37.2</b>	<b>813.0</b>
Total Purchases and subcontracting services . . . . .	(163.4)	(8.5)	(27.3)	(3.0)	(14.5)	(216.6)
<b>Total Gross Profit . . . . .</b>	<b>471.5</b>	<b>44.3</b>	<b>41.6</b>	<b>16.2</b>	<b>22.7</b>	<b>596.4</b>
Operating expenses . . . . .	(242.3)	(9.0)	(21.8)	(6.2)	(12.3)	(291.6)
<b>Operating income before depreciation and amortisation . . . . .</b>	<b>229.2</b>	<b>35.3</b>	<b>19.8</b>	<b>10.0</b>	<b>10.4</b>	<b>304.7</b>
Depreciation and Amortisation . . . . .	(286.2)	(11.6)	16.5	—	(9.5)	(290.9)
Other expenses, net . . . . .	(14.4)	(4.0)	(1.9)	(1.7)	(1.0)	(14.4)
<b>Operating income . . . . .</b>	<b>(68,0)</b>	<b>19.7</b>	<b>28.7</b>	<b>8.3</b>	<b>(0.2)</b>	<b>(11.5)</b>
Net Financial income/(costs . . . . .	(45.5)	(10.6)	(1.6)	(0.8)	(51.5)	(110.1)
<b>(Loss)/profit before income tax expenses . . . . .</b>	<b>(113.6)</b>	<b>9.0</b>	<b>27.1</b>	<b>7.5</b>	<b>(51.7)</b>	<b>(121.7)</b>

9—Equity based compensation

Equity based compensations are included in the line item “General and Administrative expenses” in the condensed consolidated financial statements for the 9 months ended September 2012 and amounted to €3.8 million.

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 10—Related party transactions

##### Trading and financial transactions

	Revenue		Operating expenses		Financial expenses	
	2013	2012	September 30,		2013	2012
			2013	2012		
<b>Consolidated Income and expenses</b>			(€ in millions)			
Shareholders . . . . .	—	—	—	(9.1)	—	—
Executive directors . . . . .	—	—	—	—	—	—
Remuneration and benefits in kind . . . . .	—	—	(2.4)	(1.8)	—	—
Associated companies . . . . .	—	—	—	—	(0.6)	—
<b>TOTAL</b> . . . . .	<b>—</b>	<b>—</b>	<b>(2.4)</b>	<b>(10.9)</b>	<b>(0.6)</b>	<b>—</b>

<b>Assets</b>	Loans and receivables		Trade accounts receivable and other		Current accounts	
	Dec 31, 2012	Sep 30, 2013	Dec 31, 2012	Sep 30, 2013	Dec 31, 2012	Sep 30, 2013
	(€ in millions)					
Shareholders . . . . .	—	—	—	—	—	—
Executive directors . . . . .	2.7	2.7	—	—	—	—
Associated companies . . . . .	—	—	—	—	—	—
<b>TOTAL</b> . . . . .	<b>2.7</b>	<b>2.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

<b>Liabilities</b>	Other financial liabilities		Trade accounts payable and other		Current accounts	
	Dec 31, 2012	Sep 30, 2013	Dec 31, 2012	Sep 30, 2013	Dec 31, 2012	Sep 30, 2013
	(€ in millions)					
Shareholders . . . . .	—	16.8	—	—	—	0.6
Executive directors . . . . .	—	—	—	—	—	—
Associated companies . . . . .	—	14.4	—	—	—	—
<b>TOTAL</b> . . . . .	<b>—</b>	<b>31.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.6</b>

The related party Altice IV S.A. acquired in January 2013 an amount of \$13.0 million of bonds with a coupon interest of 7.875% with a maturity date on December 15, 2019 and an amount of \$6.5 million of bonds with a coupon interest of 9.875% with a maturity date on December 15, 2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

#### 11—Compensation of key management personnel

The compensation given to the key management personnel, in respect of their duties as Chairman of the Board or member of the Board of Altice VII, for the 9 months period ended September 30, 2013, was €1.7 million and €1.8 million for the 9 month period ended September 30, 2013.

#### 12—Income tax

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 42.9% (Tax rate for the nine month period ended September 30, 2012: 0.8%). This change in the effective tax rate can be explained by higher profit before tax at the operating companies level (especially at HOT) together with new companies in the scope of consolidation which resulted in a higher income tax expense in P&L for the period ended September 30, 2013 as compared to December 31, 2012.

ALTICE VII S.À R.L.

Notes to the Condensed consolidated financial statements (Continued)

13—Commitments and contingent liabilities

**HOT Telecom**

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, “The Legal Claims”).

In the opinion of the management of the Company and each of its subsidiaries, based, inter alia, on legal opinions in respect of legal proceedings being initiated against them, a fair provision of NIS 69 million (€14.5 million) has been recorded in the financial statements as of September 30, 2013, where provisions are required, to provide for the exposure to lawsuits.

In the opinion of the management of the Company and each of its subsidiaries, the amount of the additional exposure, in an amount of approximately NIS 3 billion (€628.5 million) (over and above the provisions that have been recorded in these financial statements), as of September 30, 2013, as a result of the legal proceedings that have been filed against the Company’s Subsidiaries on various matters, is as follows:

- a. An amount of approximately NIS1.7 billion (€356.1 million) in respect of claims, in respect of which in the assessment of the Company’s management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- b. An amount of approximately NIS0.1 billion (€20.9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements.
- c. An amount of approximately NIS1.42 billion (€297.5 million) in respect of claims which, in the assessment of the Company’s management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded for in accordance with the assessments of the managements of the Company’s Subsidiaries and the opinion of the legal advisors, as aforesaid.

The following is an abbreviated summary of the Group’s contingent liabilities effective as of September 30, 2013, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of September 30, 2013	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of September 30, 2013	Provisions recorded in the financial statements as of December 31, 2012	Updating of the expense (income), net in the reporting period
	(€ in millions)				
Customers . . . . .	574	21	4	4	—
Lawsuits after the balance sheet date in respect of customers . . . . .	34	34	—	—	—
Copyrights . . . . .	—	—	10	11	(2)
Suppliers . . . . .	13	5	1	1	(0)
Employees . . . . .	1	—	—	—	—
The merger transaction <sup>(1)</sup> . . . . .	50	—	—	—	—
<b>Total . . . . .</b>	<b>638</b>	<b>26</b>	<b>15</b>	<b>16</b>	<b>(2)</b>

(1) Refers to the ‘take-private’ operation of HOT consummated in December 2012.

As of September 30, 2013, Hot’s guarantee commitments amounted to €265.4 million.

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 13—Commitments and contingent liabilities (Continued)

HOT's obligation under operating leases outstanding as of September 30, 2013 are given below:

	<u>NIS</u>	<u>€</u>
	<u>(in millions)</u>	
2013 .....	7.0	1.5
2014 .....	30.0	6.3
2015 .....	26.0	5.5
2016 .....	18.0	3.4
2017 or later .....	<u>23.0</u>	<u>5.0</u>
<b>Total</b> .....	<b><u>104.0</u></b>	<b><u>21.8</u></b>

#### **Cabovisao**

Cabovisao's total commitments amounted to €1.4 million for the nine months ended September 30, 2013 and were related to the purchase of property plant and equipment in the financial year that shall end in 2014.

#### ***Real Guarantees***

On September 28, 2012, Cabovisao issued a bond in the amount of €25 million which was fully underwritten by Goldman Sachs International. A collateralized financial first degree pledge of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and of the shares representing Cabovisao's share capital and shareholders' rights was provided by Cabovisao for this offering.

This bond was repaid and refinanced by an intercompany loan on April 23, 2013, following the acquisition of minority interests in Cabovisao. The total amount paid was €23.7 million, and impacted the line item, 'repayment of debts' in the condensed consolidated statements of cash flows and the line item 'bonds' in the condensed consolidated statement of financial position.

#### ***Other contingent liabilities***

As a result of Cabovisao challenging a decision by the municipality of Almada requesting the payment of municipality taxes referred to above effective since September 2010, enforcement procedures for payment of fees from 2006 to 2009, amounting to approximately €0.7 million. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the probability of the claim being upheld is limited.

Additionally, there are several legal proceedings, initiated by third parties, in particular, claims by several suppliers, with responsibilities related to the supplies of equipment and services to Cabovisao, amounting to approximately €0.4 million in total. Cabovisao has not recorded any provisions for these claims, as it is the understanding of the Board of Managers that the outcome of any such claim will be favourable to Cabovisao.

#### ***Contingent assets***

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was €3.6 million as of the nine months ended September 30, 2013, of which €0.1 million have been received from seven municipalities, while recovery is on-going with others.

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 13—Commitments and contingent liabilities (Continued)

##### French overseas Territories

	Period ending December 31,					Total
	2013	2014	2015	2016	2017 or later	
			(€ in millions)			
Long-term debt obligations . . . . .	0.5	3.8	1	0.3	—	5.6
Finance leases . . . . .	0.2	0.2	0.1	—	—	0.5
Purchase of property, plant and equipment . . . . .	7.1	16.6	2.1	1.1	0.7	27.6
Operating leases . . . . .	1.9	6.4	4.4	2.8	6.3	21.8
<b>Total</b> . . . . .	<b>9.7</b>	<b>27</b>	<b>7.6</b>	<b>4.2</b>	<b>7</b>	<b>55.5</b>

##### **Agreements signed with ZTE Corporation**

Outremer Telecom SAS continues to build a denser network and to migrate its networks to 3.5 G. As part of this drive, it has signed a contract for the supply of telecommunications equipment and associated services with ZTE Corporation (“ZTE”).

Under this agreement, ZTE granted Outremer Telecom SAS a renewable credit line of maximum €20 million, which was partly drawn down in several tranches in 2011, 2012 and 2013. The remainder of this financing amounted to €5.4 million on September 30, 2013.

To guarantee payment of all sums owed under this vendor financing arrangement, ZTE is entitled to:

- a pledge on the equipment supplied,
- a joint guarantee of the commitments accepted by the subsidiary Outremer Telecom SAS, issued by Groupe Outremer Telecom SA, and
- a commitment by Outremer Telecom SAS to deposit, in an escrow account, the revenue from marketing prepaid cards and from billing roaming services for mobile telephone networks in Guadeloupe and Guyana.

##### **Agreements with Alcatel Lucent**

As part of the agreements signed in July 2012 between Outremer Telecom SAS and Alcatel-Lucent France in order to deploy a microwave-links transmission network, Electro-Banque granted Outremer Telecom SAS a credit of €2.8 million, to be repaid over a period of 3 years.

On 30 September 2013, the outstanding liabilities remaining of this credit amounted to €1.1 million.

To guarantee payment of all sums owed by virtue of this credit facility, the lender has a joint lien on the commitments accepted by Outremer Telecom SAS, granted by Groupe Outremer Telecom S.A..

##### **Others**

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 13—Commitments and contingent liabilities (Continued)

##### ONI Telecom

	Period ending December 31,					Total
	2013	2014	2015	2016	2017 or later	
			(€ in millions)			
Long-term debt obligations . . . . .	2.5	1.8	1.8	1.9	3.3	11.3
Finance leases . . . . .	0.2	1.0	0.5	—	—	1.7
Operating Leases . . . . .	0.2	0.6	0.4	0.9	—	2.0
<b>Total . . . . .</b>	<b>2.9</b>	<b>3.3</b>	<b>2.7</b>	<b>2.7</b>	<b>3.4</b>	<b>15.0</b>

#### 14—Going concern

As of September 30, 2013, the Group had a net current liability position of €557.9 million (mainly due to trade and other payables of €484.2 million). During the nine month period ended September 30, 2013, the Group recorded a net loss of €89.1 million (€122.7 million as of September 30, 2012), positive cash flow from operations of €289.0 million (€323.5 for the nine months ended September 30, 2012), and negative working capital of €194.5 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded for the period is a primarily a consequence of increased financing costs for the Group as compared to the same period in the year ended December 31, 2012, with cost of debt increasing by €69,9 million to reach €184.2 million in Sep 2013, driven by the issuance of new debt by the Company. This increase in financing costs was offset by higher EBITDA generation, which resulted in a net decrease in loss for the year of €33.6 million.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of sales outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€363.4 million as of September 30, 2013 compared to €557.9 million). Payables due the following month are covered by revenues and operating cash (if needed). As of 30 September 2013, the Group had few short term current liabilities as all new debt is composed of bonds (reimbursement of capital due in-fine), or a term loan with amortisation beginning only in 2014.

As at September 30, 2013, the Company had a negative net equity position of €87.8 million. The net equity was impacted by a €152.9 million fair value adjustment on subordinated financial instruments of the Group, driven by a sharp decrease in the blended average cost of debt of the Group, as compared to the coupon payments on the subordinated debt. However, the Board of Managers estimates that net equity should be assessed together with subordinated financial instruments held by the shareholders of the Group. The equity position was also affected by the buyout of minority interests in Cabovisao, which had a negative impact of €80.9 million on the Group's reserves.

Despite the net current liability position, management is of the view that the Group will continue to act as a going concern for twelve months from the date of approval of these Condensed Consolidated 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 the nine months ended September 30, 2013 (€289.0 million). Operating income before depreciation and amortisation amounted to €377.1 million, and increased compared to the same period in 2012, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had sufficient cash reserves as of September 30, 2013 (€61.9 million) to cover any urgent cash needs. Additionally, the Group had access to a revolving credit facility ("RCF") of up to USD 80 million.

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 14—Going concern (Continued)

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs (Chief Financial Officers) of operating companies to track budget accuracy. The results of this exercise are clearly evidenced by the increase in sales and EBITDA for the 9 months and three months ended September 30, 2013.

#### 15—Subsequent events

##### Tricom Acquisition

On October 31, 2013, Altice Caribbean S.à r.l. (a wholly-owned subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd., a company controlled by Amzak Capital Management and Inversiones Bahía (the “Tricom Sellers”), entered into agreements (the “Tricom Purchase Agreements”) pursuant to which Altice Caribbean S.à r.l. will purchase shares representing approximately 88% of the outstanding equity interests in each of Tricom S.A. and Global Interlink Ltd. (together, “Tricom”) from the Tricom Sellers (the “Tricom Acquisition”). Tricom is 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. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreement is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican regulatory authority Indotel.

For the year ended December 31, 2012, Tricom generated revenues of approximately \$218.0 (€169.5 million) million and Adjusted EBITDA of approximately \$62.0 million (€48.2 million). Tricom defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortization and before management fee, other non-recurring expenses, impact of tower sale and leasebacks and installation costs relating to network roll-outs.

##### 2013 Coditel Acquisition

As of the date of this report, 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 and various funds advised by Apax Partners MidMarket SAS (the “Coditel Minority Shareholder”) is the owner of the remaining outstanding shares of Coditel Holding. On March 7, 2013, Altice VII and the Coditel Minority Shareholder entered into a purchase and sale agreement (the “Coditel Purchase Agreement”) pursuant to which Altice VII will, through a wholly owned subsidiary, purchase all of the outstanding shares of Coditel Holding held by the Coditel Minority Shareholder (the “2013 Coditel Acquisition”). The consummation of the 2013 Coditel Acquisition is not subject to regulatory approvals and Altice VII has until November 29, 2013 to pay the consideration to the Coditel Minority Shareholder under the Coditel Purchase Agreement. It is expected that the 2013 Coditel Acquisition will be consummated on or prior to November 29, 2013 and will be funded in part by using the remaining amounts available under the 2013 covenant lite term loan (See Note 5).

##### Acquisition of Ma Chaîne Sport and Sportv

On October 4, 2013, Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of approximately 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 32%, respectively) in Ma Chaîne Sport S.A.S to Altice VII. In addition, on October 10, 2013, the general shareholders’ meeting of Ma Chaîne Sport S.A.S decided on a capital decrease of €5.0 million by way of a share buy-back of the remaining shares in Ma Chaîne Sport S.A.S held by Valemi Corp which was not sold under the sale and purchase agreement. The share buy-back program will be closed during the week of November 11, 2013. As a result of this transaction, Altice VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S which in turn holds 100% of Sportv S.A..

## ALTICE VII S.À R.L.

### Notes to the Condensed consolidated financial statements (Continued)

#### 15—Subsequent events (Continued)

As this is a common control transaction, the requirements of IFRS 3 in relation to acquisition accounting shall not be applicable and it is expected that the Group shall elect to utilise the pooling-of-interest method to record this acquisition.

#### Acquisition of the Mobius Group

On October 22, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the “Mobius Acquisition”). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the “Mobius Technology” brand and double and triple play services based on xDSL technology to residential customers under the “IZI” brand. The consummation of the Mobius Acquisition is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the French regulatory authority.

#### Network Sharing Agreement

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the “Network Sharing Agreement”) with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile’s customers.

Also, as part of the engagement the Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Company will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Company. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with Pelephone will be phased out until the contractual end of the agreement in 2014.

#### Reduction of Guarantees to the State of Israel

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11.3%, constituting an addition of 9.52% on HOT Mobile’s market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695.0 (€144.6 million) million to an amount of NIS 80 (€16.6 million) million. This was in addition to an amount of NIS 10.0 (€2.0 million) million that it paid upon the receipt of the license.

As of the date of the approval of the financial statements, the response of the Ministry of Communications has not yet been received and the guarantee therefore remained in the same amount.

#### Other Transactions

The Group intends to designate Green Datacenter and Auberimmo as unrestricted subsidiaries in accordance with the terms of our debt instruments and upon such designation these entities will not be subject to the covenants under the terms of our debt instruments.

#### 16—Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Managers and authorized for issue on November 12, 2013.



# ALTICE VII S.à r.l.

Société à responsabilité limitée

## 2012 Annual Report



## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

### **Report on the consolidated financial statements**

Following our appointment by the Board of Managers, 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, 2012, and the consolidated statements of income, 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, 2012, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

### **Report on other legal and regulatory requirements**

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

November 12, 2013

ALTICE VII S.À R.L.

**Consolidated statement of income**  
**Year ended December 31, 2012**

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
(in millions of euros)			
Revenues . . . . .	23	1 092,4	784,2
Purchases and subcontracting services . . . . .	23	(302,1)	(175,4)
Other operating expenses . . . . .	24	(248,9)	(195,4)
Staff costs and employee benefits expenses . . . . .		(24,8)	(24,8)
General and administrative expenses . . . . .	25	(33,3)	(26,4)
Other sales and marketing expenses . . . . .		(80,1)	(64,4)
<b>Operating profit before depreciation and amortization(*) . . . . .</b>		<b>403,2</b>	<b>297,8</b>
Depreciation and amortization . . . . .		(266,3)	(176,4)
Goodwill impairment . . . . .		(121,9)	—
Other expenses, net . . . . .	26	(29,8)	(5,6)
Management fees . . . . .		(6,2)	(3,1)
Restructuring and other non-recurring costs . . . . .	26	(20,8)	(7,6)
<b>Operating (loss)/profit . . . . .</b>		<b>(41,7)</b>	<b>105,1</b>
Gain arising on step acquisitions . . . . .	26	—	134,8
Share of profit of associates . . . . .		—	11,7
Finance income . . . . .	27	30,5	16,6
Finance costs . . . . .	27	(204,7)	(111,6)
<b>(Loss)/profit before income tax expenses . . . . .</b>		<b>(215,8)</b>	<b>156,6</b>
Income tax benefit/(expenses) . . . . .	22	26	(32,5)
<b>(Loss)/profit for the year . . . . .</b>		<b>(189,8)</b>	<b>123,9</b>
<i>Attributable to equity holders of the parent . . . . .</i>		<i>(148,9)</i>	<i>118,4</i>
<i>Attributable to non-controlling interests . . . . .</i>		<i>(40,9)</i>	<i>5,5</i>

(\*) Operating profit before depreciation and amortization is further referred to as "EBITDA" in these consolidated financial statements.

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

**ALTICE VII S.À R.L.**

**Consolidated statement of other comprehensive income**  
**Year ended December 31, 2012**

	<u>Notes</u>	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>
(in millions of euros)			
<b>(Loss)/profit for the year</b> . . . . .		<b>(189,8)</b>	<b>123,9</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations . . . . .		(5,1)	0,4
Net fair value gain on available-for-sale financial assets . . . . .		—	0,3
<b>Total comprehensive (loss)/income for the year</b> . . . . .		<b><u>(194,9)</u></b>	<b><u>124,6</u></b>
<i>Attributable to equity holders of the parent</i> . . . . .		<i>(152,6)</i>	<i>117,2</i>
<i>Attributable to non-controlling interests</i> . . . . .		<i>(42,2)</i>	<i>7,4</i>

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

**ALTICE VII S.À R.L.**

**Consolidated statement of financial position**  
**Year ended December 31, 2012**

	Notes	December 31, 2012	December 31, 2011
(in millions of euros)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .	11	129,7	19,8
Trade receivables . . . . .	10	150,8	102,7
Other receivables . . . . .	10	32,4	17
Inventories . . . . .	9	6,1	6,1
Current tax assets . . . . .	10	5,5	5,1
<b>Total Current assets</b> . . . . .		<b><u>324,5</u></b>	<b><u>150,8</u></b>
<b>Non-current assets</b>			
Restricted cash . . . . .	7	9,6	41,4
Deferred tax assets . . . . .	22	19,3	0,3
Investments in financial assets available for sale . . . . .	7	6,1	8,5
Long term trade receivables . . . . .	7	18,7	2,4
Other long-term trade receivables . . . . .	8	24,6	28,4
Property, Plant & Equipment . . . . .	6	1 067,8	901,7
Other Intangible assets . . . . .	5	458,5	458,3
Goodwill . . . . .	4	790,9	911,9
<b>Total non-current assets</b> . . . . .		<b><u>2,395,5</u></b>	<b><u>2,352,9</u></b>
<b>Total assets</b> . . . . .		<b><u>2,720,0</u></b>	<b><u>2,503,7</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings from banking corporations and debentures . . . . .	17	113,2	241,8
Trade payables . . . . .	19	311,3	208,2
Others payables . . . . .	19	108,1	98,4
Current loans from related parties . . . . .	17	2,7	2,9
Current tax liabilities . . . . .		10,7	7,2
<b>Total current liabilities</b> . . . . .		<b><u>546</u></b>	<b><u>558,5</u></b>
<b>Non-current liabilities</b>			
Borrowings from banking corporations and debentures . . . . .	17	1,373,5	835,2
Non-current loans from related parties . . . . .	17	109,0	127,1
Other financial liabilities . . . . .	17	173,5	32,1
Provisions . . . . .	15	25,6	40,5
Other non-current liabilities . . . . .	20	49,5	46,1
Retirement benefit obligations . . . . .	15	9,1	6,9
Deferred tax liabilities . . . . .	22	148,2	123,7
<b>Total non-current liabilities</b> . . . . .		<b><u>1,888,3</u></b>	<b><u>1,211,6</u></b>
<b>Equity</b>			
Issued capital . . . . .	12	7,4	7,4
Other reserves . . . . .	14	277,5	232,9
Retained earnings . . . . .		144,5	25,8
Net (loss)/income—attributable to the equity holders . . . . .		(148,9)	118,4
<b>Equity attributable to equity holders of the parent</b> . . . . .		<b><u>280,5</u></b>	<b><u>384,5</u></b>
<b>Non-controlling interests</b> . . . . .		<b><u>5,2</u></b>	<b><u>349,2</u></b>
<b>Total equity</b> . . . . .		<b><u>285,7</u></b>	<b><u>733,6</u></b>
<b>Total equity and liabilities</b> . . . . .		<b><u>2,720,0</u></b>	<b><u>2,503,7</u></b>

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

**ALTICE VII S.À R.L.**

**Consolidated statement of changes in equity**  
**Year ended December 31, 2012**

	Issued capital	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, 2011</b> . . . . .	<b>7,8</b>	<b>254,9</b>	<b>(13,7)</b>	<b>40,2</b>	<b>289,2</b>	<b>0,4</b>	<b>123,9</b>
Allocation to retained earnings . . . . .			40,2	(40,2)			
Profit for the year . . . . .				118,4	118,4	5,5	123,9
Variation in CPEC . . . . .		(22,7)			(22,7)		(22,7)
Employee benefits . . . . .		0,1			0,1	0,3	0,4
Increase in share capital . . . . .	(0,4)				(0,4)		(0,4)
Variation in Currency Translation							
Reserve . . . . .		(1,4)			(1,4)	1,8	0,4
Increase or decrease of ownership							
interest . . . . .		4,5			4,5	(2,5)	2
Acquisition of an associates . . . . .		(3,7)			(3,7)	343,5	339,8
Other variations . . . . .		1,2	(0,8)		0,4	0,2	(0,7)
<b>Equity at December 31, 2011</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	0,4
Variation in Currency Translation							
Reserve . . . . .		(3,7)			(3,7)	(1,3)	(5,1)
Increase or decrease of ownership							
interest . . . . .		(16,2)			(16,2)	21,6	5,4
Dividends paid . . . . .						(26,0)	(26,0)
Option warrants . . . . .		(3,9)			(3,9)		(3,9)
Purchase of minority interest . . . . .		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>

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

**ALTICE VII S.À R.L.**

**Consolidated statement of cash flows**  
**Year ended December 31, 2012**

	Notes	December 31, 2012	December 31, 2011
(in millions of euros)			
<b>Net (loss)/income, including non-controlling interests . . . . .</b>		<b>(189,8)</b>	<b>123,9</b>
Adjustments for:			
Share of profit of associates . . . . .		—	(11,7)
Depreciation and amortization . . . . .		388,2	176,4
Gains and losses on disposals . . . . .		4,8	6,0
Other non-cash operating gains and losses . . . . .		56,7	(168,5)
<b>Net cash provided by operating activities after changes in working capital, finance costs and income tax . . . . .</b>		<b>259,9</b>	<b>126,1</b>
Finance costs recognized in profit and loss . . . . .		174,0	89,3
Income tax (benefit)/expense recognized in profit and loss . . . . .		(22,8)	32,5
Income tax received/(paid) . . . . .		1,6	(1,8)
Changes in working capital . . . . .		51,8	60,2
<b>Net cash provided by operating activities . . . . .</b>		<b>464,5</b>	<b>306,4</b>
Purchases of tangible and intangible assets . . . . .		(347,0)	(189,8)
Acquisitions of Financial Assets . . . . .		(35,8)	—
Proceeds from disposal of tangible, intangible and financial assets . . . . .		0,1	0,4
(Decrease)/increase in loans and other non-current financial assets . . . . .		(16,1)	1,2
Use of restricted cash . . . . .		32,6	(40,8)
Net cash (outflow)/inflow on acquisition of subsidiaries . . . . .	3.3	(35,1)	(347,3)
Transactions with non-controlling interests . . . . .	27	(172,9)	—
<b>Net cash provided used by investing activities . . . . .</b>		<b>(574,2)</b>	<b>(576,3)</b>
Proceeds from issue of equity instruments . . . . .	12	—	(0,4)
Dividends paid to non-controlling-interests . . . . .	27	(26,0)	—
Proceeds from issue of debts . . . . .	17	891,5	823,0
Repayment of debt . . . . .	17	(528,3)	(481,2)
Interest paid . . . . .		(117,8)	(69,0)
<b>Net cash provided in financing activities . . . . .</b>		<b>219,3</b>	<b>272,4</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies . . . . .		0,2	(0,9)
<b>Net increase in cash and cash equivalents . . . . .</b>		<b>109,9</b>	<b>1,6</b>
Cash and cash equivalents at beginning of year . . . . .	11	19,8	18,2
Net increase in cash and cash equivalents . . . . .		109,9	1,6
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>11</b>	<b>129,7</b>	<b>19,8</b>

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements**  
**December 31, 2012**

**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 its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

The Group 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, the Group intends to deploy the same technologies and equipments across its footprints to deploy economies of scale and common knowledge. In addition, the Group companies aim at sharing skills and best practices across the various operations of the 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 Group also offers broadband Internet access services and fixed-line telephony in all of its broadband communications markets. It also owns and operates mobile infrastructures in certain geographies (Israel and the French Overseas Territories), and offers mobile services through an MVNO (Mobile virtual network operator) arrangement in Belgium.

**2—Principles governing the preparation of the Consolidated Financial Statement**

**2.1 Basis of preparation of the consolidated financial statements:**

The consolidated financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss, available for sale financial assets. The principal accounting policies are set out below.

*2.1.1 Compliance with accounting standards*

The 2012 consolidated financial statements of Altice VII Group, therein “the Group”, have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

*2.1.2 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, 2012. Their impact on the Group’s financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

IFRIC 20 “Overdraft expenses”.

IFRS 1 amended “First application of IFRS” concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

European Union on December 29, 2012. Application of this standard is mandatory from January 1, 2013.

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

*2.2.1 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.

*2.2.2 Estimates and assumptions*

The preparation of the 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.

*2.2.3 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 carrying amount of goodwill as at December 31, 2012 was EUR 790,9 million (December 31, 2011: EUR 911,9 million). Details of the impairments are set out in Note 2.8.

*2.2.4 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.

*2.2.5 Post-employment benefits*

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

*2.2.6 Deferred tax asset*

Deferred tax assets are recognized for deductible temporary differences and carried forward tax losses as and when management estimates that it is probable that future taxable profits will be available to utilize those temporary differences and tax losses.

*2.2.7 Discounting of 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

**2.3 Basis of consolidation**

*2.3.1 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.

*2.3.2 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.

*2.3.3 Dates*

The consolidated financial statements of the Group have been prepared as of the same date and for identical periods on an going concern basis. The accounting policies in the financial statements of the subsidiaries have been implemented in a uniform manner throughout the Group.

**2.4 Functional currency**

The Consolidated Financial Statements are presented in millions of euros. Euro is the functional currency of Altice VII, the parent company, and the presentation currency of the Group as well.

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

**2.6 Goodwill and business combinations**

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognized at their fair value at acquisition date.

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

(a) *The aggregate of:*

The consideration transferred, which generally requires acquisition-date fair value;

The amount of any non-controlling interests in the acquiree;

In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

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

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

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

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

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

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating profit (account "Depreciation and amortization") and shall not be 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.

**2.7 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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
Content costs . . . . .	3 years
Subscriber purchase costs . . . . .	based on average duration of subscriptions

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

**2.8 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 each fiscal year.

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.

**2.9 Property, plant and equipment**

Property, plant and equipment are presented at cost with the addition of direct purchase costs and 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 VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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

	Duration
Buildings . . . . .	25 to 50 years
Cables Network . . . . .	4 to 20 years
Call center (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 each annually and any changes are accounted for prospectively as a change in accounting estimate.

**2.10 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.

*2.10.1 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 up 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.

*2.10.2 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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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.

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.

**2.11 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.

**2.12 Government grants**

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

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

**2.13 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.

*2.13.1 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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.

*2.13.2 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.

*2.13.3 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.

*2.13.4 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 and 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.

**2.14 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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.

**2.15 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.

**2.16 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.

**2.17 Derivatives**

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

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

**2.18 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 Group'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 in the Tel Aviv stock exchange.

**2.19 Financial liabilities**

Financial liabilities other than derivative instruments include:

*2.19.1 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. The accrued interests are included in "Current portion of financial liabilities" in the statement of financial position.

*2.19.2 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.



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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.

*2.19.3 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.

*2.19.4 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 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 Company also issued some CPECs (Convertible Preferred Equity Certificates).

**2.20 Other liabilities**

*2.20.1 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 consolidated financial statements:

*2.20.1.1 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

2.20.1.2 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.

2.20.1.3 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the 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.

2.20.1.4 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 entity.

*2.20.2 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. These are as follows:

2.20.2.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the 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.

2.20.2.2 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 a routine manner, 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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.

**2.20.2.3 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. The projected unit credit method sees each period of service as giving rise to an additional unit of benefits and entitlements and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

**2.20.2.4 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.

**2.21 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 other comprehensive income items.

**2.21.1 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.

**2.21.2 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),

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

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

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

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

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 Statement of Financial Position and 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 loss or profit.

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.

**2.22 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 recognized under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**2—Principles governing the preparation of the Consolidated Financial Statement (Continued)**

television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

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

Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.

When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract.

Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period.

The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use ("IRU") arrangements are recognized on a straight-line basis over the life of the contract.

**2.23 Operating profit before depreciation and amortization**

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

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

The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results. Similarly, the Group's subtotal do not take into account impact of management fees paid to related parties, in order to better reflect economic underlying of the business operated.

**2.24 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,  
gains on extinguishment of debt.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**3—Scope of consolidation**

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

Name of subsidiary	Country	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Altice VII S.à r.l. . . . .	Luxembourg	Parent company	Parent company	—	—
Cool Holding LTD . . . . .	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	64,70%
Hot Mobile LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Cable Telecommunications Systems LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD) . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Properties LTD <sup>(1)</sup> . . . . .	Israel	—	FC(*)	—	64,70%
Hot Vision LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Nonstop Ventures LTD . . . . .	Israel	Equity method	Equity method	50%	32,35%
South Saron Communications LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Iscarable LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot TLM Subscription Television LTD . . . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Red LTD <sup>(1)</sup> . . . . .	Israel	—	FC(*)	—	64,70%
Hot Eden Cables Systems LTD .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Israel Cables Systems LTD .	Israel	FC(*)	FC(*)	100%	64,70%
Hot Gold LTD <sup>(1)</sup> . . . . .	Israel	—	FC(*)	—	64,70%
Hot Net Limited Partnership . . .	Israel	FC(*)	FC(*)	100%	64,70%
Hot EDOM LTD . . . . .	Israel	FC(*)	—	100%	—
Zira (Copyrights on the Internet) LTD . . . . .	Israel	Equity method	—	25%	—
Altice Securities S.à r.l. . . . .	Luxembourg	FC(*)	FC(*)	100%	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(*)	100%	100%
WSG S.A. . . . .	France	FC(*)	FC(*)	99,95%	99,95%
Green ch. . . . .	Switzerland	FC(*)	FC(*)	99,12%	99,12%
Valvision S.A.S. . . . .	France	FC(*)	FC(*)	100%	100%
Auberimmo S.A.S. . . . .	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG . . . . .	Switzerland	FC(*)	FC(*)	97%	97%
Deficom Telecom S.à r.l. . . . .	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l. . .	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding Lux S.à r.l. . . .	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding S.A. . . . .	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Brabant S.p.r.l. . . . .	Belgium	FC(*)	FC(*)	44,39%	44,39%
Coditel S.à r.l. . . . .	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Management S.à r.l. . . .	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Altice Caribbean S.à r.l. . . . .	Luxembourg	FC(*)	—	100%	—
Altice Portugal S.A. . . . .	Portugal	FC(*)	—	60%	—
Cabovisao S.A. . . . .	Portugal	FC(*)	—	60%	—
Altice Finco S.A. . . . .	Luxembourg	FC(*)	—	100%	—
Altice Financing S.A. . . . .	Luxembourg	FC(*)	—	100%	—

(\*) FC stands for "Full Consolidation"

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**3—Scope of consolidation (Continued)**

**3.2 Modification of the scope of consolidation**

*3.2.1 Main acquisitions in 2012*

Altice Portugal S.A. acquired 100% of Cabovisao as at February 29, 2012, from Cogeco Cable Luxembourg Holding S.A.. The consideration amounted to EUR 45 million, of which 40% was subsequently sold to APAX in April 2013.

Goodwill allocation has been completed based on the accounts as at February 28, 2012.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

Brands

The Cabovisao brand has been valued through the royalty relief method over an indefinite useful life and based upon following key parameters:

Discount rate amounts to 7%;

Royalty rate used amounts to 3%, consistent with the rates used for Coditel, Numericable and Everido;

Clients.

The portfolio of clients has been valued through the excess earnings approach, and basing upon following the key parameters:

Ebit margin rate: 21,59%;

Attrition rate: 20,81%;

Discount rate: 7%;

Acquired clients' growth rate: 0%.

*3.2.2 Main companies' formation in 2012*

The following companies were created during the period: Altice Caribbean S.à r.l., Altice Finco S.A., Altice Financing S.A. and Altice Portugal S.A.

**3.3 Acquisitions of businesses**

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**3—Scope of consolidation (Continued)**

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

	<b>Total Business Combinations</b>	<b>Cabovisao</b>
	<b>(in millions of euros)</b>	
Cost of acquisition . . . . .	45,0	45,0
<b>ASSET</b>		
Intangible assets . . . . .	37,8	37,8
Property, plant and equipment . . . . .	123,0	123,0
Non-current financial assets . . . . .	0,9	0,9
Inventories . . . . .	—	—
Trade accounts receivable and other . . . . .	6,5	6,5
Tax receivable . . . . .	0,2	0,2
Cash and cash equivalents . . . . .	9,0	9,0
Other current assets . . . . .	1,6	1,6
<b>Total assets . . . . .</b>	<b><u>178,9</u></b>	<b><u>178,9</u></b>
<b>EQUITY AND LIABILITIES</b>		
Non-current liabilities . . . . .	37,7	37,7
Current liabilities . . . . .	33,2	33,2
<b>Total liabilities . . . . .</b>	<b><u>70,9</u></b>	<b><u>70,9</u></b>
<b>Net assets . . . . .</b>	<b><u>108,0</u></b>	<b><u>108,0</u></b>
<b>Residual goodwill . . . . .</b>	<b>(63,0)</b>	<b>(63,0)</b>
<i>Including impact of non-controlling interests on goodwill . . . . .</i>	<i>(25,2)</i>	<i>(25,2)</i>

The impact of goodwill has been recorded under the 'Depreciation and amortization' line item in the consolidated statement of income.

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

	<b>Cabovisao</b>
	<b>(in millions of euros)</b>
<b>Revenues . . . . .</b>	<b>19,8</b>
Cost of sales . . . . .	(8,8)
<b>Gross Profit . . . . .</b>	<b>11,0</b>
Other operating expenses . . . . .	(4,5)
General and administrative expenses . . . . .	(1,4)
Other sales and marketing expenses . . . . .	(2,4)
<b>Operating profit before depreciation and amortization . . . . .</b>	<b>2,6</b>
Depreciation and amortization . . . . .	(0,8)
Other expenses, net . . . . .	(0,3)
<b>Operating profit . . . . .</b>	<b><u>1,5</u></b>
<b>Profit for the period (including non-controlling interests) . . . . .</b>	<b>1,4</b>



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**4—Goodwill**

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
	(in millions of euros)				
WSG . . . . .	4,6	—	—	—	4,6
Valvision . . . . .	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	209,2	—	—	—	209,2
Coditel S.à r.l. . . . .	86,4	—	—	—	86,4
Hot Telecom . . . . .	600,2	—	—	1,6	601,8
<b>Total Gross Value . . . . .</b>	<b>919,4</b>	<b>—</b>	<b>—</b>	<b>1,6</b>	<b>921</b>
WSG . . . . .	(4,6)	—	—	—	(4,6)
Valvision . . . . .	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido . . .	—	—	—	—	—
Coditel Brabant . . . . .	—	—	—	—	—
Coditel S.à r.l. . . . .	—	—	—	—	—
Hot Telecom . . . . .	(1,6)	—	(121,9)	(0,7)	(124,2)
<b>Total Cumulative impairment . . .</b>	<b>(7,5)</b>	<b>—</b>	<b>(121,9)</b>	<b>-0,7</b>	<b>(130,1)</b>
WSG . . . . .	—	—	—	—	—
Valvision . . . . .	—	—	—	—	—
Solutions 25/Green ch/Everido . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	209,2	—	—	—	209,2
Coditel S.à r.l. . . . .	86,4	—	—	—	86,4
Hot Telecom . . . . .	598,6	—	(121,9)	0,9	477,6
<b>Total Net book value . . . . .</b>	<b>911,9</b>	<b>—</b>	<b>(121,9)</b>	<b>0,9</b>	<b>790,9</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**4—Goodwill (Continued)**

	December 31, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2011
	(in millions of euros)				
WSG . . . . .	4,6	—	—	—	4,6
Valvision . . . . .	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	—	209,2	—	—	209,2
Coditel S.à r.l. . . . .	—	86,4	—	—	86,4
Hot Telecom . . . . .	—	629,8	—	(29,6)	600,2
<b>Total Gross Value . . . . .</b>	<b>23,7</b>	<b>925,3</b>	<b>—</b>	<b>(29,6)</b>	<b>919,4</b>
WSG . . . . .	(4,6)	—	—	—	(4,6)
Valvision . . . . .	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido . . .	—	—	—	—	—
Coditel Brabant . . . . .	—	—	—	—	—
Coditel S.à r.l. . . . .	—	—	—	—	—
Hot Telecom . . . . .	—	(1,6)	—	0,1	(1,6)
<b>Total Cumulative impairment . . .</b>	<b>(5,9)</b>	<b>(1,6)</b>	<b>—</b>	<b>0,1</b>	<b>(7,5)</b>
WSG . . . . .	—	—	—	—	—
Valvision . . . . .	—	—	—	—	—
Solutions 25/Green ch/Everido . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	—	209,2	—	—	209,2
Coditel S.à r.l. . . . .	—	86,4	—	—	86,4
Hot Telecom . . . . .	—	628,1	—	(29,5)	598,6
<b>Total Net book value . . . . .</b>	<b>17,8</b>	<b>923,7</b>	<b>—</b>	<b>(29,5)</b>	<b>911,9</b>

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

Israel

Belgium and Luxembourg

French overseas Territories

Switzerland

Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

WSG

Valvision

Everido

Coditel Brabant

Coditel S.à r.l.

Hot Telecom

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**4—Goodwill (Continued)**

Goodwill is tested at the cash-generating units (“CGU”) level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of 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 7% to 7,5%, except in Israel where it ranges from 10-11%.The Board of Managers estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Managers has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Group concluded that the recoverable amount of the Israeli in-country fixed line is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately EUR 121,9 million which was recorded as part of section “depreciation and amortization”.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**5—Other intangible assets**

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
	(in millions of euros)						
Software . . . . .	37,1	27,3	—	—	0,3	37,7	64,6
Brand name . . . . .	50,0		—	29,6	0,2	5,3	79,8
Customer relations <sup>(1)</sup> . . . . .	316,4		—	8,2	1,0	46,1	325,6
Licenses . . . . .	19,2	13,2	(0,6)	—	—	(1,1)	32,0
Subscriber purchase costs <sup>(2)</sup> . . . . .	152,1	21,2	—	—	0,6	25,7	173,9
Intangible assets under construction . . . . .	0,0	0,3	—	—	—	(0,3)	0,0
Other intangible assets . . . . .	95,3	23,1	—	0,1	0,4	7,7	118,8
<b>Total Gross Value . . . . .</b>	<b>670,3</b>	<b>85,1</b>	<b>(0,6)</b>	<b>37,9</b>	<b>2,6</b>	<b>121,1</b>	<b>794,9</b>
Software . . . . .	(10,8)	(17,2)	0,2	—	(0,2)	(37,7)	(27,9)
Brand name . . . . .	(1,1)	(1,5)	(0,6)	—	—	(5,3)	(2,7)
Customer relations <sup>(1)</sup> . . . . .	(21,6)	(35,4)	—	—	(0,3)	(46,2)	(53,0)
Licenses . . . . .	(7,1)	(2,9)	0,2	—	—	1,2	(9,9)
Subscriber purchase costs <sup>(2)</sup> . . . . .	(140,4)	(25,3)	—	—	(0,6)	(25,7)	(166,3)
Intangible assets under construction . . . . .	—	—	—	—	—	—	—
Other intangible assets . . . . .	(30,9)	(46,1)	—	—	(0,3)	(7,7)	(76,7)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(211,9)</b>	<b>(128,4)</b>	<b>(0,2)</b>	<b>0,0</b>	<b>(1,4)</b>	<b>(121,4)</b>	<b>(336,5)</b>
Software . . . . .	26,3	10,1	0,2	—	0,1	—	36,7
Brand name . . . . .	48,9	(1,5)	(0,6)	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)	—	—	—	22,1
Subscriber purchase costs <sup>(2)</sup> . . . . .	11,7	(4,1)	—	—	—	—	7,6
Intangible assets under construction . . . . .	0,0	0,3	—	—	—	(0,3)	0,1
Other intangible assets . . . . .	64,4	(12,8)	—	0,1	0,1	0,7	52,5
<b>Total Net book value . . . . .</b>	<b>458,3</b>	<b>(43,3)</b>	<b>—</b>	<b>37,9</b>	<b>1,2</b>	<b>0,5</b>	<b>468,8</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**5—Other intangible assets (Continued)**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Software . . . . .	6,0	19,8	(0,1)	13,7	(2,3)	—	37,1
Brand name . . . . .	16,4	0,1	—	34,6	(1,0)	—	50,0
Customer relations <sup>(1)</sup> . . . . .	38,9	—	—	290,5	(13,0)	—	316,4
Licenses . . . . .	8,9	9,2	—	1,3	(0,1)	—	19,2
Start-up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	145,4	7,3	—	7,7	(8,4)	—	152,1
Intangible assets under construction . . . . .	0,2	—	—	—	—	(0,2)	—
Other intangible assets . . . . .	7,3	23,0	—	67,2	(2,3)	0,1	95,3
<b>Total Gross Value . . . . .</b>	<b><u>223,2</u></b>	<b><u>59,4</u></b>	<b><u>(0,1)</u></b>	<b><u>414,9</u></b>	<b><u>(27,1)</u></b>	<b><u>(0,1)</u></b>	<b><u>670,3</u></b>
Software . . . . .	(2,5)	(9,9)	0,1	—	1,6	—	(10,8)
Brand name . . . . .	—	(0,7)	(0,6)	—	0,2	—	(1,1)
Customer relations <sup>(1)</sup> . . . . .	(2,3)	(17,9)	(3,4)	—	1,9	—	(21,6)
Licenses . . . . .	(6,1)	(1,1)	—	—	0,1	—	(7,1)
Start-up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	(118,4)	(28,6)	—	—	6,6	—	(140,4)
Intangible assets under construction . . . . .	—	—	—	—	—	—	—
Other intangible assets . . . . .	(3,8)	(10,9)	(14,5)	—	(0,3)	—	(30,9)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(133,1)</u></b>	<b><u>(69,1)</u></b>	<b><u>(18,4)</u></b>	<b><u>—</u></b>	<b><u>10,2</u></b>	<b><u>—</u></b>	<b><u>(211,9)</u></b>
Software . . . . .	3,5	9,8	—	13,7	(0,7)	—	26,3
Brand name . . . . .	16,4	(0,6)	(0,6)	34,6	(0,8)	—	48,9
Customer relations <sup>(1)</sup> . . . . .	36,6	(17,9)	(3,4)	290,5	(11,1)	—	294,8
Licenses . . . . .	2,7	8,1	—	1,3	—	—	12,1
Start-up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	27,1	(21,3)	—	7,7	(1,8)	—	11,7
Intangible assets under construction . . . . .	0,2	—	—	—	—	(0,2)	—
Other intangible assets . . . . .	3,5	10,6	(14,5)	67,2	(2,6)	0,1	64,4
<b>Total Net book value . . . . .</b>	<b><u>90,1</u></b>	<b><u>(11,2)</u></b>	<b><u>(18,5)</u></b>	<b><u>414,9</u></b>	<b><u>(16,9)</u></b>	<b><u>(0,1)</u></b>	<b><u>458,3</u></b>

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

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

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination (see Note 3.3).

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**6—Property, Plant & Equipment**

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
	(in millions of euros)						
Land . . . . .	2,6	—	—	0,3	—	—	2,9
Buildings . . . . .	55,5	12,3	12,3	0,5	0,3	14,1	68,6
Cable networks <sup>(1)</sup> . . . . .	480,3	58,3	58,3	110,4	3	514,1	661,8
Call center (primarily electronic equipment) <sup>(2)</sup>	68,3	25,8	25,8		0,7	148,6	94,9
Converters and modems .	161,8	70,4	70,4		1,5	249,2	230,5
Computers and ancillary equipment . . . . .	29,1	6,4	6,4	0,1	0,2	32	35,8
Office furniture and equipment <sup>(3)</sup> . . . . .	97,7	12,2	12,2	0,7	0,2	162,3	113,9
Communication network infrastructure <sup>(4)</sup> . . . . .	301,9	58	58	3,1	1	0,4	362,1
Other data center equipment . . . . .	3	(1,6)	(1,6)	—	—	1,8	3,3
Tangible assets under construction . . . . .	7,2	19,8	19,8	8,4	—	(16,6)	17,0
Prepayments on tangible assets . . . . .	0,1	3,0	3,0	—	—	—	3,1
Other tangible assets . . .	6,2	3,2	3,2	0,1	—	12,9	9,6
<b>Total Gross Value . . . . .</b>	<b>1 213,7</b>	<b>267,9</b>	<b>(8,8)</b>	<b>123,6</b>	<b>6,9</b>	<b>1118,8</b>	<b>1 603,4</b>
Buildings . . . . .	(8,7)	(4)	—	—	(0,1)	(14,1)	(12,8)
Cable networks <sup>(1)</sup> . . . . .	(24,7)	(110,6)	0,8	—	(1,8)	(503,3)	(136,3)
Call center (primarily electronic equipment) <sup>(2)</sup>	(5,8)	(19,6)	(0,8)	—	(0,5)	(148,5)	(26,7)
Converters and modems .	(11)	(44,9)	6,3	—	(0,9)	(249,3)	(50,6)
Computers and ancillary equipment . . . . .	(20,4)	(5)	(2,0)	—	(0,2)	(32)	(27,6)
Office furniture and equipment <sup>(3)</sup> . . . . .	(23,7)	(15,2)	1,9	—	—	(158,8)	(37,0)
Communication network infrastructure <sup>(4)</sup> . . . . .	(212,3)	(28,2)	6,0	—	(0,5)	(0,1)	(235,1)
Other data center equipment . . . . .	(1,1)	(0,3)	—	—	—	—	(1,5)
Tangible assets under construction . . . . .	(0,1)	(0,3)	—	—	—	0,1	(0,3)
Prepayments on tangible assets . . . . .	—	—	—	—	—	—	—
Other tangible assets . . .	(4,1)	(2,9)	(0,6)	—	—	(12,9)	(7,7)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(311,9)</b>	<b>(231,1)</b>	<b>11,5</b>	<b>—</b>	<b>(4,1)</b>	<b>(1 118,9)</b>	<b>(535,6)</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**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 . . . . .	46,8	8,2	—	0,5	0,2	—	55,8
Cable networks <sup>(1)</sup> . . . . .	455,6	(52,2)	(0,1)	110,4	1,2	10,7	525,6
Call center (primarily electronic equipment) <sup>(2)</sup>	62,6	6,3	(0,8)	—	0,2	—	68,2
Converters and modems . . . . .	150,8	25,5	3,0	—	0,6	—	179,9
Computers and ancillary equipment . . . . .	8,7	1,4	(2,0)	0,1	—	—	8,2
Office furniture and equipment <sup>(3)</sup> . . . . .	74	(2,9)	1,3	0,7	0,1	3,7	76,8
Communication network infrastructure <sup>(4)</sup> . . . . .	89,6	29,7	3,6	3,1	0,5	0,4	127
Leasehold contracts . . . . .	0	—	—	—	—	—	—
Other data center equipment . . . . .	1,9	(1,9)	—	—	—	1,8	1,8
Tangible assets under construction . . . . .	7,1	19,5	(1,8)	8,4	—	(16,4)	16,7
Prepayments on tangible assets . . . . .	0,1	3,0	—	—	—	—	3,1
Other tangible assets . . . . .	2,0	0,3	(0,6)	0,1	—	—	1,9
<b>Total Net book value . . . . .</b>	<b><u>901,7</u></b>	<b><u>36,8</u></b>	<b><u>(2,6)</u></b>	<b><u>123,6</u></b>	<b><u>2,8</u></b>	<b><u>0,2</u></b>	<b><u>1 067,8</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**6—Property, Plant & Equipment (Continued)**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Land . . . . .	2,5	—	—	0,1	—	—	2,6
Buildings . . . . .	17,9	13	—	14,6	(1,7)	11,7	55,5
Cable networks <sup>(1)</sup> . . . . .	13	31,3	—	481,9	(45,9)	—	480,3
Call centers (primarily electronic equipment) <sup>(2)</sup> . .	—	14,1	—	64,9	(9,9)	—	68,3
Converters and modems . . .	0,7	30,1	-2	151,7	(18,6)	—	161,8
Computers and ancillary equipment . . . . .	22,4	4,8	—	4,6	(2,6)	—	29,1
Office furniture and equipment <sup>(3)</sup> . . . . .	29,4	15,2	-1	43,6	0,4	10	97,7
Communication network infrastructure <sup>(4)</sup> . . . . .	288,3	24,9	—	—	(11,4)	—	301,9
Other data center equipment	2,2	0,7	—	—	0,1	—	3
Tangible assets under construction . . . . .	21,8	6,4	—	—	0,3	(21,3)	7,2
Prepayments on tangible assets . . . . .	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets . . . . .	3,6	0,5	—	2,8	(0,7)	—	6,2
<b>Total Gross Value . . . . .</b>	<b>402,3</b>	<b>141,1</b>	<b>(3,1)</b>	<b>763,3</b>	<b>(89,9)</b>	<b>—</b>	<b>1 213,7</b>
Buildings . . . . .	(6,1)	(3,4)	—	—	0,9	—	(8,7)
Cable networks <sup>(1)</sup> . . . . .	(1,4)	(46,6)	—	—	23,3	—	(24,7)
Call center (primarily electronic equipment) <sup>(2)</sup> . .	—	(12,7)	—	—	6,9	—	(5,8)
Converters and modems . . .	(0,2)	(24,2)	1,8	—	11,6	—	(11)
Computers and ancillary equipment . . . . .	(20,3)	(2,5)	—	—	2,3	—	(20,4)
Office furniture and equipment <sup>(3)</sup> . . . . .	(15,8)	(8,6)	0,9	—	(0,1)	—	(23,7)
Communication network infrastructure <sup>(4)</sup> . . . . .	(205,9)	(14,7)	—	—	8,3	—	(212,3)
Other data center equipment	(0,8)	(0,2)	—	—	—	—	(1,1)
Tangible assets under construction . . . . .	—	(0,1)	—	—	—	—	(0,1)
Prepayments on tangible assets . . . . .	—	—	—	—	—	—	—
Other tangible assets . . . . .	(2,1)	(2,5)	—	—	0,5	—	(4,1)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(252,7)</b>	<b>(115,5)</b>	<b>2,7</b>	<b>—</b>	<b>53,5</b>	<b>—</b>	<b>(311,9)</b>



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**6—Property, Plant & Equipment (Continued)**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Land . . . . .	2,5	—	—	0,1	—	—	2,6
Buildings . . . . .	11,8	9,5	—	14,6	(0,8)	11,7	46,8
Cable networks <sup>(1)</sup> . . . . .	11,6	(15,2)	—	481,9	(22,6)	—	455,6
Call center (primarily electronic equipment) <sup>(2)</sup> . .	—	1,4	—	64,2	(3)	—	62,6
Converters and modems . . .	0,5	5,9	(0,2)	151,7	(7,1)	—	150,8
Computers and ancillary equipment . . . . .	2,1	2,3	—	4,6	(0,3)	—	8,7
Office furniture and equipment <sup>(3)</sup> . . . . .	13,5	6,6	(0,1)	43,6	0,3	10	74
Communication network infrastructure <sup>(4)</sup> . . . . .	82,4	10,2	—	—	(3,1)	—	89,6
Leasehold contracts . . . . .	—	—	—	—	—	—	—
Other data center equipment	1,4	0,4	—	—	—	—	1,9
Tangible assets under construction . . . . .	21,8	6,3	—	—	0,3	(21,3)	7,1
Prepayments on tangible assets . . . . .	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets . . . . .	1,5	(2,1)	—	2,8	80,2	—	2
<b>Total Net book value . . . . .</b>	<b>149,7</b>	<b>25,6</b>	<b>(0,4)</b>	<b>763,3</b>	<b>(36,4)</b>	<b>—</b>	<b>901,7</b>

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

Most of the tangible assets increases as of December 31, 2012 is related to the Cabovisao business combination (see Note 3.3).

The additions in capital expenditures come mainly from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 69,4 million for the year ended December 31, 2012, as compared to EUR 29,3 million for the year ended December 31, 2011. The increase in converters and modems related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 84 million for the year ended December 31, 2012, as compared to EUR 51.6 million for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**7—Financial assets**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Investments held as available for sale <sup>(1)</sup> . . . . .	6,1	8,5
Loan term trade receivables <sup>(3)</sup> . . . . .	18,7	2,4
Restricted cash <sup>(2)</sup> . . . . .	9,6	41,4
<b>Total Gross Value</b> . . . . .	<b>34,4</b>	<b>52,3</b>
Assets available for sale <sup>(1)</sup> . . . . .	—	—
Loan term trade receivables <sup>(3)</sup> . . . . .	—	—
Restricted cash <sup>(2)</sup> . . . . .	—	—
<b>Total Cumulative amortization and depreciation</b> . . . . .	<b>—</b>	<b>—</b>
Investments held as available for sale <sup>(1)</sup> . . . . .	6,1	8,5
Loan term trade receivables <sup>(3)</sup> . . . . .	18,7	2,4
Restricted cash <sup>(2)</sup> . . . . .	9,6	41,4
<b>Total Net book value</b> . . . . .	<b>34,4</b>	<b>52,3</b>

(1) Investment in available for sale financial asset:

A subsidiary company, operating through Hot Net Internet Services Ltd. (formerly Hot Properties) and Finance Ltd. (hereinafter—Hot Net) holds 1 454 663 regular shares in Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.18).

As of December 31, 2012 the cash is restricted for the purpose of collateralizing HOT's liabilities to banking entities. The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits.

(3) On July 3, 2012, Altice Africa S.à r.l., as investor, entered into a convertible note purchase agreement with Wananchi Group (Holdings), Ltd (hereafter "WGH") for a principal amount of up to EUR 16 million. The promissory notes ((hereafter "the notes") plus any interest accrued shall be converted and capitalized into fully paid ordinary shares of WGH before the maturity date on December 31, 2012. In December 2012, it was decided to extend the maturities of the promissory notes till January 31, 2013. Hence the notes were treated as a loan to a related party and accrued interest (15% per annum, retroactive to the date of issue) was recognized on these notes in the accounts.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**8—Other long-term trade receivables**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Income taxes . . . . .	—	—
Prepaid expenses . . . . .	0,8	5,9
Other current receivables <sup>(1)</sup> . . . . .	23,7	22,5
<b>Total Gross Value</b> . . . . .	<b>24,6</b>	<b>28,4</b>
Income taxes . . . . .	—	—
Prepaid expenses . . . . .	—	—
Other current receivables <sup>(1)</sup> . . . . .	—	—
<b>Total Cumulative amortization and depreciation</b> . . . . .	<b>—</b>	<b>—</b>
Income taxes . . . . .	—	—
Prepaid expenses . . . . .	0,8	5,9
Other current receivables <sup>(1)</sup> . . . . .	23,7	22,5
<b>Total Net book value</b> . . . . .	<b>24,6</b>	<b>28,4</b>

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

**9—Inventories**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Work in progress . . . . .	0,1	0,1
Finished/semi-finished goods . . . . .	7,1	7,9
<b>Total Gross Value</b> . . . . .	<b>7,2</b>	<b>8,0</b>
Work in progress . . . . .	(0,1)	—
Finished/semi-finished goods . . . . .	(1,0)	(1,9)
<b>Total Cumulative amortization and depreciation</b> . . . . .	<b>(1,1)</b>	<b>(1,9)</b>
Work in progress . . . . .	—	0,1
Finished/semi-finished goods . . . . .	6,2	6,1
<b>Total Net book value</b> . . . . .	<b>6,1</b>	<b>6,1</b>

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

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)				
Work in progress (goods) . . . . .	—	(0,1)	—	—	(0,1)
Finished/semi-finished goods . . . . .	(1,9)	—	0,9	—	(1,0)
<b>Total Cumulative amortization and depreciation</b> . . . . .	<b>(1,9)</b>	<b>(0,1)</b>	<b>—</b>	<b>—</b>	<b>(1,1)</b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**9—Inventories (Continued)**

	December 31, 2010	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)				
Finished/semi-finished goods . . . .	(0,6)	(1,3)	—	—	(1,9)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(0,6)</u></b>	<b><u>(1,3)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(1,9)</u></b>

**10—Trade and other receivables**

**10.1 Trade receivables**

	December 31, 2011	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)					
Trade receivables . . . . .	129,1	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>

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)					
Trade receivables . . . . .	60,8	62,2	8,1	—	(2,0)	129,1
Allowance for doubtful debts . . . .	(9,9)	(14,7)	(4,0)	1,5	0,8	(26,4)
<b>Trade receivable, net . . . . .</b>	<b><u>50,9</u></b>	<b><u>47,5</u></b>	<b><u>4,1</u></b>	<b><u>1,5</u></b>	<b><u>(1,2)</u></b>	<b><u>102,7</u></b>

The increase in trade receivables in the year ended December 31, 2012 is explained by the switch in invoicing method in Israel from invoicing before the service was provided, to invoicing post utilization of the service, as decided by the Israeli Ministry of Telecom.

**10.2 Age of receivables that are past due but not impaired**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Not yet payable . . . . .	116,7	78,3
30-90 days . . . . .	14,0	10,1
91-121 days . . . . .	20,2	14,3
<b>Total . . . . .</b>	<b><u>150,8</u></b>	<b><u>102,7</u></b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**10—Trade and other receivables (Continued)**

**10.3 Other receivables**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Loans to related party . . . . .	3,8	1,8
Bank guarantee . . . . .	14,0	—
Tax and social security receivables . . . . .	5,5	5,1
Income tax . . . . .	0,3	—
Prepaid expenses . . . . .	6,1	4,3
Other current receivables . . . . .	8,1	10,9
<b>Total</b> . . . . .	<b>37,9</b>	<b>22,1</b>

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.

The increase in other receivables in the year ended December 31, 2012 is mainly explained by an increase in bank guarantees provided by HOT Mobile to the national regulator in Israel, for a total amount of EUR 14 million (NIS 69 million), related to the expansion of its mobile network.

**11—Cash and cash equivalents**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Time deposits . . . . .	5,2	0,1
Bank balances . . . . .	124,5	19,7
<b>Cash equivalents</b> . . . . .	<b>129,7</b>	<b>19,8</b>
Bank overdrafts . . . . .	—	—
<b>Bank overdrafts</b> . . . . .	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents presented in the consolidated statement of cash flows</b> . . . . .	<b>129,7</b>	<b>19,8</b>

**12—Issued capital**

On December 31, 2012, the share capital amounts to EUR 7,4 million and is divided into 742 561 510 fully paid shares with a nominal value of EUR 0,01.

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Share capital . . . . .	7,4	7,4
<b>Total</b> . . . . .	<b>7,4</b>	<b>7,4</b>

The details of the different classes of shares are provided in the table below. The Group has defined three share classes; Shares designated with the letters A through H are referred to as specific shares. Shares designated 1A through 1H are referred to as class 1 shares and when grouped together with their corresponding letters (i.e. Class A shares with class 1A shares), form a share category referred to as the

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**12—Issued capital (Continued)**

specific share class (*classe spécifique*). In addition to this class, the other two classes of shares are: Ordinary shares (*part sociale ordinaire*) and Class M shares (*classe M*) shares. All these shares put together make up the total shares of the Group.

Each specific share class is linked to the investment in the assets of companies acquired by the Group and hence intrinsically linked to the financial performance of these entities (tracking shares). Each specific class allows its holder to obtain a share of the net profit of the Group in a proportion determined by the Board of Managers.

In addition to the profit sharing defined above, the economic benefit arising from investment in any of the specific share classes is determined as follows:

At the end of the financial year, the Group reports a net income from its activities and based on this net income could attribute it to the different specific classes, as if the investment to which they are related were the only asset held by the Group. Any profits arising from this distribution could be credited to a specific account. Thus, a separate account must be maintained for each specific share class.

Dividends may be issued from these accounts only to the holders of the shares linked to each account.

Holders of ordinary and class M shares are eligible to receive a share of profits, if any such profits remain after distribution to the holders of the specific share classes. None of the class of shares are subordinated to each other.

Each share class allows the holder one right to vote in general assembly meetings, provided that there is one single representative holder of the share class. If shares in a class are held by more than one person, the voting right is suspended till the holder designates a single legal representative.

Different classes of shares are summarized below:

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

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**12—Issued capital (Continued)**

December 31, 2011		
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 M	31 000 000	
Class 1A	1 113 600	
Class 1B	5 386 000	
Class 1D	4 603 900	
Class 1E	19 337 000	
Class 1F	25 657 900	
Class 1O	44 600	
Class 1G	79 600	
Ordinary	3 955 400	
	<b>December 31, 2012</b>	<b>December 31, 2011</b>
	<b>Number of shares</b>	
<b>Opening balance</b>	<b>741 811 510</b>	<b>783 283 510</b>
Issuance	750 000	124 200
Redemption	0	(41 596 200)
<b>Closing balance</b>	<b>742 561 510</b>	<b>741 811 510</b>

In 2012, the extraordinary general meeting of the equity holders decided to conduct three capital increases for a total amount of EUR 0,01 million through the issuance of 742 868 class H units and 7 132 class 1H units.

**13—Earnings per share (EPS)**

Non diluted EPS for 2012 has been computed dividing 2012's net income by weighted average number of shares as of December 31, 2012.

Diluted EPS for 2012 has been computed based on the assumption that the CPECs (Convertible Preferred Equity Certificates) would be converted at a 1 to 1 ratio.

	December 31, 2012	December 31, 2011
Net income (in millions of euros)	(189,80)	123,90
Non diluted weighted average number of shares	742 417 674	742 417 674
<b>Basic earnings per share</b>	<b>(0,26)</b>	<b>0,17</b>
Diluted weighted average number of shares	967 944 738	967 944 738
<b>Diluted earnings per share</b>	<b>(0,20)</b>	<b>0,13</b>

In June 2013, all the different classes of tracking shares were merged into one single class of ordinary shares. No dividends were paid to any of the equity holders during any period since the inception of the Group. The Board of Managers has determined that the disclosure of EPS metrics for each class of share in issuance during 2011 and 2012 is not qualitatively relevant to the users of the financial statements and has hence elected to disclose EPS on the basis of the merged single class of ordinary shares.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**14—Reserves**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
CPEC'S reclassified in equity . . . . .	219,1	219,1
Distribution to CPEC's holders . . . . .	(17,4)	(17,4)
YFPEC'S . . . . .	22,7	21,6
Employee benefits . . . . .	0,3	0,2
Currency Translation Reserve . . . . .	(6,7)	(3,0)
Impact of changes in ownership interests . . . . .	61,3	13,1
Other . . . . .	(1,6)	(0,7)
<b>Group reserves . . . . .</b>	<b><u>277,5</u></b>	<b><u>232,9</u></b>

According to the Luxembourg legal provisions, 5% of net profits must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserves equal 10% or more of the share capital of the Group. An allocation to the legal reserve has been performed for the year ended December 31, 2012 for an amount of EUR 277 thousands and is not distributable to the equity holders of the Company.

CPEC, which maturity comprises between 2058 and 2061, increases from EUR 219 million in 2011 to EUR 219,1 million in 2012, due to subscriptions of EUR 0,1 million. In substance, CPECs subordinated financial instruments (about EUR 219,1 million as at the end of 2011) are equity instruments as:

CPECs give issuer the opportunity to avoid delivering cash.

CPECs do not bear interests.

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

The change in impact from changes in ownership structure are explained by the buyout of minority interests in HOT in December 2012, following the take private of HOT (see note 27).



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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**14—Reserves (Continued)**

Details of YFPECS (before impact of discounting) and CPECS 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 2011</u>	<u>Principal amount as at the end 2012</u>
				<u>in millions of euros</u>	
YFPECS C . . . . .	14/05/2058	—	No	22,07	22,07
YFPECS C . . . . .	03/12/2058	—	No	4,51	4,51
YFPECS C . . . . .	15/06/2060	—	No	0,10	0,10
YFPECS C . . . . .	26/08/2011	—	No	0,11	0,11
YFPECS C . . . . .	28/11/2011	—	No	2,51	2,51
YFPECS C . . . . .	03/12/2058	—	No	4,00	4,00
YFPECS E . . . . .	01/12/2058	—	No	1,88	1,88
YFPECS F . . . . .	17/06/2059	—	No	—	—
YFPECS K . . . . .	31/12/2061	—	No	—	1,16
<b>Total</b> . . . . .				<b><u>35,18</u></b>	<b><u>36,34</u></b>
CPECS A . . . . .	14/05/2058	—	Yes (to the benefit of the issuer)	0,84	0,84
CPECS B . . . . .	01/12/2058	—	Yes (to the benefit of the issuer)	3,61	3,61
CPECS B . . . . .	14/05/2058	—	Yes (to the benefit of the issuer)	0,46	0,46
CPECS B . . . . .	14/05/2058	—	Yes (to the benefit of the issuer)	15,42	15,42
CPECS C . . . . .	03/12/2058	—	Yes (to the benefit of the issuer)	23,48	23,48
CPECS C . . . . .	03/12/2058	—	Yes (to the benefit of the issuer)	22,67	22,67
CPECS C . . . . .	14/05/2058	—	Yes (to the benefit of the issuer)	132,30	132,30
CPECS D . . . . .	03/12/2058	—	Yes (to the benefit of the issuer)	3,45	3,45
CPECS E . . . . .	01/12/2058	—	Yes (to the benefit of the issuer)	16,18	16,18
CPECS F . . . . .	01/12/2058	—	Yes (to the benefit of the issuer)	—	—
CPECS G . . . . .	18/03/2058	—	Yes (to the benefit of the issuer)	0,06	0,06
CPECS H . . . . .	29/06/2058	—	Yes (to the benefit of the issuer)	—	0,45
CPECS H . . . . .	16/11/2060	—	Yes (to the benefit of the issuer)	—	0,01
CPECS H . . . . .	01/12/2060	—	Yes (to the benefit of the issuer)	—	0,15
CPECS I . . . . .	29/02/2061	—	Yes (to the benefit of the issuer)	—	0,03
<b>Total</b> . . . . .				<b><u>219,0</u></b>	<b><u>219,1</u></b>

Information on the parameters used to calculate the employee benefits is presented in note 16.

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.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**15—Provisions**

	<u>December 31, 2011</u>	<u>Business Combinations</u>	<u>Addition</u>	<u>Utilization</u>	<u>Divestitures, changes in foreign currency translation adjustments and other</u>	<u>December 31, 2012</u>
	(in millions of euros)					
Provision for retirement benefits . . . . .	6,9	—	2,0	(0,8)	1,0	9,1
Litigations <sup>(1)</sup> . . . . .	38,8	—	1,9	(24,0)	(0,9)	15,8
Other risks <sup>(2)</sup> . . . . .	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>47,4</u></b>	<b><u>5,1</u></b>	<b><u>7,1</u></b>	<b><u>(24,9)</u></b>	<b><u>0,1</u></b>	<b><u>34,7</u></b>

	<u>December 31, 2010</u>	<u>Business Combinations</u>	<u>Addition</u>	<u>Utilization</u>	<u>Divestitures, changes in foreign currency translation adjustments and other</u>	<u>December 31, 2011</u>
	(in millions of euros)					
Provision for retirement benefits . . . . .	1,2	5,4	0,4	(2,5)	2,4	6,9
Litigations <sup>(1)</sup> . . . . .	0,7	67,4	0,7	(26,6)	(3,4)	38,8
Other risks <sup>(2)</sup> . . . . .	0,8	0,9	—	—	—	1,7
Provisions for other expenses . . . . .	0,2	—	—	(0,2)	—	—
<b>TOTAL</b> . . . . .	<b><u>2,9</u></b>	<b><u>73,7</u></b>	<b><u>1,1</u></b>	<b><u>(29,3)</u></b>	<b><u>(0,9)</u></b>	<b><u>47,4</u></b>

(1) Provisions for litigations and other risks decreased in FY12 compared to the previous period, mainly driven by a re-evaluation of the risk of pay-out on the various royalty and retransmission fees related lawsuits faced by HOT Telecom in Israel. The reversals on the three major litigations, namely TALI, AKUM and AGICOA, amounted to EUR 3, 13,5 and 3,5 million respectively. The total reversal on provision for litigation was EUR 20 million.

In 2012, HOT Telecom also recorded an additional provision of EUR 1,9 million to cover a contested withholding tax ruling.

(2) No major movements were recorded on provisions for risks in the French Caribbean entities. The increase in provisions for risk in FY12 was mainly attributed to the acquisition of Cabovisao in February 2012. Cabovisao had a provision of EUR 5 million on its statement of financial position to account for potential fines and penalties to be paid resulting from negative outcome on various tax rulings sought by Cabovisao.

**16—Employee benefits**

Breakdown of the employee benefits by entity:

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
		(in millions of euros)	
Coditel Brabant . . . . .		0,7	0,9
Hot Telecom . . . . .	16.1	6,5	4,7
Solutions 25 . . . . .		2	1,4
<b>Total</b> . . . . .		<b><u>9,1</u></b>	<b><u>6,9</u></b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**16—Employee benefits (Continued)**

**16.1 Hot Telecom**

*(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 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, 2012	December 31, 2011
	(in millions of euros)	
Current service cost . . . . .	4,7	3,9
Interest expenses in respect of the benefit liabilities . . . . .	1,0	1,0
Expected yield in the plan assets . . . . .	(0,8)	(0,8)
Net actuarial loss (gain) which has been recognized in the year . . . . .	0,6	2,4
<b>Total expenses in respect of employee benefit . . . . .</b>	<b><u>5,5</u></b>	<b><u>6,5</u></b>

*(c) The plan assets (liabilities)*

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Liabilities in respect of a defined benefit plan . . . . .	26,8	25,4
Fair value of the plan assets . . . . .	(20,3)	(20,7)
<b>Total net assets/(liabilities) . . . . .</b>	<b><u>6,5</u></b>	<b><u>4,7</u></b>

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

	December 31, 2012	December 31, 2011
	(in millions of euros)	
<b>Opening balance . . . . .</b>	<b>25,4</b>	<b>23,8</b>
Interest expenses . . . . .	1,0	1,0
Current service cost . . . . .	4,7	3,9
Benefits paid . . . . .	(3,2)	(4,1)
Transfer of employees to section 14 . . . . .	(1,6)	—
Net actuarial loss (profit) . . . . .	0,6	0,8
<b>Closing balance . . . . .</b>	<b><u>26,8</u></b>	<b><u>25,4</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**16—Employee benefits (Continued)**

*(e) The plan assets*

The plan assets

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

The movement in the fair value of the plan assets

	December 31, 2012	December 31, 2011
	(in millions of euros)	
<b>Opening balance</b> . . . . .	<b>20,7</b>	<b>20,1</b>
Expected yield . . . . .	0,8	0,8
Deposits by the employer into the plan . . . . .	4,1	3,9
Benefits paid . . . . .	(3,7)	(2,4)
Transfer of employees to section 14 . . . . .	(1,6)	—
Net actuarial loss . . . . .	—	(1,6)
<b>Closing balance</b> . . . . .	<b><u>20,3</u></b>	<b><u>20,7</u></b>

*(f) The principal assumptions:*

	December 31, 2012	December 31, 2011
	(in %)	
Discount rate . . . . .	3,54	4,34
Expected yield on the plan assets . . . . .	3,84	4,51
Expected yield of salary increases . . . . .	2–4	2–4

**17—Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Bonds . . . . .	1 108,5	291,4
Related party bonds . . . . .	109	73,9
Bank credit facilities . . . . .	257,2	536,6
Finance leases . . . . .	7,4	7,3
Other financial liabilities . . . . .	111	85,3
Financial instruments . . . . .	62,5	—
<b>Non-current liabilities</b> . . . . .	<b>1 655,6</b>	<b>994,4</b>
Bonds . . . . .	25,4	12,4
Bank credit facilities . . . . .	86,5	228,8
Finance leases . . . . .	1,4	0,6
Bank overdraft . . . . .	—	—
Other financial liabilities . . . . .	—	0,7
Accrued interest . . . . .	2,7	2,2
<b>Current liabilities</b> . . . . .	<b><u>116,3</u></b>	<b><u>244,7</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

**17.1 Financial liabilities description**

During the year ended December 31, 2012, bonds include the debentures in Hot Telecom:

The Series A' debentures—EUR 167 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures—EUR 137 million (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Bonds also include Senior and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of \$425,0 million (EUR 322,0 million) mature on December 15, 2020 and bear coupons of 9,875% annually.

The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of \$460 (EUR 348,5 million) mature on December 15, 2019 and bear coupons of 7,875% annually.

The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of EUR 210 million mature on December 15, 2019 and bear coupons of 8% annually.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange. The interest payment of the bonds is semi-annually on June 15 and on December 15 of each year and the first payment of the interest will be on June 15, 2013.

*17.1.1 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, 2012, Hot Telecom was in compliance with all of the required financial covenants.

*17.1.2 Altice Blue One*

As part of the Altice Blue One ("ABO") financing arranged in 2009, the ABO was required to respect certain covenants calculated on the basis of its consolidated accounts. As of December 31, 2012, the company was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2012 were closed and approved based on the hypothesis outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby solving any default situation.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

*17.1.3 Coditel Holding*

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A..

As of December 31, 2012, Coditel Holding S.A. was in compliance with all of the required financial covenants.

As at December 31, 2012, there were no breaches of covenants for the senior and senior secured notes mentioned in the note above.

**17.2 Bonds**

Issuer	Fair value in millions of euros December 31, 2012	Effective interest rate	Year of maturity	Carrying amount December 31, 2012	Carrying amount December 31, 2011
<b>Bonds</b>					
Hot Telecom					
—Debentures . . . . .	269,2	Variable (3,9% and 6,9% + Consumer Price Index)	2018	269,2	291,4
Altice Financing					
—Senior Secured Notes . . . . .	516,7	between 7,9% and 9,9%	2019/2020	516,7	
Altice Finco					
—Senior Secured Notes . . . . .	322,7	between 7,9% and 9,9%	2019/2020	322,7	
<b>Related party bonds</b>					
Altice VII					
—Alpecs . . . . .	104,6	Variable	2057 to 2061	104,6	69,8
—Yfpecs . . . . .	4,4	4,76%	2058 to 2061	4,4	4,1
<b>Nominal value of bonds . . . . .</b>	<b>1 322,6</b>			<b>1 217,6</b>	<b>365,3</b>
Of which due within one year . .					
Of which due after one year . . .	1 322,6			1 217,6	365,3

The fair value of bonds amounts to EUR 1 322,6 million (2011: EUR 418 million). This value includes accrued interest of EUR 9,02 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel holding).

**17.3 Related party bonds**

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

*(a) Altice VII*

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

YFPECs: Yield Free Preferred Equity Certificates;

ALPECS: Asset Linked Preferred Equity Certificate;

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

ALN: Asset Linked Notes.

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

ALPECs instruments (about EUR 101,3 Million as at the end of 2012);

YFPECs instruments (about EUR 36,3 Million as at the end of 2012).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

Details of ALPECs are summarized in the table below:

<u>Name</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Convertible</u>	<u>Principal amount as at the end 2011</u>	<u>Principal amount as at the end 2012</u>
				(in millions of euros)	
ALPECs A . . . . .	14/05/2058	Loan Auberimmo—25 bp	No	1,0	1,0
ALPECs B1 . . . . .	31/12/2057	Loan ABO—25 bp	No	4,5	4,5
ALPECs B3 . . . . .	31/07/2058	Loan ICC France—25 bp	No	1,0	—
ALPECS F (US dollar) . .	27/05/2059	Loan Mirs—25 bp	No	—	—
ALPECS H . . . . .	16/11/2060	Business Unit <sup>(1)</sup> —25 bp	No	59,0	69,0
ALPECS I . . . . .	28/02/2061		No		11,2
ALPECS J . . . . .	03/08/2061		No		4,0
ALPECS J . . . . .	02/10/2061		No		8,0
ALPECS J . . . . .	13/11/2061		No		4,0
<b>Total . . . . .</b>				<b><u>65,5</u></b>	<b><u>101,3</u></b>

(1) Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument class is linked to the acquisition of a specific asset. This asset makes up the business unit mentioned earlier in the footnote.

*(b) Coditel Holding*

Subordinated financial instruments in Coditel Holding S.A. consist of PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2012, the total of PECs instruments amounts to EUR 61,8 million (including interests):

<u>Name</u>	<u>Issuing date</u>	<u>Maturity date</u>	<u>Number of instruments</u>	<u>Nominal value per instrument in euro</u>	<u>Interest rate</u>	<u>Convertible</u>	<u>Amount as at the end of 2011</u>	<u>Amount as at the end of 2012</u>
			(in millions)	(in euro)			(in millions of euros)—including interests	
PECs C . .	30/06/2011	30/06/2060	44,2	1	12,98%	No	44,2	51,4
PECs C . .	02/12/2011	02/12/2060	9	1	12,98%	No	9	10,5
<b>Total . . . .</b>			<b><u>53,2</u></b>				<b><u>53,2</u></b>	<b><u>61,8</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

**17.4 Maturity of financial liabilities**

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds . . . . .	1 133,9	25,4	77,3	1 031,2
Related party bonds . . . . .	109,0	—	—	109,0
Bank credit facilities . . . . .	343,7	86,5	27,5	229,7
Finance leases . . . . .	8,8	1,4	3,4	4,0
Accrued interest . . . . .	3,0	3,0	—	—
Bank overdraft . . . . .	—	—	—	—
Other financial liabilities . . . . .	111,0	—	7,8	103,2
Financial instruments . . . . .	62,5	—	—	62,5
<b>Nominal value of borrowings . . . . .</b>	<b>1 771,9</b>	<b>116,3</b>	<b>116,0</b>	<b>1 539,6</b>

	December 31, 2011	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds . . . . .	303,8	12,4	102,0	189,3
Related party bonds . . . . .	73,9	—	—	73,9
Bank credit facilities . . . . .	764,9	228,3	161,5	376,6
Finance leases . . . . .	8,4	1,1	1,3	4,4
Accrued interest . . . . .	2,2	2,2	—	—
Bank overdraft . . . . .	—	—	—	—
Other financial liabilities . . . . .	86,0	0,7	2,8	82,5
Financial instruments . . . . .	—	—	—	—
<b>Nominal value of borrowings . . . . .</b>	<b>1 239,2</b>	<b>244,7</b>	<b>267,6</b>	<b>726,7</b>

**17.5 Currency of borrowings**

	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	—	—	—
Bank credit facilities . . . . .	343,7	319,7	—	—	24
Finance leases . . . . .	8,8	6,2	—	—	2,6
Accrued interest . . . . .	3	1,2	1,6	—	0,2
Bank overdraft . . . . .	—	—	—	—	—
Other financial liabilities . . . . .	111	108,1	—	2,7	0,2
Financial instruments . . . . .	62,5	—	62,5	—	—
<b>TOTAL . . . . .</b>	<b>1 771,9</b>	<b>544,2</b>	<b>903,4</b>	<b>297,3</b>	<b>27</b>



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

	December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds . . . . .	303,8	—	—	303,7	—
Related party bonds . . . . .	73,9	73,9	—	—	—
Bank credit facilities . . . . .	764,9	292,6	—	450,9	21,4
Finance leases . . . . .	8,4	6,5	—	—	1,9
Accrued interest . . . . .	2,2	2,2	—	0,1	—
Bank overdraft . . . . .	—	—	—	—	—
Other financial liabilities . . . . .	86	82,4	—	3,1	0,5
Financial instruments . . . . .	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b>1 239,2</b>	<b>457,6</b>	<b>—</b>	<b>757,8</b>	<b>23,8</b>

**17.6 Nature of interest rate**

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds . . . . .	1 133,9	969,7	164,2
Related party bonds . . . . .	109	109	—
Bank credit facilities . . . . .	343,7	229,9	113,8
Finance leases . . . . .	8,8	2,6	6,2
Accrued interest . . . . .	3	3	—
Bank overdraft . . . . .	—	—	—
Other financial liabilities . . . . .	111	108,1	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>

	December 31, 2011	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds . . . . .	303,8	—	303,8
Related party bonds . . . . .	73,9	73,9	—
Bank credit facilities . . . . .	764,9	245,2	519,7
Finance leases . . . . .	8,4	1,9	6,5
Accrued interest . . . . .	2,2	0,1	2,2
Other financial liabilities . . . . .	86	83,5	2,5
<b>TOTAL . . . . .</b>	<b>1 239,2</b>	<b>404,5</b>	<b>834,6</b>

**17.7 Coditel Holding swaps**

As of December 31, 2012, off balance sheet commitments include:

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

On February 2012, Coditel Holding has concluded the following swap transactions:

- a swap transaction with ING amounting to EUR 35 million with a maturity date on March 31, 2015 and an interest rate composed of a fixed rate of 0,770% and an EUR-euribor-reuters floating rate;

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**17—Borrowings and other financial liabilities (Continued)**

- a swap transaction with ING amounting to EUR 17,5 million with a maturity date on March 31, 2015 a fixed rate of 0,775% and an EUR-euribor-reuters floating rate;
- a swap transaction with ING amounting to EUR 50 million with a maturity date on March 31, 2015 a fixed rate of 0,710% and an EUR-euribor-reuters floating rate;
- a swap transaction with KBC amounting to EUR 20 million with a maturity date on March 31, 2015 a fixed rate of 0,755% and an EUR-euribor-reuters floating rate;
- a swap transaction with HSBC amounting to EUR 17 million with a maturity date on March 31, 2015 a fixed rate of 0,770% and an EUR-euribor-reuters floating rate.

**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), commodity price 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.

**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.

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

The 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 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.

**18.2 Liquidity risk**

Ultimate responsibility for liquidity risk management rests with management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**18—Financial risk factors (Continued)**

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

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

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Financial debt at fixed rates . . . . .	1 484,8	404,6
Financial debt at variable rates . . . . .	287,1	834,6
<b>TOTAL</b> . . . . .	<b><u>1,771,9</u></b>	<b><u>1,239,2</u></b>

*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. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 247 million as of December 31, 2012.

*18.3.3 Foreign currency risk*

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, swaps and options.

	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)
	December 31, 2011		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate . . . . .	(10,7)	(0,1)	(10,9)
Decrease of 10% in exchange rate . . . . .	10,7	0,1	10,9
<b>Equity</b>			
Increase of 10% in exchange rate . . . . .	(1,3)	(2,1)	(3,4)
Decrease of 10% in exchange rate . . . . .	1,3	2,1	3,4

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**18—Financial risk factors (Continued)**

Exchange differences recorded in the income statement represented a loss of EUR 22,5 million in 2012 (2011: loss of EUR 14,0 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.

*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, 2012, the carrying amount of these investments was EUR 5,7 million.

**18.4 Sensitivity tests in respect of a change in market factors**

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

**18.5 Gearing computation**

Gearing ratio (net debt (1) /total equity holders' equity (2)) amounts, respectively in 2012 and 2011, to 5,4 and 1,6.

<u>Consolidated Statement of financial position</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
	(in millions of euros)	
<b>Total assets in balance sheet</b> . . . . .	<b>2,720,0</b>	<b>2,503,7</b>
Cash and cash equivalents . . . . .	(129,7)	(19,8)
Trade payables . . . . .	(311,3)	(208,2)
Other payables . . . . .	(108,1)	(98,4)
Other non-current liabilities . . . . .	(49,5)	(46,1)
Deferred tax liabilities . . . . .	(148,2)	(123,7)
Current tax liabilities . . . . .	(10,7)	(7,2)
<b>Net assets in balance sheet</b> . . . . .	<b>1,962,6</b>	<b>2,000,4</b>
<b>Net Debt (short term and long term)</b> . . . . .	<b>1 514,1</b>	<b>1 143,9</b>
Issued capital . . . . .	7,4	7,4
Other reserves . . . . .	—	232,9
Retained earnings . . . . .	277,5	25,8
Retained earnings/(accumulated losses) . . . . .	138,0	118,4
<b>Equity attributable to equity holders of the parent</b> . . . . .	<b>(148,9)</b>	<b>384,5</b>
<b>Non-controlling interests</b> . . . . .	<b>5,2</b>	<b>349,2</b>
<b>Total equity</b> . . . . .	<b>285,7</b>	<b>733,6</b>
<b>Total equity and liabilities</b> . . . . .	<b>1,795,2</b>	<b>1,871,2</b>
<b>Gearing</b> . . . . .	<b>5,4</b>	<b>1,6</b>

(1) Excluding loan from related parties

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**18—Financial risk factors (Continued)**

**18.6 Fair value of financial assets and liabilities**

*18.6.1 Fair value of financial instruments carried at amortized cost*

The managers consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements and accounted for at their amortized cost approximate their fair value.

*18.6.2 Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair value of financial assets and financial liabilities are determined as follow:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded an active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);

The fair value 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 value 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.

**19—Trade and other payables**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
	<b>(in millions of euros)</b>	
Trade payable . . . . .	311,3	208,2
Trade payables—acquisition of assets . . . . .	2,9	3,5
Corporate and social security contributions . . . . .	24,5	26,2
Corporate income tax payable . . . . .	10,7	7,2
Deferred revenue . . . . .	34,1	31,3
Other payables . . . . .	46,3	37,4
Liabilities from related parties . . . . .	0,2	—
<b>Total . . . . .</b>	<b><u>430,1</u></b>	<b><u>313,8</u></b>

A part of the trade payable increase as of December 31, 2012 results from the Cabovisao business combination. The rest is explained by the increase in business of other subsidiaries of the Group.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**20—Other non current liabilities**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Trade payables—acquisition of assets . . . . .	5,9	—
Deferred revenue . . . . .	10,8	9,4
Other payables . . . . .	32,9	36,7
<b>Total</b> . . . . .	<b>49,5</b>	<b>46,1</b>

**21—Classification and fair value of financial assets and liabilities**

	December 31, 2012					
	Book value	Amortized cost	Fair Value			
			Fair value through profit/loss	Assets available for sale	Loans & Receivables	Derivative instruments
			(in millions of euros)			
<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 . . . . .	5,7	—	—	5,7	—	—
Long term trade receivables . . . . .	2,7	2,7	—	—	—	—
Other long-term trade receivables . . . . .	40,9	24,6	—	—	16,3	—
	<b>377,4</b>	<b>355,3</b>	<b>—</b>	<b>5,7</b>	<b>16,3</b>	<b>—</b>
<b>Current liabilities</b>						
Credit from banking corporations and debentures . . . . .	113,2	113,2	—	—	—	—
Trade payables . . . . .	311,3	311,3	—	—	—	—
Others payables . . . . .	118,8	118,8	—	—	—	—
Short-term loans from related parties . . . . .	2,7	2,730,0	—	—	—	—
<b>Non-current liabilities</b>						
Loans from banking corporations and debentures . . . . .	1 373,2	1 373,2	—	—	—	—
Long-term loans from related parties . . . . .	170,8	170,8	—	—	—	—
Other financial liabilities . . . . .	111,9	49,5	—	—	62,5	—
Other non-current liabilities . . . . .	49,5	49,5	—	—	—	—
	<b>2 251,4</b>	<b>2 189</b>	<b>—</b>	<b>—</b>	<b>62,5</b>	<b>—</b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**21—Classification and fair value of financial assets and liabilities (Continued)**

On December 31, 2012 and 2011, the principles for measuring financial instruments and their market value breaks down as follows:

	December 31, 2011				
	Book value	Amortised cost	Fair value		
			Fair value through profit/loss	Assets available for sale	Derivative instruments
	(in millions of euros)				
<b>Current assets</b>					
Cash and cash equivalents . . . . .	19,8	19,8	—	—	—
Trade receivables . . . . .	102,7	102,7	—	—	—
Other receivables . . . . .	17,2	17,2	—	—	—
<b>Non-current assets</b>					
Restricted cash . . . . .	41,4	41,4	—	—	—
Investments in financial assets available for sale . . . . .	—	—	—	—	—
Available for Sale . . . . .	8,5	—	—	8,5	—
Long term trade receivables . . . . .	2,4	2,4	—	—	—
Other long-term trade receivables . . . . .	28,4	24,2	—	—	4,3
	<b>220,3</b>	<b>207,5</b>	<b>—</b>	<b>8,5</b>	<b>4,3</b>
<b>Current liabilities</b>					
Credit from banking corporations and debentures . . . . .	241,8	241,8	—	—	—
Trade payables . . . . .	208,2	208,2	—	—	—
Others payables . . . . .	98,4	98,4	—	—	—
Short-term loans from related parties . . . . .	2,9	2,9	—	—	—
<b>Non-current liabilities</b>					
Loans from banking corporations and debentures . . . . .	835,2	835,2	—	—	—
Long-term loans from related parties . . . . .	127,1	127,1	—	—	—
Other financial liabilities . . . . .	32,1	28,3	3,8	—	—
Other non-current liabilities . . . . .	46,1	46,1	—	—	—
	<b>1 591,8</b>	<b>1 588</b>	<b>3,8</b>	<b>—</b>	<b>—</b>

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the consolidated statement of financial position in accordance with their fair value are classified into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**21—Classification and fair value of financial assets and liabilities (Continued)**

As result, as of December 31, 2012, classification of financial instruments are as follows:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions of euros)			
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities . . . . .	—	62,5	—	62,5
<b>AFS</b>				
AFS HOT Telecom (Level 1) . . . . .	5,7	—	—	5,7
	<u>5,7</u>	<u>62,5</u>	<u>—</u>	<u>68,2</u>

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- FX Forward contract: USD 550 million, the maturity date will be on December 15, 2017 and swap to NIS at the aggregate rate of 4,1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4,17 in December 15, 2017;
- FX Forward contract: USD 98,9 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.
- FX Forward contract: EUR 40,1 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- Cross currency swap: USD 200 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 7,7550%,
- Cross currency swap: USD 225 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,6850%,
- Cross currency swap: EUR 100 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,7750%.

Those contracts are effectively fixed Euro and USD interest payments in NIS.



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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**21—Classification and fair value of financial assets and liabilities (Continued)**

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

<u>HOT Telecom</u>	<u>As of December 31, 2011</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	(in millions of euros)		
Available for sale financial asset:			
Shares . . . . .	8,5		—
Financial assets at fair value through profit or loss:			
Forward contracts in foreign currency that are not defined as accounting hedges . . . . .		5,1	
<b>Financial liabilities at fair value through profit or loss:</b>			
Embedded derivatives . . . . .		(0,4)	
Interest rate swap contract . . . . .		(0,2)	
Liability to the Ministry of Communications . . . . .			(3,8)

**22—Taxes on income**

**22.1 Income tax (expense)/benefit**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
	(in millions of euros)	
Current income tax . . . . .	4,2	0,2
Carry back . . . . .	—	(0,2)
Deferred taxes on deductible temporary differences . . . . .	21,7	(32,4)
<b>TOTAL . . . . .</b>	<b><u>26,0</u></b>	<b><u>(32,5)</u></b>

**22.2 Deferred tax assets and liabilities**

	<u>December 31, 2011</u>	<u>Business combination</u>	<u>From equity</u>	<u>From profit and loss</u>	<u>December 31, 2012</u>
	(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>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**22—Taxes on income (Continued)**

	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>

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Other . . . . .	—	—	—	0,2	0,2
IAS 16, Property, Plant and Equipment	—	—	—	0,1	0,1
IAS 38, Intangible assets . . . . .	—	—	—	—	—
<b>Total deferred taxes assets . . . . .</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>0,3</u></b>	<b><u>0,3</u></b>

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Customer relationships . . . . .	6,9	44,0	(1,1)	2,3	52,0
Brand . . . . .	3,1	6,0	0,1	0,1	9,3
Other Intangible assets . . . . .	—	10,3	(0,3)	13,9	23,9
Revaluation of Tangible assets . . . . .	1,0	10,6	(0,4)	(0,3)	11,0
IAS 23, Borrowing Costs . . . . .	—	—	—	3,6	3,6
IAS 36, Depreciable fixed assets . . . . .	—	1,5	(0,1)	(12,6)	(11,1)
Present value of YFPECS financial instrument . . . . .	9,2	—	—	(0,2)	9,0
Temporary differences . . . . .	6,5	—	(6,4)	22,8	22,8
Other . . . . .	(0,4)	—	0,5	2,9	3,1
<b>Total deferred taxes liabilities . . . . .</b>	<b><u>26,3</u></b>	<b><u>72,4</u></b>	<b><u>(7,6)</u></b>	<b><u>32,6</u></b>	<b><u>123,7</u></b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**22—Taxes on income (Continued)**

**22.3 Reconciliation between the effective tax rate and the theoretical tax rate**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
<b>Net income</b> . . . . .	<b>(189,8)</b>	<b>123,9</b>
<b>Share of net income—associates</b> . . . . .	<b>—</b>	<b>(11,7)</b>
<b>Share of net income—equity holders</b> . . . . .	<b>(189,8)</b>	<b>112,3</b>
Tax charge [(–) expenses/(+) income] . . . . .	(26,0)	32,5
<b>Earnings/(Loss) before tax</b> . . . . .	<b>(215,8)</b>	<b>156,6</b>
Theoretical tax rate . . . . .	28,80%	28,80%
Income tax calculated on theoretical tax . . . . .	62,1	(45,0)
<b>Impact of:</b>		
Effect of different tax rates of subsidiaries depending in other jurisdictions . . . . .	(5,8)	
Permanent differences . . . . .	(57,0)	7,9
Restatements without tax impact . . . . .	18,7	10,6
Utilization of previously non capitalized tax credit . . . . .	20,0	3,6
Carry-back . . . . .	0,1	(0,2)
Tax loss carry forwards of the periods non activated . . . . .	(13,2)	(9,7)
Effect of unused tax losses not recognized as Deferred tax asset . . . . .	1,0	0,3
<b>Effective Tax</b> . . . . .	<b>25,9</b>	<b>(32,5)</b>
<b>Effective tax rate</b> . . . . .		<b>27,66%</b>

Permanent differences stated above are almost exclusively present at the Cool Holdings sub consolidated level. Permanent differences totaled EUR 50,4 million and were comprised of EUR 30,0 million arising from the adjustment on the Goodwill at Cool Holdings Limited and another EUR 20,4 million related to finance costs at Cool Holdings Limited.

**22.4 Tax assessments**

**22.4.1 Hot Telecom**

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax years after 2008.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006–2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006–2008, which could significantly change the results of the tax assessments for those years and could also significantly change the implications deriving from them in respect of the tax years after 2008.

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**Notes to the consolidated financial statements (Continued)**  
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**22—Taxes on income (Continued)**

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006–2008 and within the framework of Stage A for the 2009–2010 tax years. A number of issues have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of HOT estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

*22.4.2 Cabovisao*

Cabovisao is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%, resulting in an aggregate rate of a maximum of 26.5%. Additionally, any taxable profit in excess of EUR 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds EUR 10 million, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, Cabovisao is subject to autonomous taxation over some costs incurred by Cabovisao at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security). These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, Cabovisao's tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

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

Notification for fiscal year 2003 to adjust tax losses by EUR 7,2 million and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of EUR 1,3 million. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of EUR 1,7 million. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal was unfounded. Cabovisao has appealed against that decision before the Almada Administrative and Fiscal Court.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of EUR 17,1 million, as well as an additional tax payment in the amount of EUR 4 million, for

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**22—Taxes on income (Continued)**

withholding tax and stamp tax. Cabovisao paid EUR 2,6 million and contested this decision of the assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1 million, was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of the date of this report, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately EUR 4,9 million. Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6,8 million. As of December 31, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Managers believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded will not have a significant effect on the financial statements on December 31, 2012.

**22.5 Unrecognized deferred tax assets**

As at December 31, 2012, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 21,2 million,
- Coditel Holding Lux S.à r.l.: EUR 13,63 million,
- Cabovisao: EUR 51,3 million.

**23—Segment analysis**

**23.1 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),

Other (Switzerland, Africa etc.).

Activities have been split as follows:

Cable,

Mobile,

Others (B2B/Content/etc.).

**23.1.1 Operational KPIs**

It has also been decided by the central team that local operational teams in each geography shall report operational KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**23—Segment analysis (Continued)**

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.

*23.1.2 Financial KPIs*

Each local operational company will also report the following financial KPIs by segment:

- Revenues (Cable/Mobile/Other),
- Cost of Sales (Cable/Mobile/Other),
- Capex (Cable/Mobile/Other).

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

HOT Telecom however will report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

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

The cable business has small fixed Capex requirements and initial Capex is quite low, but variable Capex is high, as an increase in customers drives the cash needs for Customer Premise Equipment (CPE) and installation.

Mobile Capex is one-off and mainly driven by investment in new mobile sites and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the central team places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under 'Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

**23.2 Regional specificities**

*23.2.1 Israel*

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

It is characterised by a high broadband and cable penetration and the general population is very technology focussed. The market is maturing but highly regulated, which means that while opportunities

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**23—Segment analysis (Continued)**

for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is low and this represents the biggest development path. Customer retention is difficult as contractual terms heavily favour the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

*23.2.2 Belgium and Luxembourg*

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

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU/subs) and hence price pressures are low.

These regions are marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

*23.2.3 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 after the crisis, makes it difficult to achieve high sales growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

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

*23.2.4 French Overseas Territories*

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, as triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressures are low in these markets and customers are willing to pay more for value added services. Double play (TV and Internet) offers are predominant in these regions and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

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**23—Segment analysis (Continued)**

**23.3 Segment information**

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

	December 31, 2012					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
<b>Cable</b>						
Revenue . . . . .	873,3	70,3	677,9	24,4	98,2	2,5
Costs of sales . . . . .	(212,9)	(10,3)	(159,0)	(4,1)	(39,1)	(0,5)
<b>Gross Profit . . . . .</b>	<b>660,4</b>	<b>60,0</b>	<b>518,9</b>	<b>20,4</b>	<b>59,1</b>	<b>2,0</b>
<b>Mobile</b>						
Revenue . . . . .	172,7	0,2	172,5	—	—	—
Costs of sales . . . . .	(69,9)	(0,1)	(69,8)	—	—	—
<b>Gross Profit . . . . .</b>	<b>102,8</b>	<b>0,1</b>	<b>102,7</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>						
Revenue . . . . .	46,4	0,8	—	—	—	45,6
Costs of sales . . . . .	(19,3)	(0,6)	—	—	—	(18,7)
<b>Gross Profit . . . . .</b>	<b>27,1</b>	<b>0,2</b>	<b>—</b>	<b>—</b>	<b>—</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>

	December 31, 2011					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
<b>Cable</b>						
Revenue . . . . .	560,3	34,5	499,7	23,6	—	2,5
Costs of sales . . . . .	(125,3)	(6,9)	(114,1)	(3,8)	—	(0,5)
<b>Gross Profit . . . . .</b>	<b>435,0</b>	<b>27,6</b>	<b>385,6</b>	<b>19,8</b>	<b>—</b>	<b>1,9</b>
<b>Mobile</b>						
Revenue . . . . .	180,6	—	180,6	—	—	—
Costs of sales . . . . .	(31,0)	—	(31,0)	—	—	—
<b>Gross Profit . . . . .</b>	<b>149,7</b>	<b>—</b>	<b>149,7</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>						
Revenue . . . . .	43,3	0,4	—	—	—	42,9
Costs of sales . . . . .	(19,1)	(0,5)	—	—	—	(18,7)
<b>Gross Profit . . . . .</b>	<b>24,1</b>	<b>(0,1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>24,2</b>
<b>Total</b>						
<b>Total Revenue . . . . .</b>	<b>784,2</b>	<b>34,8</b>	<b>680,4</b>	<b>23,6</b>	<b>—</b>	<b>45,4</b>
<b>Total Costs of sales . . . . .</b>	<b>(175,4)</b>	<b>(7,3)</b>	<b>(145,1)</b>	<b>(3,8)</b>	<b>—</b>	<b>(19,2)</b>
<b>Total Gross Profit . . . . .</b>	<b>608,8</b>	<b>27,5</b>	<b>535,3</b>	<b>19,8</b>	<b>—</b>	<b>26,2</b>



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**December 31, 2012**

**24—Operating expenses**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Technical and maintenance costs . . . . .	(228,2)	(185,0)
Customer services . . . . .	(18,3)	(9,9)
Taxes . . . . .	(2,4)	(0,5)
<b>Total</b> . . . . .	<b><u>(248,9)</u></b>	<b><u>(195,4)</u></b>

The increase in operating expenses was mainly related to the acquisition of Cabovisao, a Portuguese cable operator in February 2012 and the full year impact of the consolidation of HOT's cable business in 2012 (full 12 months vs. 9 months in 2011).

**25—Equity based compensation**

Equity based compensations are included in the line item "General & administrative expenses" in these consolidated financial statements and amounted to EUR 3,8 million.

**26—Other operating incomes and expenses**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Other incomes and expenses . . . . .	(24,9)	(5,6)
Disposal of tangible assets—selling price and book-value of disposal/ tangible assets . . . . .	(4,8)	(7,4)
Subvention . . . . .	—	—
<b>Other expenses, net</b> . . . . .	<b>(29,8)</b>	<b>(13,0)</b>
Gain arising on step acquisition <sup>(1)</sup> . . . . .	—	133,1
Other revenues . . . . .	8,3	1,7
Expenses from prior periods <sup>(2)</sup> . . . . .	(22,4)	(7,5)
Restructuring costs . . . . .	(6,7)	(0,1)
<b>Reorganization and extraordinary costs</b> . . . . .	<b><u>(20,8)</u></b>	<b><u>127,2</u></b>
<b>Total</b> . . . . .	<b><u>(50,5)</u></b>	<b><u>114,2</u></b>

(1) In the prior year, the gain from achieving control is linked to acquisition of Hot Telecom: the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

(2) The increase in expenses from prior periods is mainly explained by fines and penalties paid by HOT relating to the early breakage of mortgage contracts and disputes with other suppliers. The total charge registered was of EUR 22.8 million, offset by a reversal in the provision for these charges for EUR 7.7 million, thus resulting in a net expense of EUR 14.9 million.

(3) Restructuring costs refer to the non-recurring costs incurred by Cabovisao in the year ended December 31, 2012, arising from the restructuring carried out at this company level, post-acquisition by the Group. The costs engaged are made up entirely of personnel costs and are associated with dismissal indemnities paid to employees.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**27—Net finance costs**

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Cash and cash equivalent income . . . . .	—	—
Gain arising on fair value financial instruments . . . . .	0,4	6,4
Foreign exchange gains . . . . .	24,7	6,8
Disposal of financial assets—selling price . . . . .	4,5	3,0
Other financial incomes and expenses . . . . .	0,9	0,4
<b>Finance income . . . . .</b>	<b>30,5</b>	<b>16,6</b>
Interest charges on borrowings and overdrafts . . . . .	(118,5)	(70,2)
Fair value financial instruments (losses) . . . . .	(62,8)	—
Foreign exchange losses . . . . .	(2,1)	(20,8)
Book-value of disposal/financial assets . . . . .	(21,2)	(20,7)
<b>Finance costs . . . . .</b>	<b>(204,7)</b>	<b>(111,6)</b>
<b>Total . . . . .</b>	<b>(174,1)</b>	<b>(95,0)</b>

**28—Transactions with non-controlling interests**

On December 27, 2012, the Group successfully completed the take-private of HOT Telecom and thus the buyout of the non controlling interests in Cool Holding Limited. The total consideration paid to acquire this minority stake amounted to EUR 172,9 million.

On February 19, 2012 HOT distributed a dividend of NIS 365 million (EUR 73,4 million). Of this total amount, NIS 129 million (EUR 26,0 million) was paid to the non-controlling interests.

**29—Average workforce**

	December 31, 2012	December 31, 2011
Managers . . . . .	268	280
Technicians . . . . .	660	604
Employees . . . . .	4 719	5 152
	<b>5 647</b>	<b>6 036</b>

**30—Transaction with related parties**

**30.1 Trading and financial transaction**

Transactions with related parties mainly related to the companies Adeintel, Titan consulting and DOK, all consulting firms specialized in the management and operations of telecom companies. The fees paid to these companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks

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**30—Transaction with related parties (Continued)**

on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII.

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
	(In millions of euros)					
Equity holders . . . . .	0,4	0,2	(3,1)	(12,1)	—	—
Executive managers . . . . .	—	—	—	—	—	—
Remuneration and benefits in kind . . . . .	—	—	(1,1)	(2,5)	—	—
Associate companies . . . . .	—	—	—	—	(0,1)	—
<b>TOTAL . . . . .</b>	<b>0,4</b>	<b>0,2</b>	<b>(4,2)</b>	<b>(14,6)</b>	<b>(0,1)</b>	<b>—</b>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
	(In millions of euros)					
Equity holders . . . . .	10,5	—	0,2	—	—	—
Executive managers . . . . .	2,7	2,7	—	—	—	—
Associate companies . . . . .	1,0	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b>13,7</b>	<b>2,7</b>	<b>0,2</b>	<b>—</b>	<b>—</b>	<b>—</b>

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
	(In millions of euros)					
Equity holders . . . . .	—	—	4,5	—	—	0,6
Executive managers . . . . .	—	—	—	—	—	—
Associate companies . . . . .	—	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b>—</b>	<b>—</b>	<b>4,5</b>	<b>1,6</b>	<b>—</b>	<b>0,6</b>

**30.2 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 VII, for the financial year 2012, is EUR 1,7 million compared to EUR 0,9 million for the financial year 2011.

**31—Contractual obligations and commercial commitments**

**31.1 Hot Telecom Commitments**

*31.1.1 Commitments*

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

- (a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to

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**31—Contractual obligations and commercial commitments (Continued)**

pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalty rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2,5% in 2007, 2% in 2008, 1,5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalty rate for the years 2011 and 2012 stood at 1,75%.

In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalty rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.

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

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

- (c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).
- (d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

**Other royalties**

- (a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group

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**31—Contractual obligations and commercial commitments (Continued)**

within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.

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

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

**A commitment to invest in original productions**

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 HOT complied with the investment rate that is required, as aforesaid.

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

**Agreement to deploy and maintain a cables network**

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

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

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

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**31—Contractual obligations and commercial commitments (Continued)**

The agreement will remain in force for the length of the period of the concession, and will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses recorded in HOT's accounting records for the network services payable to Bezeq in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.

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

**Commitments to lease assets**

The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimum future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	<u>NIS in millions</u>	<u>EUR in millions</u>
2013 .....	186	37,7
2014 .....	148	30,0
2015 .....	120	24,3
2016 .....	86	17,4
2017 and thereafter .....	304	61,7
<b>TOTAL</b> .....	<b><u>844</u></b>	<b><u>171,3</u></b>

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

On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter—the initial period) and it will be renewed for additional periods of one

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**31—Contractual obligations and commercial commitments (Continued)**

year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

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

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

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

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

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

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

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

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

Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.

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

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**31—Contractual obligations and commercial commitments (Continued)**

has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.

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

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of USD 52 million, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to HOT Mobile's assessment.

On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with HOT acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

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

On October 6, 2005, HOT Mobile won a tender for the provision of Mobile services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new mobile operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139,3 million, NIS 112.4 million and NIS 83,7 million, respectively, which constituted approximately 13,5%, 12,5% and 9,8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

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

Marketing and distribution (for iDEN technology products and services)

In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**31—Contractual obligations and commercial commitments (Continued)**

HOT Mobile operates across the country, a national distribution channel that works “door to door” using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group’s filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile’s products and services in that sector.

In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

**Commitment with an external marketer**

As aforesaid, in 2012, one of the distribution channels for the Group’s products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, through the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.

The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM’s results in respect of the sales of the iDEN products.

The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.

**Marketing and distribution (for UMTS technology products and services)**

The marketing and distribution of UMTS products is performed by means of HOT Mobile’s and HOT’s marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.

**Capitalized leasing rights on land from the Israel Lands Authority**

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

**31.1.2 Guarantees and liens**

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

A floating charge on HOT’s assets.

A fixed charge on the shares in the subsidiary companies.

HOT Telecom has given a charge on some of its assets.

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

As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**31—Contractual obligations and commercial commitments (Continued)**

borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group.

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

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

Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8,4 million Dollars, in force until December 2017 and December 2025.

Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.

A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.

A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.

In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).

The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.

**Guarantees to HOT Telecom**

The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

**31.1.3 Other contingent liabilities**

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, "The Legal Claims").

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**31—Contractual obligations and commercial commitments (Continued)**

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company's Subsidiaries on various matters, is as follows:

- (a) An amount of approximately NIS 1.7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- (b) An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements
- (c) An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessments of the managements of the Company's Subsidiaries, as aforesaid.

The following is an abbreviated summary of the Group's contingent liabilities effective as of signature date, in accordance with groupings having similar characteristics:

<u>The nature of the lawsuit (EUR in millions)</u>	<u>The amount of the additional exposure in excess of the provision recorded as of signature date</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>
Customers . . . . .	574	21
Lawsuits after the balance sheet date in respect of customers . . . . .	33	33
Suppliers . . . . .	13	5
Employees . . . . .	1	—
The merger transaction . . . . .	50	—
<b>Total . . . . .</b>	<b><u>671</u></b>	<b><u>59</u></b>

**31.2 Cabovisao commitments**

*31.2.1 Contingent assets*

During the year ended December 31, 2012, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2012, Cabovisao had outstanding claims against several municipalities, totaling EUR 3,6 million. To present date, Cabovisao received 102 004 Euros from seven municipalities.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**31—Contractual obligations and commercial commitments (Continued)**

*31.2.2 Contingent liabilities*

31.2.2.1 Bank guarantees

	<b>December 31, 2012</b>
	<b>In millions of euros</b>
Tax Authority . . . . .	8,4
City Council . . . . .	0,9
Third Parties . . . . .	0,01
<b>Total</b> . . . . .	<b>9,3</b>

31.2.2.2 Real guarantees

On December 31, 2012, Cabovisao issued a bond amounting to EUR 25 million which was fully underwritten by Goldman Sachs International together with a financial first degree collateral of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and pledge the shares representing Cabovisao's share capital and equity holders' rights.

31.2.2.3 Other contingent liabilities

As a result of the refusal by Cabovisao to pay the municipal taxes referred to above (since September 2010), the municipality of Almada initiated a process executive for payment of fees from 2006 to 2009, amounting to approximately EUR 0,7 million. It is the understanding of the Board of Managers, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

31.2.2.4 Contingent assets

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was EUR 3.6 million for the year ended December 31, 2012, of which EUR 0,1 million have been received from seven municipalities, while recovery is on-going with others.

**31.3 Coditel Holding commitments**

As of December 31, 2012, off balance sheet commitments include:

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

**31.4 Others**

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**32—Statutory Auditors' fees**

In 2012, an amount of EUR 0,3 million was paid to various network affiliates of the Group's auditors, of which 0,2 million was paid as fees for audit services and EUR 0,1 million as fees for non-audit fee services.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**33—Going concern**

During the year ended December 31, 2012, the company had a net current liability position of EUR 221,4 million (mainly due to other payables of EUR 118,7 million and trade payables of EUR 311,3 million), a net loss of EUR 189,8 million (down from a net gain of EUR 123,9 million in FY11), positive cash flow from operations of EUR 467,8 and negative working capital of EUR 230,1 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 230,1 million is mainly driven by trade receivables and payables. The net loss recorded in FY12 was mainly driven by increased depreciation and amortisation charges as compared to FY11 (+EUR 211,7 million), increased financial charges and with the issuance of public debt at the time of the take private operation of HOT Telecom. In addition to this, an exceptional revenue was recognised in FY11, owing to the switch from equity method to global integration consolidation of HOT Telecom, which was non-recurrent in FY12 (an impact of EUR 133,1 million).

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 150,8 million vs. EUR 311,3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2012, the company had many short term loan payments (< 1y), and long term debt was refinanced at the end of 2012 and 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 2012 (EUR 467,8 million). Operating income before D&A amounted to EUR 403,2 million, an increase of 35% compared to FY11, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had a marked improvement in cash reserves at the end of 2012 compared to December 31, 2011 (EUR 129,6 million vs. EUR 19,8 million), 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 (EUR 60,9 million).

The Group has sufficient reserves to absorb the impact of the net loss incurred in the year ended December 31, 2012. Net equity amounted to EUR 285,7 million on December 31, 2012.

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 will be complemented by a mid-year reforecast based on real first semester numbers.

**34—Events after the reporting period**

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the "ONI Purchase Agreement"), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the "ONI Transaction"). The deal was consummated on August 8, 2013.

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the "Outremer Purchase Agreement") with the owners of OMT Invest and certain of its affiliates pursuant to which (i) the Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the "Outremer Investment Agreement") pursuant to which (i) the Group contributed all of

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**34—Events after the reporting period (Continued)**

the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the “2013 Senior Notes”).

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the “2013 Term Loan Facility”) which provides for U.S. dollar term loans (the “2013 Term Loans”) up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the “First Draw”). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described above), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

**Cabovisao Refinancing**

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the “Cabovisao Refinancing”).

**Coditel Refinancing**

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

**ABO Refinancing**

On July 2, 2013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the “ABO Refinancing”).

**WSG and MTVC Refinancing**

WSG and MTVC are indirect subsidiaries of the Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the “Le Cable Refinancing”).

**MCS & SportV**

In October 2013, the Group completed the acquisition of two sports based content delivery channels, Ma Chaine Sport and SportV. This acquisition was completed in October 2013 and total consideration paid amounted to EUR 15 million. These channels are focussed on providing quality sports programming and are intended to serve as a platform for the potential new business segment for the Company (Content). The acquisition was fully financed using equity holders’ equity.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2012**

**34—Events after the reporting period (Continued)**

**Tricom**

In November 2013, the Group confirmed that it has signed an agreement to acquire a controlling stake in Tricom, the second largest cable operator in the Dominican Republic. This acquisition is expected to explore significant synergies with the Group's French Overseas Territories operations.

**Network Sharing Agreement**

On November 8, 2013, HOT Mobile entered in to a network sharing agreement (the "Network Sharing Agreement") with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Company will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Company. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with Pelephone will be phased out until the contractual end of the agreement in 2014.

**Reduction of Guarantees to the State of Israel**

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11,3%, constituting an addition of 9.52% on HOT Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695,0 (EUR 144,6 million) million to an amount of NIS 80 (EUR 16,6 million) million. This was in addition to an amount of NIS 10,0 (EUR 2,0 million) million that it paid upon the receipt of the license.

As of the date of the approval of the financial statements, the response of the Ministry of Communications has not yet been received and the guarantee therefore remained in the same amount.

# ALTICE VII S.à r.l.

Société à responsabilité limitée

## 2011 Annual Report





## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

### **Report on the consolidated financial statements**

Following our appointment by the Board of Managers, 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, 2011, and the consolidated statements of income, 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, 2011, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

### **Report on other legal and regulatory requirements**

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

November 8, 2013

ALTICE VII S.À R.L.

**Consolidated statement of income**  
**Year ended December 31, 2011**

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
(in millions of euros)			
Revenues . . . . .	24	784,2	167,2
Purchases and subcontracting services . . . . .	24	(175,4)	(54,0)
Other operating expenses . . . . .	25	(195,4)	(21,9)
Staff costs and employee benefits expenses . . . . .	26	(24,8)	(21,3)
General and administrative expenses . . . . .		(26,4)	(10,3)
Other sales and marketing expenses . . . . .		(64,4)	(11,6)
<b>Operating profit before depreciation and amortization(*) . . .</b>		<b>297,8</b>	<b>48,1</b>
Depreciation and amortization . . . . .		(176,4)	(26,5)
Other expenses, net . . . . .	27	(5,6)	(7,4)
Management fees . . . . .		(3,1)	(0,8)
Restructuring and other non-recurring costs . . . . .	27	(7,6)	(3,9)
<b>Operating profit . . . . .</b>		<b>105,1</b>	<b>9,5</b>
Gain arising on step acquisitions . . . . .	27	134,8	1,0
Share of profit of associates . . . . .	7	11,7	6,8
Finance income . . . . .	28	16,6	43,2
Finance costs . . . . .	28	(111,6)	(18,0)
<b>Profit before income tax expenses . . . . .</b>		<b>156,6</b>	<b>42,5</b>
Income tax expenses . . . . .	23	(32,5)	(2,2)
<b>Profit for the year . . . . .</b>		<b>123,9</b>	<b>40,3</b>
<i>Attributable to equity holders of the parent . . . . .</i>		<i>118,4</i>	<i>40,2</i>
<i>Attributable to non-controlling interests . . . . .</i>		<i>5,5</i>	<i>—</i>

(\*) Operating profit before depreciation and amortization is further referred to as "EBITDA" in these consolidated financial statements.

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

**ALTICE VII S.À R.L.**

**Consolidated statement of comprehensive income**  
**Year ended December 31, 2011**

<u>Notes</u>	<u>Year ended December 31, 2011</u>	<u>Year ended December 31, 2010</u>
	(in millions of euros)	
<b>Profit for the year</b> .....	<b>123,9</b>	<b>40,3</b>
Other comprehensive income		
Exchange differences on translation foreign operations .....	0,4	(1,6)
Net fair value gain on available-for-sale financial assets .....	0,3	—
<b>Total comprehensive income for the year</b> .....	<b>124,6</b>	<b>38,7</b>
<i>Attributable to equity holders of the parent</i> .....	<i>117,2</i>	<i>38,6</i>
<i>Attributable to non-controlling interests</i> .....	<i>7,4</i>	<i>0,1</i>

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

**ALTICE VII S.À R.L.**

**Consolidated statement of financial position**  
**Year ended December 31, 2011**

	Notes	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
(in millions of euros)				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents . . . . .	12	19,8	18,6	6,8
Trade receivables . . . . .	11	102,7	50,9	6,8
Other receivables . . . . .	11	22,1	18,9	7,3
Inventories . . . . .	10	6,1	7,5	0,2
<b>Total Current assets</b> . . . . .		<b>150,8</b>	<b>95,8</b>	<b>21,1</b>
<b>Non-current assets</b>				
Restricted cash . . . . .	8	41,4	0,2	0,1
Deferred tax assets . . . . .	23	0,3	—	1,0
Investments in associates . . . . .	7	—	284,9	240,7
Investments in financial assets available for sale . . . . .	8	8,5	—	—
Long term trade receivables . . . . .	8	2,4	3,0	0,4
Other long-term trade receivables . . . . .	9	28,4	—	—
Property, Plant & Equipment . . . . .	6	901,7	149,7	49,2
Other Intangible assets . . . . .	5	458,3	90,1	51,3
Goodwill . . . . .	4	911,9	17,8	17,8
<b>Total non-current assets</b> . . . . .		<b>2,352,9</b>	<b>545,7</b>	<b>360,6</b>
<b>Total assets</b> . . . . .		<b>2,503,7</b>	<b>641,5</b>	<b>381,7</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing from banking corporations and debentures . . . . .	18	241,8	81,3	65,0
Trade payables . . . . .	20	208,2	52,8	26,5
Others payables . . . . .	20	98,4	46,6	24,0
Current loans from related parties . . . . .	18	2,9	0,4	0,2
Provisions . . . . .	16	—	0,2	—
Current tax liabilities . . . . .	20	7,2	2,4	0,8
<b>Total current liabilities</b> . . . . .		<b>558,5</b>	<b>183,5</b>	<b>116,5</b>
<b>Non-current liabilities</b>				
Borrowings from banking corporations and debentures . . . . .	18	835,2	71,4	—
Non-current loans from related parties . . . . .	18	127,1	61,9	13,6
Other financial liabilities . . . . .	18	32,1	5,5	3,6
Provisions . . . . .	16	40,5	1,5	1,5
Other non-current liabilities . . . . .	21	46,1	0,7	0,9
Retirement benefit obligations . . . . .	17	6,9	1,2	0,9
Deferred tax liabilities . . . . .	23	123,7	26,2	18,5
<b>Total non-current liabilities</b> . . . . .		<b>1,211,6</b>	<b>168,4</b>	<b>39,0</b>
<b>Equity</b>				
Issued capital . . . . .	13	7,4	7,8	—
Other reserves . . . . .		232,9	254,9	239,7
Retained earnings (accumulated losses) . . . . .		25,8	(13,7)	(3,6)
Net income (loss)—attributable to the equity holders . . . . .		118,4	40,2	(10,1)
<b>Equity attributable to equity holders of the parent</b> . . . . .		<b>384,5</b>	<b>289,2</b>	<b>226,1</b>
<b>Non-controlling interests</b> . . . . .		<b>349,2</b>	<b>0,4</b>	<b>0,2</b>
<b>Total equity</b> . . . . .		<b>733,6</b>	<b>289,6</b>	<b>226,3</b>
<b>Total equity and liabilities</b> . . . . .		<b>2,503,7</b>	<b>641,5</b>	<b>381,7</b>

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

ALTICE VII S.À R.L.

Consolidated statement of changes in equity  
Year ended December 31, 2011

	Issued capital	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, 2010</b> . . . . .	—	239,7	(3,6)	(10,1)	226,1	0,2	226,3
Allocation to retained earnings . . . . .			(10,1)	10,1			
Profit for the year . . . . .				40,2	40,2	—	40,3
Variation in CPEC . . . . .		19,1			19,1		19,1
Employee benefits . . . . .		0,1			0,1		0,1
Increase in share capital . . . . .	7,8				7,8		7,8
Variation in Currency Translation Reserve . . . . .		(1,6)			(1,6)	—	(1,6)
Increase or decrease of ownership interest . . . . .		(0,6)			(0,6)	0,1	(0,5)
Other variations . . . . .		(1,9)			(1,9)		(1,9)
<b>Equity at December 31, 2010</b> . . . . .	<b>7,8</b>	<b>254,9</b>	<b>(13,7)</b>	<b>40,2</b>	<b>289,2</b>	<b>0,4</b>	<b>289,6</b>
Allocation to retained earnings . . . . .			40,2	(40,2)			
Profit for the year . . . . .				118,4	118,4	5,5	123,9
Variation in CPEC . . . . .		(22,7)			(22,7)		(22,7)
Employee benefits . . . . .		0,1			0,1	0,3	0,4
Decrease in share capital . . . . .	(0,4)				(0,4)		(0,4)
Variation in Currency Translation Reserve . . . . .		(1,4)			(1,4)	1,8	0,4
Increase or decrease of ownership interest . . . . .		4,5			4,5	(2,5)	2,0
Acquisition of an associates . . . . .		(3,7)			(3,7)	343,5	339,8
Other variations . . . . .		1,2	(0,8)		0,4	0,2	0,7
<b>Equity at December 31, 2011</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>

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

**ALTICE VII S.À R.L.**

**Consolidated statement of cash flows**  
**Year ended December 31, 2011**

	Notes	December 31, 2011	December 31, 2010
(in millions of euros)			
<b>Net income (loss), including non-controlling interests . . . . .</b>		<b>123,9</b>	<b>40,3</b>
Adjustments for:			
Share of profit of associates . . . . .	7	(11,7)	(6,8)
Depreciation and amortization . . . . .		176,4	26,5
Gains and losses on disposals . . . . .		6,0	(0,7)
Other non-cash operating gains and losses . . . . .		(168,5)	3,1
<b>Net cash provided by operating activities after changes in working capital, finance costs and income tax . . . . .</b>		<b>126,1</b>	<b>62,4</b>
Finance costs/(income), net . . . . .		89,3	(25,4)
Income tax expense recognized in profit and loss . . . . .		32,5	2,2
Income tax paid . . . . .		(1,8)	(1,4)
Changes in working capital . . . . .		60,2	(81,2)
<b>Net cash provided by/(used in) operating activities . . . . .</b>		<b>306,4</b>	<b>(43,4)</b>
Purchase of tangible and intangible assets . . . . .		(189,8)	(49,9)
Proceeds from disposal of tangible, intangible and financial assets . . . . .		0,4	8,0
Increase/(decrease) in loans and other non-current financial assets . . . . .		1,2	(2,3)
Use of restricted cash . . . . .		(40,8)	—
Net cash (outflow)/inflow on acquisition of subsidiaries . . . . .	3.3	(347,3)	9,0
<b>Net cash provided used by investing activities . . . . .</b>		<b>(576,2)</b>	<b>(35,3)</b>
Proceeds from issue of equity instruments . . . . .	13	(0,4)	7,8
Proceeds from issue of debts . . . . .	18	823,0	185,5
Repayment of debt . . . . .	18	(481,2)	(98,3)
Interest paid . . . . .		(69,0)	(7,3)
<b>Net cash provided in financing activities . . . . .</b>		<b>272,4</b>	<b>87,7</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies . . . . .		(0,9)	2,4
<b>Net increase in cash and cash equivalents . . . . .</b>		<b>1,6</b>	<b>11,4</b>
Cash and cash equivalents at beginning of year . . . . .	12	18,2	6,8
Net increase in cash and cash equivalents . . . . .		1,6	11,4
<b>Cash and cash equivalents at end of year . . . . .</b>	12	<b>19,8</b>	<b>18,2</b>

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements**  
**December 31, 2011**

**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 B143.725 in Luxembourg. The Group refers to the Company and its subsidiaries. The company was initially established as a public limited company (*société anonyme*) and 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 its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

The Group 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, the Group intends to deploy the same technologies and equipments across its footprints to generate economies of scale and common knowledge. In addition, the group companies aim at sharing skills and best practices across the various operations of the 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 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.

**2—Principles governing the preparation of the consolidated financial statements**

**2.1 Basis of preparation of the consolidated financial statements:**

The consolidated financial statements for the period ending on December 31, 2011 are the first consolidated financial statements established by the group in accordance with paragraph 28 of the IFRS 1 standard. For comparative purposes, they include the statement of the financial position, the statement of comprehensive income, the statement of cash flow and the statement of changes in equity for the year ended December 31, 2010. These financial statements have been established in application of the provisions enacted by IFRS 1 “First time application of IFRS”.

The Group therefore considered that the date of transition was January 1, 2010. No financial statements have been issued for the period before December 31, 2010.

The consolidated financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss, available for sale financial assets. The principal accounting policies are set out below. These consolidated financial statements constitute the largest and smallest group of undertakings.

**2.1.1 Compliance with accounting standards**

The 2011 consolidated financial statements of the Altice VII group, thereafter “the Group”, have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

*2.1.2 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, 2011. Their impact on the Group's financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

- IFRIC 20 "Overdraft expenses".
- IFRS 1 amended "First application of IFRS" concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the European Union on December 29, 2012. Application of this standard is obligatory from January 1, 2013.
- IAS 19 "Revised Employee Benefits".

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

*2.2.1 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.

*2.2.2 Estimates and assumptions*

The preparation of the 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.

*2.2.3 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 carrying amount of goodwill as at December 31, 2011 was EUR 911,9 million (December 31, 2010: EUR 17,8 million). No impairment loss has been accounted for in 2010 and 2011 respectively.

*2.2.4 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.

*2.2.5 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.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

*2.2.6 Deferred tax asset*

Deferred tax assets are recognized for deductible temporary differences and carried forward tax losses as and when management estimates that it is probable that future taxable profits will be available to utilize those temporary differences and tax losses.

*2.2.7 Discounting of Yield Free Preferred Equity Certificates (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.

**2.3 Basis of consolidation**

*2.3.1 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.

*2.3.2 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.

*2.3.3 Dates*

The consolidated financial statements of the Group have been prepared as of the same date and for identical periods on a going concern basis. The accounting policies in the financial statements of the subsidiaries have been implemented in a uniform manner throughout the Group.

**2.4 Functional currency**

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

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

accounted for in the income statement. On consolidation, assets and liabilities of Group 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 Group entities, together with differences arising from the restatement of the net results for the year of Group entities, are recognized in other comprehensive income.

**2.6 Goodwill and business combinations**

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business combinations" are recognized at their fair value at acquisition date.

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

(a) *The aggregate of:*

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

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

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

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

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

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

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

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

**2.7 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 an 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:

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

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

**2.8 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

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.

**2.9 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.

**2.10 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.

**2.10.1 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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

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.

*2.10.2 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 2.11 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

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

**2.11 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.

**2.12 Government grants**

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

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

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

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

**2.13 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.

*2.13.1 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.

*2.13.2 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.

*2.13.3 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.

*2.13.4 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

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.

**2.14 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.

**2.15 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.

**2.16 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.

**2.17 Derivatives**

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

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

**2.18 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

**2.19 Financial liabilities**

Financial liabilities other than derivative instruments include:

*2.19.1 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. The accrued interests are included in “Current portion of financial liabilities” in the statement of financial position.

*2.19.2 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.

*2.19.3 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.

*2.19.4 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 18.4.



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

**2.20 Other liabilities**

*2.20.1 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:

**2.20.1.1 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.

**2.20.1.2 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.

**2.20.1.3 Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the 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.

**2.20.1.4 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 entity.

*2.20.2 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:

**2.20.2.1 Short-term benefits for employees**

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

2.20.2.2 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.

2.20.2.3 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.

2.20.2.4 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.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

**2.21 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.

*2.21.1 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.

*2.21.2 Deferred taxes*

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

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

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

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

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

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (Continued)**

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.

**2.22 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 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.
- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use ("IRU") arrangements are recognized on a straight-line basis over the life of the contract.

**2.23 Operating profit before depreciation and amortization**

The Group has included the subtotal "Operating profit before depreciation and amortization" on the face of the consolidated statement of income (please refer to the Consolidated Statement 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.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**2—Principles governing the preparation of the consolidated financial statements (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. Similarly, the Group's subtotal do not take into account impact of management fees paid to related parties, in order to better reflect economic underlying of the business operated.

**2.24 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,
- Gains on extinguishment of debt.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**3—Scope of consolidation**

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

Name of subsidiary	Country	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Altice VII S.à r.l. . . . .	Luxembourg	Parent Company	Parent Company	—	—
Cool Holding LTD . . . . .	Israel	Full consolidation	Full consolidation	100%	100%
Hot Telecom Limited Partnership . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Mobile LTD . . . . .	Israel	Full consolidation	Full consolidation	64,70%	100%
Hot Cable Telecommunications Systems LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Investments and Finance LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Properties LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Vision LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Nonstop Ventures LTD . . . . .	Israel	Equity method	Equity method	32,35%	22,39%
South Saron Communications LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Iscarable LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot TLM Subscription Television LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Red LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Iden Cables Systems LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Israel Cables Systems LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Gold LTD . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Hot Net Limited Partership . . . . .	Israel	Full consolidation	Equity method	64,70%	44,77%
Altice Securities S.à r.l. . . . .	Luxembourg	Full consolidation	Full consolidation	100%	100%
Altice Africa S.à r.l. . . . .	Luxembourg	Full consolidation	Full consolidation	100%	100%
Altice Blue One S.A.S. . . . .	France	Full consolidation	Full consolidation	100%	100%
MTVC S.A. . . . .	France	Full consolidation	Full consolidation	100%	100%
WSG S.A. . . . .	France	Full consolidation	Full consolidation	99,95%	99,95%
Green ch. (Solutions 25) <sup>(1)</sup> . . . . .	Switzerland	Full consolidation	Full consolidation	99,12%	99,12%
Valvision S.A.S. . . . .	France	Full consolidation	Full consolidation	100%	100%
Auberimmo S.A.S. . . . .	France	Full consolidation	Full consolidation	100%	100%
Everido <sup>(2)</sup> . . . . .	Cyprus	—	—	—	—
Green Datacenter AG . . . . .	Switzerland	Full consolidation	Full consolidation	97%	97%
Deficom Telecom S.à r.l. . . . .	Luxembourg	Full consolidation	—	74%	—
Coditel Holding Lux II S.à r.l. . . . .	Luxembourg	Full consolidation	—	44,39%	—
Coditel Holding Lux S.à r.l. . . . .	Luxembourg	Full consolidation	—	44,39%	—
Coditel Holding S.A. . . . .	Luxembourg	Full consolidation	—	44,39%	—
Coditel Brabant S.p.r.l. . . . .	Belgium	Full consolidation	—	44,39%	—
Coditel S.à r.l. . . . .	Luxembourg	Full consolidation	—	44,39%	—
Coditel Management S.à r.l. . . . .	Luxembourg	Full consolidation	—	44,39%	—

(1) Solutions 25 changed its name to Green ch as the result of the merger of Green ch by Solutions 25 in 2010

(2) Everido was merged into Altice VII in 2010

**3.2 Modification of the scope of consolidation**

**3.2.1 Main acquisitions in 2009 and 2010**

**3.2.1.1 Everido/Green**

On December 1, 2009, the Company Altice VII decided to acquire the Everido group for an amount of EUR 19 253 115 representing 100% of share capital. This group was made up of Solutions 25 and Green ch.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**3—Scope of consolidation (Continued)**

As of the date of that transaction, Everido was the 100% mother company of Solution 25, which holds 100% shares of Green.ch.

Green.ch is a leading Swiss Internet Service Provider for Small and Medium Enterprises and demanding private users with notable presence in the German-speaking part of the country.

Goodwill has been computed based on the accounts as of December 31, 2009.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

*(a) Brand:*

The Green brand has been valued using a royalty relief approach. The Green brand's valuation has been valued using an indefinite useful life.

*(b) Clients:*

The portfolio of clients has been valued through the excess earnings approach and based upon following key parameters:

- Ebit margin rate: 18,81%,
- Attrition rate: 2,7%,
- Discount rate: 7,33%.

**3.2.1.2 Hot Mobile (ex MIRS Communications Ltd)**

In 2010, Altice Securities S.à r.l. decided to incorporate Altice Acquisition Ltd, a company incorporated under the laws of Israel. On December 9, 2009, the company entered into an acquisition agreement which was amended on February 4, 2010, pursuant to which, the company acquired all the shares held in MIRS Communications Ltd ("Hot Mobile"), by way of a merger with and into Hot Mobile of the shares held in Altice Acquisition Ltd. This merger became effective on May 27, 2010.

**3.2.2 Main acquisitions in 2011**

**3.2.2.1 The HOT group**

On October 26, 2010, the Group entered into two acquisition agreements with the HOT Telecommunications equity holders, the Fishman Group and the Yediot Communications Ltd. Group, which as of the date of the above mentioned agreements held about 12,61% and 16,79% of HOT shares, respectively. On November 28, 2011 the transaction was consummated.

On March 16, 2011, Hot Telecommunications completed a private placement for approximately 2% of HOT issued share capital which was entirely subscribed by the Group. At completion of this placement, the Group held approximately 64,7% of HOT's shares.

Until March 16, 2011, the Group held about 44,7% of HOT shares which until that date had been accounted for as an investment in associate using the equity method.

Since March 16, 2011, the Group consolidates HOT and the Group elected to measure the non-controlling interests in the acquiree at fair value at the date when control had been achieved.

The Group has recognized the fair value of the assets that were acquired and the liabilities that were taken on within the framework of the business combination in accordance with an evaluation by an independent external expert. As of the time of the approval of the financial statements a final evaluation from an external expert has been received in relation to the fair value of the identified assets that were acquired and the liabilities that have been taken up. The amount of the investment prior to achieving control, in accordance with the equity method of accounting, as aforesaid, has been revalued in

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**3—Scope of consolidation (Continued)**

accordance with the share price as of the said time (approximately EUR 12,14), such that the financial statements as of March 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company, in an amount of approximately EUR 133,0 million.

*(a) Customer relations*

The customer relations were valued on the basis of the fair value of the existing customers in accordance with the contracts with them, through the excess earnings method for multiple periods. The amortization period for customer contracts ranges from 7 to 14 years under the straight line method.

*(b) Customer relations with a defined contractual term*

This intangible asset was estimated based on the cash flows expected from existing orders or signed agreements of existing customers according to the surplus earning method for multiple periods. The amortization period for this asset is 3 years according to the existing agreements data.

*(c) Brand name*

The “HOT” brand and “Mirs” brand were valued within the framework of the business combination in accordance with the “relief from royalties” method.

*(d) Backlog of contracts*

The backlog of contracts was valued within the framework of the business combination on the basis of the cash flows that were expected as a result of the acquisition, which derived from orders associated with signed contracts, with the addition of an appropriate profit margin, in accordance with the excess earnings method for multiple periods.

*(e) Subscriber purchase costs*

The HOT Group has an intangible asset that was created in respect of the costs associated with the purchase of subscribers. The additional direct sales commissions that are paid in respect of sales to subscribers that have signed on a commitment to remain customers of the Group are recognized as an intangible asset up to the maximum fine that exists according to their contractor obligation. The expenses relating to the amortization of the purchase of the subscribers are recorded in the income statement over the period of the subscribers’ average contractual commitment.

*(f) Software*

The Group’s assets include computer systems that contain both software and hardware. Software that constitutes an integral part of the hardware, which cannot operate without the software that is installed therein, are classified as fixed assets. On the contrary, licenses from stand-alone software which add additional functionalities for the hardware are classified as intangible assets.

**3.2.2.2 Coditel Brabant S.p.r.l. et Coditel S.à r.l.:**

The Coditel reporting entity, Coditel Holding S.A. (“Coditel Holding”) was incorporated on May 12, 2011 for the purpose of acquiring Coditel Brabant S.p.r.l. (“Coditel Belgium”) and Coditel S.à r.l. (“Coditel Luxembourg”), which acquisition was completed on July 31, 2011.

As at the end of 2011, Altice VII holds an indirect interest of 44,4% in Coditel Brabant S.p.r.l. and Coditel S.à r.l.. Through various holding vehicles, Altice VII controls Coditel Brabant and Coditel S.à r.l.. Control is obtained via the majority position on the board of these entities by the Altice VII representatives.



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**3—Scope of consolidation (Continued)**

*(a) Coditel Brabant*

Altice VII acquired 44,4% of Coditel Brabant S.p.r.l. as of June 30, 2011. The goodwill has been calculated based on the accounts as of June 30, 2011.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

- Brands

The Numericable and Coditel brands have been valued using a royalty relief approach.

Valuation periods amount to:

- 6 years for the Numericable brand (in accordance with provisions of trade mark license agreement)
- Indefinite useful life for Coditel

- Clients

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

- Ebit margin rate: 50,9%;
- Attrition rate: 17,6%;
- Discount rate: 8,8%.

*(b) Coditel S.à r.l.*

Coditel Brabant acquired 100% of Coditel S.à r.l. as at June 30, 2011. The goodwill has been calculated based on the accounts as of June 30, 2011.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

- Brands

The Numericable and Coditel brands have been valued using a royalty relief approach.

Valuation periods amount to:

- 6 years for the Numericable brand (in accordance with provisions of trade mark license agreement);
- Indefinite useful life for Coditel.

- Clients

Portfolio of clients has been valued using the excess earnings approach, and based upon the following key parameters:

- Ebit margin rate: 39,1%;
- Attrition rate: 18,7%;
- Discount rate: 8,8%.

**3.3 Acquisitions of businesses**

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**3—Scope of consolidation (Continued)**

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

	<b>Total Business Combinations</b>	<b>Hot Telecom</b>	<b>Coditel Brabant S.p.r.l.</b>	<b>Coditel S.à r.l.</b>
	(in millions of euros)			
Cost of acquisition . . . . .	1 292,2	941,1	244,3	106,8
<b>ASSET</b>				
Intangible assets . . . . .	415,0	367,8	40,0	7,2
Property, plant and equipment . . . . .	763,3	718,8	25,1	19,4
Deferred tax assets . . . . .	20,8	20,8	—	—
Other non-current assets . . . . .	23,1	21,5	1,6	—
Inventories . . . . .	0,8	—	0,3	0,4
Trade accounts receivable and other . .	43,2	30,3	10,4	2,5
Cash and cash equivalents . . . . .	9,2	8,3	0,6	0,3
Other current assets . . . . .	3,8	3,4	0,3	—
<b>Total assets</b> . . . . .	<b>1 279,1</b>	<b>1 170,8</b>	<b>78,4</b>	<b>30,0</b>
<b>EQUITY AND LIABILITIES</b>				
Non-current liabilities . . . . .	644,8	625,3	17,2	2,2
Current liabilities . . . . .	267,5	234,1	26,1	7,3
<b>Total liabilities</b> . . . . .	<b>912,3</b>	<b>859,4</b>	<b>43,3</b>	<b>9,5</b>
<b>Net assets</b> . . . . .	<b>366,9</b>	<b>311,3</b>	<b>35,1</b>	<b>20,5</b>
<b>Residual goodwill</b> . . . . .	<b>925,3</b>	<b>629,8</b>	<b>209,2</b>	<b>86,4</b>
<i>Including impact of non controlling interest on goodwill . . . . .</i>	<i>164,3</i>	<i>—</i>	<i>116,3</i>	<i>48,08</i>

The net cash outflow for the acquisitions mentioned above is of EUR 347,3 million and consists of the following:

—acquisition of Coditel Brabant S.p.r.l. and Coditel S.à r.l.: . . . . .	EUR 159,4 million;
—acquisition of Hot Telecom: . . . . .	EUR 197,1 million;
—Cash acquired: . . . . .	EUR –9,2 million.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**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>Coditel Brabant S.p.r.l.</u>	<u>Coditel S.à r.l.</u>	<u>Hot Telecom</u>
	(in millions of euros)		
<b>Revenues</b> . . . . .	<b>24,4</b>	<b>7,9</b>	<b>165,2</b>
Cost of sales . . . . .	(3,6)	(1,4)	(86,6)
<b>Gross Profit</b> . . . . .	<b>20,7</b>	<b>6,5</b>	<b>78,6</b>
Other operating expenses . . . . .	(2,8)	(0,9)	—
General and administrative expenses . . . . .	(3,0)	(0,9)	(5,4)
Other sales and marketing expenses . . . . .	(1,3)	(0,1)	(9,8)
<b>Operating profit before depreciation and amortization</b> . . . . .	<b>13,6</b>	<b>4,5</b>	<b>63,3</b>
Depreciation and amortization . . . . .	(6,2)	(1,7)	(32,1)
Other expenses, net . . . . .	—	—	(0,2)
Management fees . . . . .	—	—	—
Reorganization and non-recurring costs . . . . .	(0,5)	—	—
Share of profit of associates . . . . .	—	—	—
<b>Operating profit</b> . . . . .	<b>7,0</b>	<b>2,9</b>	<b>30,9</b>
<b>Profit for the year (including non-controlling interests)</b> . . . . .	<b>2,4</b>	<b>0,6</b>	<b>30,5</b>

**4—Goodwill**

	<u>December 31, 2010</u>	<u>Business combinations</u>	<u>Impairment losses</u>	<u>Changes in foreign currency translation</u>	<u>December 31, 2011</u>
	(in millions of euros)				
WSG . . . . .	4,6	—	—	—	4,6
Valvision . . . . .	1,4	—	—	—	1,4
Everido . . . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	—	209,2	—	—	209,2
Coditel S.à r.l. . . . .	—	86,4	—	—	86,4
Hot Telecom . . . . .	—	629,8	—	(29,6)	600,2
<b>Total Gross Value</b> . . . . .	<b>23,7</b>	<b>925,3</b>	<b>—</b>	<b>(29,6)</b>	<b>919,4</b>
WSG . . . . .	(4,6)	—	—	—	(4,6)
Valvision . . . . .	(1,4)	—	—	—	(1,4)
Everido . . . . .	—	—	—	—	—
Coditel Brabant . . . . .	—	—	—	—	—
Coditel S.à r.l. . . . .	—	—	—	—	—
Hot Telecom . . . . .	—	(1,6)	—	0,1	(1,6)
<b>Total Cumulative impairment</b> . . . . .	<b>(5,9)</b>	<b>(1,6)</b>	<b>—</b>	<b>0,1</b>	<b>(7,5)</b>
WSG . . . . .	—	—	—	—	—
Valvision . . . . .	—	—	—	—	—
Everido . . . . .	17,8	—	—	—	17,8
Coditel Brabant . . . . .	—	209,2	—	—	209,2
Coditel S.à r.l. . . . .	—	86,4	—	—	86,4
Hot Telecom . . . . .	—	628,1	—	(29,5)	598,6
<b>Total Net book value</b> . . . . .	<b>17,8</b>	<b>923,7</b>	<b>—</b>	<b>(29,5)</b>	<b>911,9</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**4—Goodwill (Continued)**

	January 1, 2010 (unaudited)	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2010
	(in millions of euros)				
WSG . . . . .	4,6	—	—	—	4,6
Valvision . . . . .	1,4	—	—	—	1,4
Everido . . . . .	17,8	—	—	—	17,8
<b>Total Gross Value . . . . .</b>	<b>23,7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>23,7</b>
WSG . . . . .	(4,6)	—	—	—	(4,6)
Valvision . . . . .	(1,4)	—	—	—	(1,4)
Everido . . . . .	—	—	—	—	—
<b>Total Cumulative impairment . . . . .</b>	<b>(5,9)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5,9)</b>
WSG . . . . .	—	—	—	—	—
Valvision . . . . .	—	—	—	—	—
Everido . . . . .	17,8	—	—	—	17,8
<b>Total Net book value . . . . .</b>	<b>17,8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17,8</b>

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

- Israel
- Belgium and Luxembourg
- French overseas Territories
- Switzerland
- Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

- WSG
- Valvision
- Everido
- Coditel Brabant
- Coditel S.à r.l.
- Hot Telecom

Goodwill is tested at the cash-generating units (“CGU”) level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The 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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**4—Goodwill (Continued)**

1,5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 7% to 7,5%.

The Board of Managers estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Managers has performed an impairment analysis for the purpose of issuing these consolidated financial statements and determined that no impairment should be recorded for the year ended December 31, 2011.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**5—Other intangible assets**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Software . . . . .	6,0	19,8	(0,1)	13,7	(2,3)	—	37,1
Brand name . . . . .	16,4	0,1	—	34,6	(1,0)	—	50,0
Customer relations <sup>(1)</sup> . . . . .	38,9	—	—	290,5	(13,0)	—	316,4
Licenses . . . . .	8,9	9,2	—	1,3	(0,1)	—	19,2
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	145,4	7,3	—	7,7	(8,4)	—	152,1
Intangible assets under construction . . . . .	0,2	—	—	—	—	(0,2)	—
Other intangible assets . . . . .	7,3	23,0	—	67,2	(2,3)	0,1	95,3
<b>Total Gross Value . . . . .</b>	<b>223,2</b>	<b>59,4</b>	<b>(0,1)</b>	<b>414,9</b>	<b>(27,1)</b>	<b>(0,1)</b>	<b>670,3</b>
Software . . . . .	(2,5)	(9,9)	0,1	—	1,6	—	(10,8)
Brand name . . . . .	—	(0,7)	(0,6)	—	0,2	—	(1,1)
Customer relations <sup>(1)</sup> . . . . .	(2,3)	(17,9)	(3,4)	—	1,9	—	(21,6)
Licenses . . . . .	(6,1)	(1,1)	—	—	0,1	—	(7,1)
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	(118,4)	(28,6)	—	—	6,6	—	(140,4)
Intangible assets under construction . . . . .	—	—	—	—	—	—	—
Other intangible assets . . . . .	(3,8)	(10,9)	(14,5)	—	(0,3)	—	(30,9)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(133,1)</b>	<b>(69,1)</b>	<b>(18,4)</b>	<b>—</b>	<b>10,2</b>	<b>—</b>	<b>(211,9)</b>
Software . . . . .	3,5	9,8	—	13,7	(0,7)	—	26,3
Brand name . . . . .	16,4	(0,6)	(0,6)	34,6	(0,8)	—	48,9
Customer relations <sup>(1)</sup> . . . . .	36,6	(17,9)	(3,4)	290,5	(11,1)	—	294,8
Licenses . . . . .	2,7	8,1	—	1,3	—	—	12,1
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . . . .	27,1	(21,3)	—	7,7	(1,8)	—	11,7
Intangible assets under construction . . . . .	0,2	—	—	—	—	(0,2)	—
Other intangible assets . . . . .	3,5	10,6	(14,5)	67,2	(2,6)	0,1	64,4
<b>Total Net book value . . . . .</b>	<b>90,1</b>	<b>(11,2)</b>	<b>(18,5)</b>	<b>414,9</b>	<b>(16,9)</b>	<b>(0,1)</b>	<b>458,3</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**5—Other intangible assets (Continued)**

	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
	(in millions of euros)						
Software . . . . .	0,7	1,1	—	2,3	0,7	—	6,0
Brand name . . . . .	13,8	—	—	—	2,6	—	16,4
Customer relations <sup>(1)</sup> . . . . .	32,8	—	—	—	6,1	—	38,9
Licenses . . . . .	5,1	—	—	1,1	0,5	—	6,7
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . .	—	8,2	—	26,9	18,9	—	54,0
Intangible assets under construction . . . . .	—	0,2	—	—	—	—	0,2
Other intangible assets . . . . .	4,1	2,2	—	—	1,0	—	7,3
<b>Total Gross Value . . . . .</b>	<b>56,6</b>	<b>11,7</b>	<b>—</b>	<b>30,4</b>	<b>29,8</b>	<b>—</b>	<b>128,4</b>
Software . . . . .	(0,4)	(0,7)	—	—	(0,2)	—	(1,3)
Brand name . . . . .	—	—	—	—	—	—	—
Customer relations <sup>(1)</sup> . . . . .	—	(2,1)	—	—	(0,2)	—	(2,3)
Licenses . . . . .	(3,5)	(0,2)	—	—	(0,3)	—	(4,0)
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . .	—	(12,0)	—	—	(14,9)	—	(26,9)
Intangible assets under construction . . . . .	—	—	—	—	—	—	—
Other intangible assets . . . . .	(1,4)	(2,0)	—	—	(0,4)	0,1	(3,8)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(5,3)</b>	<b>(17,0)</b>	<b>—</b>	<b>—</b>	<b>(16,1)</b>	<b>0,1</b>	<b>(38,3)</b>
Software . . . . .	0,3	0,4	—	2,3	0,4	—	3,5
Brand name . . . . .	13,8	—	—	—	2,6	—	16,4
Customer relations <sup>(1)</sup> . . . . .	32,8	(2,1)	—	—	5,9	—	36,6
Licenses . . . . .	1,6	(0,2)	—	1,1	0,2	—	2,7
Start up costs . . . . .	—	—	—	—	—	—	—
Research and development costs . . . . .	—	—	—	—	—	—	—
Subscriber purchase costs <sup>(2)</sup> . . .	—	(3,9)	—	26,9	4,0	—	27,1
Intangible assets under construction . . . . .	—	0,2	—	—	—	—	0,2
Other intangible assets . . . . .	2,7	0,2	—	—	0,5	0,1	3,5
<b>Total Net book value . . . . .</b>	<b>51,3</b>	<b>(5,3)</b>	<b>—</b>	<b>30,4</b>	<b>13,7</b>	<b>0,1</b>	<b>90,1</b>

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

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

The majority of the intangible assets movements for the year ended December 31, 2011 are related to the Hot Telecom and Coditel business combinations.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**6—Property, Plant & Equipment**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Land . . . . .	2,5	—	—	0,1	—	—	2,6
Buildings . . . . .	17,9	13,0	—	14,6	(1,7)	11,7	55,5
Cable networks <sup>(1)</sup> . . . . .	13,0	31,3	—	481,9	(45,9)	—	480,3
Call centers (primarily electronic equipment) <sup>(2)</sup> . . .	—	14,1	—	64,9	(9,9)	—	68,3
Converters and modems . . . .	0,7	30,1	(2,0)	151,7	(18,6)	—	161,8
Computers and ancillary equipment . . . . .	22,4	4,8	—	4,6	(2,6)	—	29,1
Office furniture and equipment <sup>(3)</sup> . . . . .	29,4	15,2	(1,0)	43,6	0,4	10,0	97,7
Communication network infrastructure <sup>(4)</sup> . . . . .	288,3	24,9	—	—	(11,4)	—	301,9
Other data center equipment .	2,2	0,7	—	—	0,1	—	3,0
Tangible assets under construction . . . . .	21,8	6,4	—	—	0,3	(21,3)	7,2
Prepayments on tangible assets . . . . .	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets . . . . .	3,6	0,5	—	2,8	(0,7)	—	6,2
<b>Total Gross Value . . . . .</b>	<b>402,3</b>	<b>141,1</b>	<b>(3,1)</b>	<b>763,3</b>	<b>(89,9)</b>	<b>—</b>	<b>1 213,7</b>
Buildings . . . . .	(6,1)	(3,4)	—	—	0,9	—	(8,7)
Cable networks <sup>(1)</sup> . . . . .	(1,4)	(46,6)	—	—	23,3	—	(24,7)
Call center (primarily electronic equipment) <sup>(2)</sup> . . .	—	(12,7)	—	—	6,9	—	(5,8)
Converters and modems . . . .	(0,2)	(24,2)	1,8	—	11,6	—	(11,0)
Computers and ancillary equipment . . . . .	(20,3)	(2,5)	—	—	2,3	—	(20,4)
Office furniture and equipment <sup>(3)</sup> . . . . .	(15,8)	(8,6)	0,9	—	(0,1)	—	(23,7)
Communication network infrastructure <sup>(4)</sup> . . . . .	(205,9)	(14,7)	—	—	8,3	—	(212,3)
Other data center equipment .	(0,8)	(0,2)	—	—	—	—	(1,1)
Tangible assets under construction . . . . .	—	(0,1)	—	—	—	—	(0,1)
Prepayments on tangible assets . . . . .	—	—	—	—	—	—	—
Other tangible assets . . . . .	(2,1)	(2,5)	—	—	0,5	—	(4,1)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(252,7)</b>	<b>(115,5)</b>	<b>2,7</b>	<b>—</b>	<b>53,5</b>	<b>—</b>	<b>(311,9)</b>
Land . . . . .	2,5	—	—	0,1	—	—	2,6
Buildings . . . . .	11,8	9,5	—	14,6	(0,8)	11,7	46,8
Cable networks <sup>(1)</sup> . . . . .	11,6	(15,2)	—	481,9	(22,6)	—	455,6
Call center (primarily electronic equipment) <sup>(2)</sup> . . .	—	1,4	—	64,2	(3,0)	—	62,6
Converters and modems . . . .	0,5	5,9	(0,2)	151,7	(7,1)	—	150,8
Computers and ancillary equipment . . . . .	2,1	2,3	—	4,6	(0,3)	—	8,7
Office furniture and equipment <sup>(3)</sup> . . . . .	13,5	6,6	(0,1)	43,6	0,3	10,0	74,0



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**6—Property, Plant & Equipment (Continued)**

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
	(in millions of euros)						
Communication network infrastructure <sup>(4)</sup> . . . . .	82,4	10,2	—	—	(3,1)	—	89,6
Leasehold contracts . . . . .	—	—	—	—	—	—	—
Other data center equipment . . . . .	1,4	0,4	—	—	—	—	1,9
Tangible assets under construction . . . . .	21,8	6,3	—	—	0,3	(21,3)	7,1
Prepayments on tangible assets . . . . .	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets . . . . .	1,5	(2,1)	—	2,8	(0,2)	—	2,0
<b>Total Net book value . . . . .</b>	<b><u>149,7</u></b>	<b><u>25,6</u></b>	<b><u>(0,4)</u></b>	<b><u>763,3</u></b>	<b><u>(36,4)</u></b>	<b><u>—</u></b>	<b><u>901,7</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**6—Property, Plant & Equipment (Continued)**

	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
	(in millions of euros)						
Land . . . . .	1,2	2,5	(1,2)	—	—	—	2,5
Buildings . . . . .	7,5	3,3	(4,1)	5,0	2,1	—	13,8
Cable networks <sup>(1)</sup> . . . . .	11,9	—	—	—	1,1	—	13,0
Call center (primarily electronic equipment) <sup>(2)</sup> . . . . .	—	—	—	—	—	—	—
Converters and modems . . . . .	0,4	0,5	(0,2)	—	—	—	0,7
Computers and ancillary equipment . . . . .	0,1	0,8	—	1,6	2,9	—	5,4
Office furniture and equipment <sup>(3)</sup>	20,6	6,1	—	2,0	0,7	—	29,4
Communication network infrastructure <sup>(4)</sup> . . . . .	43,8	6,5	(0,2)	57,3	32,9	—	140,4
Leasehold contracts . . . . .	—	—	—	—	—	—	—
Computer equipment . . . . .	—	0,6	—	1,4	0,2	—	2,2
Tangible assets under construction . . . . .	0,3	19,6	—	—	1,9	—	21,8
Prepayments on tangible assets	1,8	—	(1,3)	—	—	—	0,5
Other tangible assets . . . . .	1,4	(1,7)	(0,2)	3,3	0,2	—	3,1
<b>Total Gross Value . . . . .</b>	<b>89,2</b>	<b>38,3</b>	<b>(7,2)</b>	<b>70,6</b>	<b>41,9</b>	<b>—</b>	<b>232,8</b>
Land							
Buildings . . . . .	(1,0)	(0,7)	0,1	—	(0,7)	0,2	(2,0)
Cable networks <sup>(1)</sup> . . . . .	—	(1,2)	—	—	(0,1)	—	(1,4)
Call center (primarily electronic equipment) <sup>(2)</sup> . . . . .	—	—	—	—	—	—	—
Converters and modems . . . . .	(0,2)	(0,2)	—	—	—	0,2	(0,2)
Computers and ancillary equipment . . . . .	(0,1)	(0,6)	—	—	(2,7)	—	(3,3)
Office furniture and equipment <sup>(3)</sup>	(11,8)	(2,2)	—	—	(0,3)	(1,6)	(15,8)
Communication network infrastructure <sup>(4)</sup> . . . . .	(25,9)	(10,5)	0,1	—	(23,5)	2,0	(68,0)
Leasehold contracts . . . . .	—	—	—	—	—	—	—
Other data center equipment . .	—	(0,2)	—	—	(0,1)	(0,6)	(0,8)
Tangible assets under construction . . . . .	—	—	—	—	—	—	—
Prepayments on tangible assets	—	—	—	—	—	—	—
Other tangible assets . . . . .	(1,0)	(0,4)	—	—	(0,1)	(0,2)	(1,6)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(40,0)</b>	<b>(15,9)</b>	<b>0,3</b>	<b>—</b>	<b>(27,5)</b>	<b>(0,1)</b>	<b>(83,2)</b>
Land . . . . .	1,2	2,5	(1,2)	—	—	—	2,5
Buildings . . . . .	6,5	2,6	(3,9)	5,0	1,4	0,2	11,8
Cable networks <sup>(1)</sup> . . . . .	11,9	(1,2)	—	—	0,9	—	11,6
Call center (primarily electronic equipment) <sup>(2)</sup> . . . . .	—	—	—	—	—	—	—
Converters and modems . . . . .	0,2	0,3	(0,2)	—	—	0,2	0,5
Computers and ancillary equipment . . . . .	0,1	0,2	—	1,6	0,3	—	2,1
Office furniture and equipment <sup>(3)</sup>	8,9	4,0	—	2,0	0,3	(1,6)	13,5
Communication network infrastructure <sup>(4)</sup> . . . . .	17,9	(4,0)	(0,2)	57,3	9,4	2,0	82,4
Leasehold contracts . . . . .	—	—	—	—	—	—	—
Other data center equipment . .	—	0,5	—	1,4	0,1	(0,6)	1,4

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**6—Property, Plant & Equipment (Continued)**

	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
	(in millions of euros)						
Tangible assets under construction . . . . .	0,3	19,6	—	—	1,9	—	21,8
Prepayments on tangible assets . . . . .	1,8	—	(1,3)	—	—	—	0,5
Other tangible assets . . . . .	0,5	(2,1)	(0,1)	3,3	0,1	(0,2)	1,5
<b>Total Net book value . . . . .</b>	<b>49,2</b>	<b>22,4</b>	<b>(6,9)</b>	<b>70,6</b>	<b>14,4</b>	<b>(0,1)</b>	<b>149,7</b>

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

Most of the tangible assets increases as of December 31, 2011 come from the Coditel and Hot Telecom business combinations (see Note 3.3).

The additions in capital expenditures mainly come from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 29,3 million for the year ended December 31, 2011. The weaker amount of modems and converters related capital expenditures resulted from a delay in the delivery of the HOT Magic HD set top boxes which the local management initially expected to receive during the second quarter of 2011 and ended up not receiving until the fourth quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 43,4 million for the year ended December 31, 2011 and was related to investments in the Israeli UFI-channel in 2011.

**7—Investments in associates**

The breakdown of the investments in associates in 2010 and 2011 is detailed as follows:

	December 31, 2011	
	Group's share of profits of associates	Group's share of net assets of associates
	(in millions of euros)	
HOT TELECOM (and its subsidiaries) . . . . .	11,7	—
<b>Total . . . . .</b>	<b>11,7</b>	<b>—</b>
	December 31, 2010	
	Group's share of profits of associates	Group's share of net assets of associates
	(in millions of euros)	
HOT TELECOM (and its subsidiaries) . . . . .	6,8	284,9
<b>Total . . . . .</b>	<b>6,8</b>	<b>284,9</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**7—Investments in associates (Continued)**

The Hot Telecom figures are detailed as follows:

	December 31, 2010	December 31, 2009
	(in millions of euros)	
Current assets . . . . .	70,3	68,6
Non current assets . . . . .	1 421,9	1 245,8
Current liabilities . . . . .	(284,2)	(381,5)
Non current liabilities . . . . .	(571,2)	(395,2)
<b>Total Equity</b> . . . . .	<b>636,8</b>	<b>537,6</b>
<b>% of interest = 44,77%</b> . . . . .	<b>284,9</b>	<b>240,7</b>
Revenue for the year . . . . .	656,8	
Profit for the year . . . . .	21,4	
Other comprehensive income for the year . . . . .	20,6	

**8—Financial assets**

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Assets available for sale <sup>(1)</sup> . . . . .	8,5	—	0,1
Loan term trade receivables . . . . .	2,4	3,0	0,4
Restricted cash <sup>(2)</sup> . . . . .	41,4	0,2	0,2
<b>Total Gross Value</b> . . . . .	<b>52,3</b>	<b>3,3</b>	<b>0,7</b>
Assets available for sale <sup>(1)</sup> . . . . .	—	—	—
Loan term trade receivables . . . . .	—	—	—
Restricted cash <sup>(2)</sup> . . . . .	—	—	—
<b>Total Cumulative amortization and depreciation</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>
Assets available for sale <sup>(1)</sup> . . . . .	8,5	—	0,1
Loan term trade receivables . . . . .	2,4	3,0	0,4
Restricted cash <sup>(2)</sup> . . . . .	41,4	0,2	0,2
<b>Total Net book value</b> . . . . .	<b>52,3</b>	<b>3,3</b>	<b>0,7</b>

(1) Investment in available for sale financial asset:

A subsidiary company, operating through Hot Net Internet Services Ltd. (formerly Hot Properties) and Finance Ltd. (hereinafter—Hot Net) holds 1 454 663 regular shares in Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel. Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.17).

The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits. It is restricted to repayment of certain interests on bank borrowings and debentures.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**9—Other long-term trade receivables**

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Income taxes . . . . .	—	—	—
Prepaid expenses . . . . .	5,9	—	—
Other current receivables . . . . .	<u>22,5</u>	—	—
<b>Total Gross Value . . . . .</b>	<b>28,4</b>	<b>—</b>	<b>—</b>
Income taxes . . . . .	—	—	—
Prepaid expenses . . . . .	—	—	—
Other current receivables . . . . .	—	—	—
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>
Income taxes . . . . .	—	—	—
Prepaid expenses . . . . .	5,9	—	—
Other current receivables . . . . .	<u>22,5</u>	—	—
<b>Total Net book value . . . . .</b>	<b><u>28,4</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

**10—Inventories**

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Work in progress . . . . .	0,1	0,1	0,2
Finished/semi-finished goods . . . . .	<u>7,9</u>	<u>7,9</u>	—
<b>Total Gross Value . . . . .</b>	<b>8,0</b>	<b>8,1</b>	<b>0,2</b>
Work in progress . . . . .	—	—	—
Finished/semi-finished goods . . . . .	<u>(1,9)</u>	<u>(0,6)</u>	—
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(1,9)</b>	<b>(0,6)</b>	<b>—</b>
Work in progress . . . . .	0,1	0,1	0,2
Finished/semi-finished goods . . . . .	<u>6,1</u>	<u>7,3</u>	—
<b>Total Net book value . . . . .</b>	<b><u>6,1</u></b>	<b><u>7,5</u></b>	<b><u>0,2</u></b>

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

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)					
Finished/semi-finished goods . . . . .	(0,6)	(1,3)	—	—	—	(1,9)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(0,6)</u></b>	<b><u>(1,3)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(1,9)</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**10—Inventories (Continued)**

	January 1, 2010 (unaudited)	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2010
	(in millions of euros)					
Finished/semi-finished goods . . . .	—	(0,6)	—	—	—	(0,6)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<u>—</u>	<u>(0,6)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0,6)</u>

**11—Trade and other receivables**

**11.1 Trade receivables**

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)					
Trade receivables . . . . .	60,8	62,2	8,1	—	(2,0)	129,1
Allowance for doubtful debts . . . .	(9,9)	(14,7)	(4,0)	1,5	0,8	(26,4)
<b>Trade receivable, net . . . . .</b>	<u>50,9</u>	<u>47,5</u>	<u>4,1</u>	<u>1,5</u>	<u>(1,2)</u>	<u>102,7</u>

	January 1, 2010 (unaudited)	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2010
	(in millions of euros)					
Trade receivables . . . . .	9,1	36,6	7,9	—	7,2	60,8
Allowance for doubtful debts . . . .	(2,3)	(5,1)	(1,7)	—	(0,9)	(9,9)
<b>Trade receivable, net . . . . .</b>	<u>6,8</u>	<u>31,5</u>	<u>6,2</u>	<u>—</u>	<u>6,3</u>	<u>50,9</u>

*11.1.1 Age of receivables that are past due but not impaired*

	December 31, 2011 (in millions of euros)
Not yet payable . . . . .	78,3
30–90 days . . . . .	10,1
91–121 days . . . . .	14,3
<b>Total . . . . .</b>	<u>102,7</u>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**11—Trade and other receivables (Continued)**

**11.2 Other receivables**

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Loans to related party . . . . .	1,8	2,5	1,1
Tax and social security receivables . . . . .	5,1	2,6	1,1
Prepaid expenses . . . . .	4,3	1,0	1,3
Other current receivables <sup>(1)</sup> . . . . .	<u>10,9</u>	<u>12,8</u>	<u>3,8</u>
<b>Total</b> . . . . .	<u><b>22,1</b></u>	<u><b>18,9</b></u>	<u><b>7,3</b></u>

(1) The main contributions to the other current receivables in 2011 are:

- Derivative instruments: EUR 4,3 million,
- Income receivable: EUR 1,6 million,
- Advances to suppliers: EUR 1,8 million.

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, in the in-country fixed line communications field and in 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.

**12—Cash and cash equivalents**

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Time deposits . . . . .	0,1	—	0,1
Bank balances . . . . .	<u>19,7</u>	<u>18,6</u>	<u>6,7</u>
<b>Cash equivalents</b> . . . . .	<b>19,8</b>	<b>18,6</b>	<b>6,8</b>
Bank overdrafts . . . . .	<u>—</u>	<u>0,4</u>	<u>—</u>
<b>Bank overdrafts</b> . . . . .	<b>—</b>	<b>0,4</b>	<b>—</b>
<b>Cash and cash equivalents presented in the consolidated statements of cash flows</b> . . . . .	<u><b>19,8</b></u>	<u><b>18,2</b></u>	<u><b>6,8</b></u>

**13—Issued capital**

On December 31, 2011, the share capital amounts to EUR 7,4 million and is divided into 741 811 200 fully paid shares with a nominal value of EUR 0,01.

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Share capital . . . . .	<u>7,4</u>	<u>7,8</u>	<u>—</u>
<b>Total</b> . . . . .	<u><b>7,4</b></u>	<u><b>7,8</b></u>	<u><b>—</b></u>

The details of the different classes of shares are provided in the table below. The Group has defined three share classes; Shares designated with the letters A through G are referred to as specific shares. Shares designated 1A through 1G are referred to as Class 1 shares and when grouped together with their

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**13—Issued capital (Continued)**

corresponding letters (i.e. Class A shares with Class 1A shares), form a share category referred to as the specific share class (*'classe spécifique'*). In addition to this class, the other two classes of shares are: Ordinary shares (*'part sociale ordinaire'*) and Class M shares (*'classe M'*). All these shares put together make up the total shares of the Group.

Each specific share class is linked to the investment in the assets of companies acquired by the Group and hence intrinsically linked to the financial performance of these entities (tracking shares). Each specific class allows its holder to obtain a share of the net profit of the Group in a proportion determined by the Board of Managers.

In addition to the profit sharing defined above, the economic benefit arising from investment in any of the specific share classes is determined as follows:

At the end of the financial year, the Group reports a net income from its activities and based on this net income, attributes it to the different specific classes, as if the investment to which they are related were the only asset held by the Group. Any profits arising from this distribution may be credited to a specific account. Thus, a separate account must be maintained for each specific share class.

Dividends may be issued from these accounts only to the holders of the shares linked to each account.

Holders of ordinary and class M shares are eligible to receive a share of profits, if any such profits remain after distribution to the holders of the specific share classes. None of the class of shares are subordinated to each other.

Each share class allows the holder one right to vote in general assembly meetings, provided that there is one single representative holder of the share class. If shares in a class are held by more than one person, the voting right is suspended till the holder designates a single legal representative.

Different classes of shares are summarized below:

December 31, 2011			
Class of corporate units	Number	Class of corporate units	Number
Class A	14 832 900	Class 1B	5 386 000
Class B	71 747 100	Class 1D	4 603 900
Class C	98 886 400	Class 1E	19 337 000
Class D	64 226 800	Class 1F	25 657 900
Class E	98 886 400	Class 1O	44 600
Class F	98 886 400	Class 1G	79 600
Class G	1 058 610	Class M	31 000 000
Class 1A	1 113 600	Ordinary	3 955 400

December 31, 2010			
Class of corporate units	Number	Class of corporate units	Number
Class A	14 832 900	Class 1B	5 386 000
Class B	71 747 100	Class 1C	205 660 800
Class C	98 886 400	Class 1D	4 603 900
Class D	64 226 800	Class 1E	19 337 000
Class E	98 886 400	Class 1F	63 645 600
Class F	98 886 400	Class M	31 000 000
Class G	1 058 610	Ordinary	4 000 000
Class 1A	1 113 600		



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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**13—Issued capital (Continued)**

<u>Class of corporate units</u>	<u>January 1, 2010 (unaudited)</u>
	<u>Number</u>
Class A	8 000
Class B	8 000
Class C	8 000
Class D	8 000
Class E	8 000

The movements of the number of shares during the year are as follows:

<u>Number of shares</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>Opening balance</b> . . . . .	<b>783 283 510</b>	<b>4 000 000</b>
Issuance . . . . .	124 2000	779 283 510
Redemption . . . . .	(41 596 200)	—
<b>Closing balance</b> . . . . .	<b>741 811 510</b>	<b>783 283 510</b>

The movements in share capital during the year ended December 31, 2011 are as follows:

On April 28, 2011, the Extraordinary General Meeting decided to:

- create new classes of shares called 1G and 1O;
- convert 12 000 shares of class G into 12 000 corporate units class 1G with a nominal value per unit of EUR 0,01;
- convert 44 600 Ordinary shares into 44 600 shares of class 1O with a nominal value per unit of EUR 0,01;
- decrease the capital of the Company by an amount of EUR 415 396 so as to arise it from EUR 7 832 835,10 to EUR 7 417 439,10 by the cancellation of the following corporate units:
  - 3 551 900 class 1C shares;
  - 37 987 700 class 1F shares.
- Increase the capital of the Company by an amount of EUR 676 so as to arise it from EUR 7 417 439,10 to EUR 7 418 115,10 by the issuance of 67 600 new 1G shares with a nominal value per unit of EUR 0,01.

**14—Earnings per share (EPS)**

Non diluted EPS for 2011 has been computed dividing 2011's net income by weighted average number of shares as of December 31, 2011.

Diluted EPS for 2011 has been computed based on the assumption that the CPECs (Convertible Preferred Equity Certificates) would be converted at a 1 to 1 ratio.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**14—Earnings per share (EPS) (Continued)**

Taking into account the redemption of EUR 41,5 million occurred in April 2011, EPS for 2010 has been computed using the same weighted average number of shares as in 2011.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Net income (in millions of euros) . . . . .	123,9	40,3
Non diluted weighted average number of shares . . . . .	755 105 274	755 105 274
<b>Basic earnings per share</b> . . . . .	<b>0,16</b>	<b>0,05</b>
Diluted weighted average number of shares . . . . .	984 854 233	984 854 233
<b>Diluted earnings per share</b> . . . . .	<b>0,13</b>	<b>0,04</b>

In June 2013, all the different classes of tracking shares were merged into one single class of ordinary shares. No dividends were paid to any of the equity holders during any period since the inception of the Group. The Board of Managers has determined that the disclosure of EPS metrics for each class of share in issuance during 2011 and 2012 is not qualitatively relevant to the users of the financial statements and has hence elected to disclose EPS on the basis of the merged single class of ordinary shares.

**15—Reserves**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	(in millions of euros)	
CPEC'S . . . . .	201,7	224,4
YFPEC'S . . . . .	21,6	21,6
Employee benefits . . . . .	0,2	0,1
Currency Translation Reserve . . . . .	(3,0)	(1,6)
Impact of changes in ownership interest . . . . .	13,1	8,6
Other . . . . .	(0,7)	1,7
<b>Group reserves</b> . . . . .	<b><u>232,9</u></b>	<b><u>254,9</u></b>

- According to the Luxemburg legal provisions, 5% of net profits must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserves equal 10% or more of the share capital of the Group. No allocation to the legal reserve has been made for the year ended December 31, 2011.
- CPEC, which maturity comprises between 2058 and 2061, decreases from EUR 224,5 million in 2010 to EUR 219,1 million in 2011, due to subscriptions of EUR 33,4 million and EUR 38,9 million of redemption. In substance, CPECs subordinated financial instruments (about EUR 219,1 million as at the end of 2011) are equity instruments as:
  - CPECs give issuer the opportunity to avoid delivering cash;
  - CPECs do not bear interests.
  - The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,1 million as at December 31, 2011.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**15—Reserves (Continued)**

Details of YFPECS and CPECS are presented as follows:

Name	Maturity date	Interest rate	Convertible	Amount as at the end 2010 in millions of euros	Principal amount as at the end 2011 in millions of euros
YFPECS C . . .	14/05/2058	0%	No	22,07	22,07
YFPECS C . . .	03/12/2058	0%	No	4,51	4,51
YFPECS C . . .	15/06/2060	0%	No	0,10	0,10
YFPECS C . . .	26/08/2011	0%	No	0,11	0,11
YFPECS C . . .	28/11/2011	0%	No	2,51	2,51
YFPECS C . . .	03/12/2058	0%	No	4,00	4,00
YFPECS E . . .	01/12/2058	0%	No	1,88	1,88
YFPECS F . . .	17/06/2059	0%	No	2,86	—
<b>Total</b> . . . . .				<b><u>38,04</u></b>	<b><u>35,18</u></b>
CPECS A . . .	14/05/2058	0%	Yes (to the benefit of the issuer)	0,84	0,84
CPECS B . . .	01/12/2058	0%	Yes (to the benefit of the issuer)	3,61	3,61
CPECS B . . .	14/05/2058	0%	Yes (to the benefit of the issuer)	0,46	0,46
CPECS B . . .	14/05/2058	0%	Yes (to the benefit of the issuer)	—	15,42
CPECS C . . .	03/12/2058	0%	Yes (to the benefit of the issuer)	23,48	23,48
CPECS C . . .	03/12/2058	0%	Yes (to the benefit of the issuer)	22,67	22,67
CPECS C . . .	14/05/2058	0%	Yes (to the benefit of the issuer)	132,30	132,30
CPECS D . . .	03/12/2058	0%	Yes (to the benefit of the issuer)	3,45	3,45
CPECS E . . .	01/12/2058	0%	Yes (to the benefit of the issuer)	16,18	16,18
CPECS F . . .	01/12/2058	0%	Yes (to the benefit of the issuer)	21,42	—
CPECS G . . .	18/03/2058	0%	Yes (to the benefit of the issuer)	0,06	0,06
<b>Total</b> . . . . .				<b><u>224,46</u></b>	<b><u>219,07</u></b>

- Information on the parameters used to calculate the employee benefits is presented in note 21.
- 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.

- The decrease of ownership interest in Hot Mobile results in positive impact in reserves for an amount of ewur 4,5 million. The decrease of ownership interest consists of a transaction with non-controlling interests.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**16—Provisions**

	December 31, 2010	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)						
Provision for							
retirement benefits . . .	1,2	5,4	0,4	(2,5)	—	2,4	6,9
Litigations <sup>(1)</sup> . . . . .	0,7	67,4	0,7	(26,6)	—	(3,4)	38,8
Other risks <sup>(2)</sup> . . . . .	0,8	0,9	—	—	—	—	1,7
Provisions for other							
expenses . . . . .	0,2	—	—	(0,2)	—	—	—
<b>TOTAL . . . . .</b>	<b><u>2,9</u></b>	<b><u>73,7</u></b>	<b><u>1,1</u></b>	<b><u>(29,3)</u></b>	<b><u>—</u></b>	<b><u>(0,9)</u></b>	<b><u>47,4</u></b>

	January 1, 2010 (unaudited)	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2010
	(in millions of euros)						
Provision for retirement							
benefits . . . . .	0,9	—	0,2	—	—	0,1	1,2
Litigations . . . . .	0,2	—	0,5	—	—	—	0,7
Restructuring costs . . . .	1,4	—	—	(0,6)	—	(0,8)	—
Other risks . . . . .	—	—	—	—	—	0,8	0,8
Provisions for other							
expenses . . . . .	—	—	—	—	—	0,2	0,2
<b>TOTAL . . . . .</b>	<b><u>2,4</u></b>	<b><u>—</u></b>	<b><u>0,7</u></b>	<b><u>(0,6)</u></b>	<b><u>—</u></b>	<b><u>0,3</u></b>	<b><u>2,9</u></b>

(1) The increase in provisions for risks and litigation was mainly driven by the finalization of the acquisition of HOT Telecom on a fully consolidated basis from FY11 onwards. A large majority of provisions for litigations were recorded at HOT Telecom, arising from claims for royalty payments from the producers of audio-visual or musical content. The main litigations for the year ended December 31, 2011 were (i) Tali, a claim for royalties by a third party on behalf of writers and directors of audio-visual content, who are producers of their own local content. This claim was provisioned for a total amount of ewur 5,8 million; (ii) A claim by AKUM, provisioned for ewur 17,3 million, also relating to claims on royalties for musical writers, composers and publishers and (iii) a provision of ewur 8,6 million, brought forward by AGICOA, for the payment of fees to audio-visual producers for the retransmission of their locally produced content.

(2) In addition to the claims mentioned above, other provisions for risk mainly concerned legal claims made by former employees for wrongful dismissal in the French Caribbean subsidiaries (ewur 0,38 million), a provision for penalties stemming from an inspection by the labour department in Martinique (ewur 0,33 million) and a wrongful termination claim by a content provider (ewur 0,15 million).

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**17—Employee benefits**

Breakdown of the employee benefits by entity:

	December 31, 2011	December 31, 2010	Notes
	(in millions of euros)		
Coditel Brabant . . . . .	0,9	—	
Hot Telecom . . . . .	4,7	—	17.1
Green ch . . . . .	1,4	1,2	
<b>Total</b> . . . . .	<b>6,9</b>	<b>1,2</b>	

**17.1 Hot Telecom**

*(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 section 9 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, 2011	December 31, 2010
	(in millions of euros)	
Current service cost . . . . .	4,00	—
Interest expenses in respect of the benefit obligations . . . . .	1,00	—
Expected yield in the plan assets . . . . .	(1,00)	—
Net actuarial loss (gain) which has been recognized in the year . . . . .	2,00	—
<b>Total expenses in respect of employee benefit</b> . . . . .	<b>6,00</b>	<b>—</b>

*(c) The plan assets (liabilities):*

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Liabilities in respect of a defined benefit plan . . . . .	(25,00)	—
Fair value of the plan assets . . . . .	21,00	—
	—	—
<b>Total net liabilities</b> . . . . .	<b>(5,00)</b>	<b>—</b>

Cumulative amounts in respect of the value of the liabilities and in respect of the value of the rights in the plan assets.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**17—Employee benefits (Continued)**

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

	December 31, 2011	December 31, 2010
	(in millions of euros)	
<b>Balance as of January 1</b> . . . . .	<b>24,00</b>	—
Interest expenses . . . . .	1,00	—
Current service cost . . . . .	4,00	—
Benefits paid . . . . .	(3,00)	—
Net actuarial loss (profit) . . . . .	<u>2,00</u>	<u>—</u>
<b>Balance as of December 31</b> . . . . .	<b><u>25,00</u></b>	<b><u>—</u></b>

(e) *The plan assets:*

- The plan assets:

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

- The movement in the fair value of the plan assets:

	December 31, 2011	December 31, 2010
	(in millions of euros)	
<b>Balance as of January 1</b> . . . . .	20,00	—
Expected yield . . . . .	1,00	—
Deposits by the employer into the plan . . . . .	4,00	—
Benefits paid . . . . .	(2,00)	—
Net actuarial loss . . . . .	<u>(2,00)</u>	<u>—</u>
<b>Balance as of December 31</b> . . . . .	<b><u>21,00</u></b>	<b><u>—</u></b>

(f) *The principal assumptions:*

	December 31, 2011	December 31, 2010
	(in %)	
Discount rate . . . . .	4,34	—
Expected yield on the plan assets . . . . .	4,51	—
Expected yield of salary increases . . . . .	2–4	—

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**18—Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

	December 31, 2011	December 31, 2010	January 1, 2010 (unaudited)
	(in millions of euros)		
Bonds . . . . .	291,4	—	—
Related party bonds . . . . .	73,9	61,9	13,6
Bank credit facilities . . . . .	536,6	70,0	—
Finance leases . . . . .	7,3	1,4	—
Other financial liabilities . . . . .	85,3	5,5	3,6
<b>Non-current</b> . . . . .	<b>994,4</b>	<b>138,8</b>	<b>17,2</b>
Bonds . . . . .	12,4	—	—
Bank credit facilities . . . . .	228,8	80,5	65,0
Finance leases . . . . .	0,6	0,4	—
Bank overdraft . . . . .	—	0,4	—
Other financial liabilities . . . . .	0,7	0,4	0,2
Accrued interest . . . . .	2,2	—	—
<b>Current</b> . . . . .	<b>244,7</b>	<b>81,6</b>	<b>65,2</b>

During the year ended December 31, 2011, bonds include the debentures issued by Hot Telecom (see also note 18.3):

- The Series A' debentures—EUR 167,0 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.
- The Series B' debentures—EUR 137,0 million (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

During the year ended December 31, 2011, bank credit facilities mainly includes the following:

- In Coditel Holding S.A. a EUR 260,0 million credit, bearing an interest of 8,53% and with a maturity date on May 19, 2018. On December 2, 2011, the Sole Director of Coditel Holding S.A. has decided to reimburse this facility. This facility has been refinanced as follows: EUR 140,0 million of senior secured loan facilities and EUR 100,0 million of mezzanine term loan facility;
- A finance agreement in Cool Holding of EUR 172,0 million (NIS 850,0 million credit) with a maturity of 7 years and EUR 61,0 million (NIS 300,0 million) bridge loan with a maturity of 6 months with Mizrahi Tfahot Bank Ltd and other lenders.
- Three credit facilities taken up by Hot Telecom.

**18.1 Covenants**

*18.1.1 Hot*

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 at a time when Hot Telecom exceeds a debt to EBITDA ratio of 5,5.

As of December 31, 2011, Hot Telecom was in compliance with all of the required financial covenants.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**18—Borrowings and other financial liabilities (Continued)**

Financial covenants have been set for Hot Mobile, which include:

- the making available of a fixed charge on a Shekel deposit, in favor of the banks, in accordance with a formula that was detailed in the letter of undertaking;
- a minimal ratio between the amounts of the increase in the shareholders' equity and Mirs cumulative free cash flows; as of December 31, 2011 Hot Mobile is in compliance with the financial covenants that have been set for it.

*18.1.2 Altice Blue One*

As part of the Altice Blue One ("ABO") financing arranged in 2009, ABO was required to respect certain covenants calculated on the basis of its consolidated annual accounts. As of December 31, 2011, ABO was in default of its financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

As a result, the whole amount of debt has been reclassified as current borrowings from banking corporations and debentures (EUR 70,4 million).

Nevertheless, ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2011 were closed and approved based on the hypotheses outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby resolving any default situation.

**18.2 Bonds**

<u>Issuer</u>	<u>Face value in millions of euros December 31, 2011</u>	<u>Effective interest rate</u>	<u>Year of maturity</u>	<u>Carrying amount December 31, 2011</u>	<u>Carrying amount December 31, 2010</u>
<b>Bonds</b>					
Hot Telecom					
—Debentures . . . . .	291,4	Variable (3,9% and 6,9% + Consumer Price Index)	2018	291,4	—
<b>Related party bonds</b>					
Altice VII					
—Alpecs . . . . .	69,8	Variable	2057 to 2061	69,8	58,0
—Yfpecs . . . . .	4,1	4,76%	2058 to 2061	4,1	3,9
<b>Nominal value of bonds . . . .</b>	<b>418,4</b>			<b>365,3</b>	<b>61,9</b>
Of which due within one year . .					—
Of which due after one year . . .	418,4			365,3	61,9

The fair value of bonds amounts to EUR 418,4 million (2010: EUR 61,9 million). This value includes accrued interest of EUR 4,2 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel Holding).

As at the end of 2011, fair value of PECs issued by Coditel Holding is assumed not to be significantly different from their book value, as far as interest rate of 12,98% result from contracts signed in December 2011.



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**18—Borrowings and other financial liabilities (Continued)**

**18.3 Subordinated financial instruments**

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

(a) *Altice VII*

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

- YFPECs: Yield Free Preferred Equity Certificates;
- ALPECs: Asset Linked Preferred Equity Certificate;
- ALN: Asset Linked Notes.

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

- ALPECs instruments (about EUR 65,5 million nominal value as at the end of 2011);
- YFPECs instruments (about EUR 35,2 million nominal value as at the end of 2011).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,1 million as at December 31, 2011.

Different categories of subordinated financial instruments are summarized in the table below (YFPECs are presented before impact of discounting):

Name	Maturity date	Interest rate	Convertible	Amount as at the end 2010 (including interests) in millions of EUR	Principal amount as at the end 2011 in millions of EUR	Interest
ALPECs A . . . . .	14/05/2058	Loan Auberimmo—25 bp	No	4,6	1,0	—
ALPECs B1 . . . . .	31/12/2057	Loan ABO—25 bp	No	4,5	4,5	1,2
ALPECs B3 . . . . .	31/07/2058	Loan ICC France—25 bp	No	1,0	1,0	0,1
ALPECS F (US dollar) .	27/05/2059	Loan Mirs—25 bp	No	46,4	—	—
ALPECS H . . . . .	16/11/2060	Business Unit <sup>(1)</sup> —25 bp	No	—	59,0	2,9
<b>Total . . . . .</b>				<b>56,5</b>	<b>65,5</b>	<b>4,3</b>

(1) As per the agreements, Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument is linked to a specific acquisition and hence to a specific asset.

**18.4 Other financial liabilities**

Included in other financial liabilities are PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2011, total of PECs instruments amounts to EUR 53,2 million (including interests):

	Issuing date	Maturity date	Number of instruments	Nominal value per instrument (in €)	Interest rate	Convertible ?	Amount as at the end of 2011 (in millions of euros)—including interests
PECs C . . .	30/06/2011	30/06/2060	44,23	1	12,98%	No	44,23
PECs C . . .	02/12/2011	02/12/2060	9,00	1	12,98%	No	9,00
<b>TOTAL . . . . .</b>			<b>53,23</b>				<b>53,23</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**18—Borrowings and other financial liabilities (Continued)**

**18.5 Maturity of financial liabilities**

	Total December 31, 2011	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds . . . . .	303,8	12,4	102,0	189,3
Related party bonds . . . . .	73,9	—	—	73,9
Bank credit facilities . . . . .	764,9	228,3	161,5	376,6
Finance leases . . . . .	8,4	1,1	1,3	4,4
Accrued interest . . . . .	2,2	2,2	—	—
Bank overdraft . . . . .	—	—	—	—
Other financial liabilities . . . . .	86,0	0,7	2,8	82,5
Financial instruments . . . . .	—	—	—	—
<b>Total nominal value of borrowings . . . . .</b>	<b><u>1 239,2</u></b>	<b><u>244,7</u></b>	<b><u>267,6</u></b>	<b><u>726,7</u></b>

	Total December 31, 2010	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds . . . . .	—	—	—	—
Related party bonds . . . . .	61,9	—	—	61,9
Bank credit facilities . . . . .	150,4	80,5	35,5	34,5
Finance leases . . . . .	1,8	0,4	1,4	—
Accrued interest . . . . .	—	—	—	—
Bank overdraft . . . . .	0,4	0,4	—	—
Other financial liabilities . . . . .	5,9	0,4	2,9	2,7
Financial instruments . . . . .	—	—	—	—
<b>Total nominal value of borrowings . . . . .</b>	<b><u>220,4</u></b>	<b><u>81,6</u></b>	<b><u>39,7</u></b>	<b><u>99,1</u></b>

**18.6 Currency of financial liabilities**

	Total December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc	other currencies
	(in millions of euros)					
Bonds . . . . .	303,8	—	—	303,8	—	—
Related party bonds . . . . .	73,9	73,9	—	—	—	—
Bank credit facilities . . . . .	764,9	292,6	—	450,9	21,4	—
Finance leases . . . . .	8,4	6,5	—	—	1,9	—
Accrued interest . . . . .	2,2	2,2	—	0,1	—	—
Bank overdraft . . . . .	—	—	—	—	—	—
Other financial liabilities . . . . .	86,0	82,4	—	3,1	0,5	—
Financial instruments . . . . .	—	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b><u>1 239,2</u></b>	<b><u>457,6</u></b>	<b><u>—</u></b>	<b><u>757,8</u></b>	<b><u>23,8</u></b>	<b><u>—</u></b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**18—Borrowings and other financial liabilities (Continued)**

	Total December 31, 2010	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc	other currencies
	(in millions of euros)					
Bonds . . . . .	—	—	—	—	—	—
Related party bonds . . . . .	61,9	15,4	46,4	—	—	—
Bank credit facilities . . . . .	150,4	82,0	—	62,9	5,6	—
Finance leases . . . . .	1,8	—	—	—	1,8	—
Accrued interest . . . . .	—	—	—	—	—	—
Bank overdraft . . . . .	0,4	0,4	—	—	—	—
Other financial liabilities . . . . .	5,9	1,8	—	3,6	0,5	—
Financial instruments . . . . .	—	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b><u>220,4</u></b>	<b><u>99,6</u></b>	<b><u>46,4</u></b>	<b><u>66,5</u></b>	<b><u>7,9</u></b>	<b><u>—</u></b>

**18.7 Nature of interest rate**

	Total December 31, 2011	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds . . . . .	303,8	—	303,8
Related party bonds . . . . .	73,9	73,9	—
Bank credit facilities . . . . .	764,9	245,2	519,7
Finance leases . . . . .	8,4	1,9	6,5
Accrued interest . . . . .	2,2	0,1	2,2
Bank overdraft . . . . .	—	—	—
Other financial liabilities . . . . .	86,0	83,5	2,5
Financial instruments . . . . .	—	—	—
<b>TOTAL . . . . .</b>	<b><u>1 239,2</u></b>	<b><u>404,6</u></b>	<b><u>834,6</u></b>

	Total December 31, 2010	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds . . . . .	—	—	—
Related party bonds . . . . .	61,9	61,9	—
Bank credit facilities . . . . .	150,4	66,6	83,8
Finance leases . . . . .	1,8	1,8	—
Accrued interest . . . . .	—	—	—
Bank overdraft . . . . .	0,4	—	0,4
Other financial liabilities . . . . .	5,9	1,8	4,1
Financial instruments . . . . .	—	—	—
<b>TOTAL . . . . .</b>	<b><u>220,4</u></b>	<b><u>132,1</u></b>	<b><u>88,3</u></b>

**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), commodity price 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.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**19—Financial risk factors (Continued)**

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

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

**19.1 Credit risk**

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

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

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

The 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 management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**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 risk in respect of changes in the interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

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

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
	<b>(in millions of euros)</b>	
Financial debt at fixed rates . . . . .	404,5	132,1
Financial debt at variable rates . . . . .	834,6	88,3
<b>TOTAL . . . . .</b>	<b><u>1 239,1</u></b>	<b><u>220,4</u></b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**19—Financial risk factors (Continued)**

Sensitivity tests for changes in interest rates are described as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	(in millions of euros)	
Increase of 0.5% in the interest rate . . . . .	0,4	(3,2)
Decrease of 0.5% in the interest rate . . . . .	(0,4)	1,0

*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 0,5 million (Hot Telecom) as of December 31, 2011.

*19.3.3 Foreign currency risk*

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, swaps and options.

Exchange differences recorded in the income statement represented a loss of EUR 14,0 million in 2011 (2010: gain of EUR 33,8 million). They are allocated to the appropriate headings of expenses by function.

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

<u>December 31, 2011</u>	<u>Israeli Shekel</u>	<u>Swiss Franc</u>	<u>Total</u>
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate . . . . .	(10,7)	(0,1)	(10,9)
Decrease of 10% in exchange rate . . . . .	10,7	0,1	10,9
<b>Equity</b>			
Increase of 10% in exchange rate . . . . .	(1,3)	(2,1)	(3,4)
Decrease of 10% in exchange rate . . . . .	1,3	2,1	3,4
 <u>December 31, 2010</u>			
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate . . . . .	(0,7)	(1,9)	(2,6)
Decrease of 10% in exchange rate . . . . .	0,7	1,9	2,6
<b>Equity</b>			
Increase of 10% in exchange rate . . . . .	(6,2)	(0,3)	(6,5)
Decrease of 10% in exchange rate . . . . .	6,2	0,3	6,5

*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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**19—Financial risk factors (Continued)**

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, 2011, the carrying amount of these investments was EUR 8,5 million. An increase/decrease in the asset's market price of 10% would result in a change of EUR 0,850 million in the carrying amount of these investments.

**19.4 Sensitivity tests in respect of a change in market factors**

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

**19.5 Gearing computation**

Gearing ratio (net debt<sup>(1)</sup> /total equity holders' equity<sup>(2)</sup>) amounts, respectively in 2011 and 2010, to 1,6 and 0,5.

<u>Consolidated statement of financial position</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	(in millions of euros)	
<b>Total assets in balance sheet</b> . . . . .	<b>2 503,7</b>	<b>641,5</b>
Cash and cash equivalents . . . . .	(19,8)	(18,6)
Trade payables . . . . .	(208,2)	(52,8)
Other payables . . . . .	(98,4)	(46,6)
Other non-current liabilities . . . . .	(46,1)	(0,7)
Deferred tax liabilities . . . . .	(123,7)	(26,2)
Current tax liabilities . . . . .	(7,2)	(2,4)
<b>Total assets in balance sheet</b> . . . . .	<b>2 000,4</b>	<b>494,3</b>
<b>Net Debt (short term and long term)</b> . . . . .	<b>1 143,9</b>	<b>144,9</b>
Issued capital . . . . .	7,4	7,8
Other reserves . . . . .	232,9	254,9
Retained earnings . . . . .	25,8	(13,7)
Retained earnings/(accumulated losses) . . . . .	112,0	40,2
<b>Equity attributable to equity holders of the parent</b> . . . . .	<b>378,1</b>	<b>289,2</b>
<b>Non-controlling interests</b> . . . . .	<b>349,2</b>	<b>0,4</b>
<b>Total equity</b> . . . . .	<b>727,2</b>	<b>289,6</b>
<b>Total equity and liabilities</b> . . . . .	<b>1 871,2</b>	<b>434,5</b>
<b>Gearing</b> . . . . .	<b>1,6</b>	<b>0,5</b>

(1) Excluding loan from related parties

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**20—Trade and other payables**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u> (unaudited)
	(in millions of euros)		
Trade payable . . . . .	208,2	52,8	26,5
Trade payables—acquisition of assets . . . . .	3,5	9,2	
Income tax . . . . .	1,8	—	
Corporate and social security contributions . . . . .	26,2	4,7	0,6
Corporate income tax payable . . . . .	5,4	2,4	0,8
Current Deferred revenue . . . . .	31,3	17,7	17,8
Other payables . . . . .	37,4	12,6	5,6
Liabilities from related parties . . . . .	—	2,3	—
<b>Total</b> . . . . .	<u><b>313,8</b></u>	<u><b>101,7</b></u>	<u><b>51,3</b></u>

Most of the trade payables' and other payables' increases as of December 31, 2011 is a result of the Coditel and Hot Telecom business combination.

**21—Other non current liabilities**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u> (unaudited)
	(in millions of euros)		
Non-current Deferred revenue . . . . .	9,4	0,7	0,9
Other payables . . . . .	<u>36,7</u>	—	—
<b>Total</b> . . . . .	<u><b>46,1</b></u>	<u><b>0,7</b></u>	<u><b>0,9</b></u>

Other payables correspond to Israeli non-current payables: interest payable, royalties to the Israeli government, income in advance from customers (Hot Telecom Business combination).

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**22—Classification and fair value of financial assets and liabilities**

On December 31, 2011 and 2010, the principles for measuring financial instruments and their market value breaks down as follows:

	December 31, 2011				
	Book value	Amortised cost	Fair value through profit/loss	Fair Value	
				Assets available for sale	Derivative instruments
	(in millions of euros)				
<b>Current assets</b>					
Cash and cash equivalents . . . . .	19,8	19,8	—	—	—
Trade receivables . . . . .	102,7	102,7	—	—	—
Other receivables . . . . .	17,2	17,2	—	—	—
<b>Non-current assets</b>					
Restricted cash . . . . .	41,4	41,4	—	—	—
Investments in financial assets available for sale .	—	—	—	—	—
Available for Sale . . . . .	8,5	—	—	8,5	—
Long term trade receivables . . . . .	2,4	2,4	—	—	—
Other long-term trade receivables . . . . .	28,4	24,2	—	—	4,3
	<u>220,3</u>	<u>207,5</u>	<u>—</u>	<u>8,5</u>	<u>4,3</u>
<b>Current liabilities</b>					
Credit from banking corporations and debentures	241,8	241,8	—	—	—
Trade payables . . . . .	208,2	208,2	—	—	—
Others payables . . . . .	98,4	98,4	—	—	—
Short-term loans from related parties . . . . .	2,9	2,9	—	—	—
<b>Non-current liabilities</b>					
Loans from banking corporations and debentures	835,2	835,2	—	—	—
Long-term loans from related parties . . . . .	127,1	127,1	—	—	—
Other financial liabilities . . . . .	32,1	28,3	3,8	—	—
Other non-current liabilities . . . . .	46,1	46,1	—	—	—
	<u>1 591,8</u>	<u>1 588</u>	<u>3,8</u>	<u>—</u>	<u>—</u>



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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**22—Classification and fair value of financial assets and liabilities (Continued)**

	December 31, 2011					
	Book value	Amortised cost	Fair value through profit/loss	Fair Value		Derivative instruments
				Assets available for sale	Loans and receivables	
(in millions of euros)						
<b>Current assets</b>						
Cash and cash equivalents . . . . .	18,6	18,6	—	—	—	—
Trade receivables . . . . .	50,9	50,9	—	—	—	—
Other receivables . . . . .	16,4	16,4	—	—	—	—
<b>Non-current assets</b>						
Restricted cash . . . . .	0,2	0,2	—			
Investments in financial assets available for sale . . . . .	—	—	—	—	—	—
Available for Sale . . . . .	—	—	—	—	—	—
Long term trade receivables . . . . .	3,0	3,0	—	—	—	—
Other long-term trade receivables . . . . .	—	—	—	—	—	—
	<u>89,1</u>	<u>89,1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Current liabilities</b>						
Credit from banking corporations and debentures . . . . .	81,3	81,3	—	—	—	—
Trade payables . . . . .	52,8	52,8	—	—	—	—
Others payables . . . . .	46,6	46,6	—	—	—	—
Short-term loans from related parties . . . . .	0,4	—	—	—	—	—
<b>Non-current liabilities</b>						
Loans from banking corporations and debentures . . . . .	71,4	71,4	—	—	—	—
Long-term loans from related parties . . . . .	61,9	61,9	—	—	—	—
Other financial liabilities . . . . .	5,5	—	—	—	—	—
Other non-current liabilities . . . . .	0,7	0,7	—	—	—	—
	<u>320,5</u>	<u>320,5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities. As of December 31, 2011 the Group has no financial assets or liabilities that meet the definition of Level 1.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**22—Classification and fair value of financial assets and liabilities (Continued)**

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

<u>HOT Telecom</u>	As of December 31, 2011	
	Level 2	Level 3
	(in millions of euros)	
Available for sale financial asset:		
Shares . . . . .		8,5
Financial assets at fair value through profit or loss:		
Forward contracts in foreign currency that are not defined as accounting hedges . . . . .	5,1	
<b>Financial liabilities at fair value through profit or loss:</b>		
Embedded derivatives . . . . .	(0,4)	
Interest rate swap contract . . . . .	(0,2)	
Liability to the Ministry of Communications . . . . .		(3,8)
	<b>4,5</b>	<b>4,7</b>

**23—Taxes income**

**23.1 Income tax expense**

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Current income tax . . . . .	0,2	(1,6)
Carry back . . . . .	(0,2)	—
Deferred taxes on deductible temporary differences . . . . .	(32,4)	(0,5)
<b>TOTAL . . . . .</b>	<b>(32,5)</b>	<b>(2,2)</b>

**23.2 Deferred tax assets and liabilities**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Other . . . . .	—	—	—	0,2	0,2
IAS 16, Property, Plant and Equipment . . . . .	—	—	—	0,1	0,1
IAS 38, Intangible assets . . . . .	—	—	—	—	—
<b>Total deferred taxes assets . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0,3</b>	<b>0,3</b>

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**23—Taxes income (Continued)**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Customer relationships . . . . .	6,9	44,0	(1,1)	2,3	52,0
Brand . . . . .	3,1	6,0	0,1	0,1	9,3
Other Intangible assets . . . . .	—	10,3	(0,3)	13,9	23,9
Revaluation of Tangible assets . . . . .	1,0	10,6	(0,4)	(0,3)	11,0
IAS 23, Borrowing Costs . . . . .	—	—	—	3,6	3,6
IAS 36, Depreciable fixed assets . . . . .	—	1,5	(0,1)	(12,6)	(11,1)
Present value of YFPECS financial instrument . . . . .	9,2	—	—	(0,2)	9,0
Temporary differences . . . . .	6,5	—	(6,4)	22,8	22,8
Other . . . . .	(0,4)	—	0,5	2,9	3,1
<b>Total deferred taxes liabilities . . . . .</b>	<b><u>26,3</u></b>	<b><u>72,4</u></b>	<b><u>(7,6)</u></b>	<b><u>32,6</u></b>	<b><u>123,7</u></b>

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

	December 31, 2011
	(in millions of euros)
<b>Net income . . . . .</b>	<b>123,9</b>
<b>Share of net income—associates . . . . .</b>	<b>(11,7)</b>
<b>Share of net income—shareowners . . . . .</b>	<b>112,3</b>
Income tax expenses . . . . .	(32,5)
<b>Earnings/(Loss) before tax . . . . .</b>	<b>156,6</b>
Theoretical tax rate . . . . .	28,80%
Income tax calculated on theoretical tax . . . . .	(45,0)
<b>Impact of:</b>	
Effect of different tax rates of subsidiaries depending in other jurisdictions . . . . .	7,9
Permanent differences . . . . .	10,6
Restatements without tax impact . . . . .	3,6
Carry-back . . . . .	(0,2)
Tax loss carry forwards of the periods . . . . .	(9,7)
Effect of unused tax losses not recognized as PTA . . . . .	0,3
<b>Effective Tax . . . . .</b>	<b>(32,5)</b>
<b>Effective tax rate . . . . .</b>	<b><u>27,66%</u></b>

The permanent differences mainly consist of:

- Reversal of the amortization of goodwill booked in the annual accounts of Solution 25 (Green.ch) for an amount of EUR 1,1.
- Elimination of a profit on internal operation on the sale of the shares of HOT Mobile by Altice Securities S.à r.l. to HOT Telecom Ltd, amounting to EUR 10,8 million.

**23.4 Tax assessments**

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance in Israel. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**23—Taxes income (Continued)**

for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount.

Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the 2009 tax year, and this will be significantly different from HOT's position.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006-2008 and in the opinion of the HOT's management and its professional advisers, HOT has well founded arguments against the claims made in the tax assessments for the years 2006-2008, which could significantly change the results of the tax assessments for those years and in any event, also the implications deriving from them in respect of the tax years later than 2008.

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006 - 2008 and within the framework of Stage A for the 2009 tax year. A number of issues have come within the framework of the discussions including the manner of the amortization of the intangible assets—brand, goodwill and customer relationships. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of the HOT's estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and Hot Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated companies HOT Edom, Hot Net (formerly HOT Investments and Finance) and Mirs have tax assessments that are considered to be final up to and including the 2006 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with sections 145, 147 and 152 of the Income Tax Ordinance.

**23.5 Unrecognized deferred tax assets**

As at December 31, 2011, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 26,7 million
- Coditel Holding Lux S.à r.l.: EUR 5,8 million
- Coditel Brabant: EUR 0,9 million

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**24—Segment analysis**

*24.1.1 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)
- French Overseas Territories (Caribbeans and Indian Ocean)
- Other (Switzerland, Africa, etc.)

Activities have been split as follows:

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

*24.1.1.1 Operational non-IFRS KPIs*

It has also been decided by the Board of Managers that local operational teams in each geography shall report operational non-IFRS KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

The main operational non-IFRS KPIs that will be tracked will be:

- Subscriber base evolution (both cable and mobile)
- Average Revenues Per User (cable and mobile)
- Other relevant cost drivers

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

*24.1.1.2 Financial KPIs*

Each local operational company will also report the following financial KPIs by segment:

- Revenues (Cable/Mobile/Other)
- Gross Profit (Cable/Mobile/Other)
- Capex (Cable/Mobile/Other)

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

HOT Telecom will also report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**24—Segment analysis (Continued)**

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

- The cable business has discretionary fixed Capex requirements, but variable Capex are driven by commercial development, as an increase in customers drives the needs for Customer Premise Equipment (CPE) and installation.
- Mobile Capex are mainly driven by the roll-out of new mobile network and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the Board of Managers places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under 'Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

*24.1.2 Regional specificities*

*24.1.2.1 Israel*

Israel is currently an important contributor to the Group revenues and EBITDA and, for this reason, is classified as a separate region. The Israeli market is characterised by high broadband and cable penetration and a technology savvy population. The market is matured and highly regulated, which means that while opportunities for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is still low and represents an important growth driver. Customer retention is difficult as contractual terms heavily favor the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

*24.1.2.2 Belgium and Luxembourg*

Even though Belgium/Luxembourg 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 and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU per subscriber) and hence price pressure is low.

These regions are marked by the presence of many very local but well-established cable operators. Customer retention is a key factor there, to maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**24—Segment analysis (Continued)**

24.1.2.3 French Overseas Territories

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, and triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressure is low in these markets and customers, highly technology-savvy, are willing to pay more for value added services. Double play (TV and Internet) offers are predominant and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

24.1.3 Segment information

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

	December 31, 2011				
	Total	BeLux	Israel	French Overseas Territories	Others
	(in millions of euros)				
<b>Cable</b>					
Revenue . . . . .	560,3	34,5	499,7	23,6	2,5
Costs of sales . . . . .	(125,3)	(6,9)	(114,1)	(3,8)	(0,5)
<b>Gross Profit . . . . .</b>	<b>435,0</b>	<b>27,6</b>	<b>385,6</b>	<b>19,8</b>	<b>1,9</b>
<b>Mobile</b>					
Revenue . . . . .	180,6	—	180,6	—	—
Costs of sales . . . . .	(31,0)	—	(31,0)	—	—
<b>Gross Profit . . . . .</b>	<b>149,7</b>	<b>—</b>	<b>149,7</b>	<b>—</b>	<b>—</b>
<b>Other</b>					
Revenue . . . . .	43,3	0,4	—	—	42,9
Costs of sales . . . . .	(19,1)	(0,5)	—	—	(18,7)
<b>Gross Profit . . . . .</b>	<b>24,1</b>	<b>(0,1)</b>	<b>—</b>	<b>—</b>	<b>24,2</b>
<b>Total</b>					
<b>Total Revenue . . . . .</b>	<b>784,2</b>	<b>34,8</b>	<b>680,4</b>	<b>23,6</b>	<b>45,4</b>
<b>Total Costs of sales . . . . .</b>	<b>(175,4)</b>	<b>(7,3)</b>	<b>(145,1)</b>	<b>(3,8)</b>	<b>(19,2)</b>
<b>Total Gross Profit . . . . .</b>	<b>608,8</b>	<b>27,5</b>	<b>535,3</b>	<b>19,8</b>	<b>26,2</b>

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**December 31, 2011**

**24—Segment analysis (Continued)**

	December 31, 2010				
	Total	BeLux	Israel	French Overseas Territories	Others
	(in millions of euros)				
<b>Cable</b>					
Revenue . . . . .	22,5	—	—	19,9	2,6
Costs of sales . . . . .	(3,4)	—	—	(2,9)	(0,5)
<b>Gross Profit . . . . .</b>	<b>19,0</b>	<b>—</b>	<b>—</b>	<b>16,9</b>	<b>2,1</b>
<b>Mobile</b>					
Revenue . . . . .	103,5	—	103,5	—	—
Costs of sales . . . . .	(33,3)	—	(33,3)	—	—
<b>Gross Profit . . . . .</b>	<b>70,1</b>	<b>—</b>	<b>70,1</b>	<b>—</b>	<b>—</b>
<b>Other</b>					
Revenue . . . . .	41,2	—	—	—	41,2
Costs of sales . . . . .	(17,2)	—	—	—	(17,2)
<b>Gross Profit . . . . .</b>	<b>24,0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>24,0</b>
<b>Total</b>					
<b>Total Revenue . . . . .</b>	<b>167,2</b>	<b>—</b>	<b>103,5</b>	<b>19,9</b>	<b>43,9</b>
<b>Total Costs of sales . . . . .</b>	<b>(54,0)</b>	<b>—</b>	<b>(33,3)</b>	<b>(2,9)</b>	<b>(17,7)</b>
<b>Total Gross Profit . . . . .</b>	<b>113,2</b>	<b>—</b>	<b>70,1</b>	<b>16,9</b>	<b>26,1</b>

**EBITDA split for Israel**

	2010	2011
	(In millions of euros)	
Cable . . . . .	—	212,4
Mobile . . . . .	24,1	43,7
<b>Total . . . . .</b>	<b>24,1</b>	<b>256,1</b>



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**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**25—Operating expenses**

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Technical and maintenance costs . . . . .	(185,0)	(19,3)
Customer services . . . . .	(9,9)	(2,4)
Personnel costs . . . . .	(0,5)	(0,2)
<b>Total</b> . . . . .	<b>(195,4)</b>	<b>(21,9)</b>

The increase in operating expenses at Group level between FY10 and FY11 is mainly explained by the various acquisitions made by the Group in FY11. The acquisition of Coditel Brabant and Coditel S.à r.l. and the change in consolidation method for HOT led to a EUR 114,5 million increase in Technical and Maintenance costs.

**26—Staff costs and employee benefits expenses**

Equity based compensations are included in the line item General & Administrative expenses for the year ended December 31, 2010 and amounted to EUR 2,4 million, fully attributable to HOT Telecom. For the year ended December 31, 2011 equity based compensations amounted to EUR 6,0 million, split as follows; EUR 3,6 million for HOT Telecom and EUR 2,4 million for Cool Holdings.

**27—Other incomes and expenses**

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Other incomes and expenses . . . . .	(5,3)	(8,3)
Disposal of tangible assets—selling price and book value of disposal/tangible assets . . . . .	(0,3)	0,8
<b>Other expenses, net</b> . . . . .	<b>(5,6)</b>	<b>(7,4)</b>
Gain arising on step acquisition <sup>(1)</sup> . . . . .	134,8	1,0
Expenses from prior periods . . . . .	(7,5)	(3,9)
Restructuring costs . . . . .	(0,1)	(0,2)
Subvention . . . . .	—	0,2
<b>Reorganization and non-recurring costs</b> . . . . .	<b>127,2</b>	<b>(2,9)</b>
<b>Total</b> . . . . .	<b>121,5</b>	<b>(10,3)</b>

(1) Gain from achieving control (acquisition of Hot Telecom): the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

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**28—Net Finance costs**

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Gain arising on fair value financial instruments . . . . .	6,4	—
Foreign exchange gains . . . . .	6,8	42,2
Disposal of financial assets—selling price . . . . .	3,0	(0,1)
Other financial incomes and expenses . . . . .	0,4	1,0
<b>Finance income</b> . . . . .	<b>16,6</b>	<b>43,2</b>
Interest charges on borrowings and overdrafts <sup>(1)</sup> . . . . .	(70,2)	(7,3)
Other finance costs . . . . .	—	(0,2)
Foreign exchange losses . . . . .	(20,8)	(8,5)
Book-value of disposal/financial assets . . . . .	(20,7)	(1,9)
<b>Finance costs</b> . . . . .	<b>(111,6)</b>	<b>(18,0)</b>
<b>Total</b> . . . . .	<b>(95,0)</b>	<b>25,2</b>

(1) Breakdown of interest charges on borrowings and overdrafts:

- Finance costs on bonds: EUR 19,4 million,
- Finance costs in respect of bank charges: EUR 22,3 million,
- Finance costs on long-term loans credit facilities: EUR 17,1 million.

**29—Average workforce**

The average workforce of the Group is detailed as follows:

	December 31, 2011	December 31, 2010
Managers . . . . .	280	173
Technicians . . . . .	604	362
Employees . . . . .	5 152	4 585
	<b>6 036</b>	<b>5 120</b>

**30—Transaction with related parties**

**30.1 Trading and financial transaction**

Transactions with related parties mainly related to the companies Adeintel, Titan consulting and DOK, all consulting firms specialized in the management and operations of telecom companies. The fees paid to these companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks

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**30—Transaction with related parties (Continued)**

on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII.

Consolidated Income and expenses	Revenue		Operating expenses		financial expenses	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
	(in millions of euros)					
Equity holders . . . . .	—	0,4	—	(3,1)	—	—
Executive directors . . .	—	—	—	—	—	—
Remuneration and benefits in kind . . .	—	—	—	(1,1)	—	—
Associate companies . .	—	—	—	—	—	(0,1)
<b>TOTAL . . . . .</b>	<b>—</b>	<b>0,4</b>	<b>—</b>	<b>(4,2)</b>	<b>—</b>	<b>(0,1)</b>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
	(in millions of euros)					
Equity holders . . . . .	—	10,5	—	0,2	—	—
Executive directors . . .	—	—	—	—	—	—
Associate companies . .	—	1,0	—	—	—	—
<b>TOTAL . . . . .</b>	<b>—</b>	<b>11,5</b>	<b>—</b>	<b>0,2</b>	<b>—</b>	<b>—</b>

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
	(in millions of euros)					
Equity holders . . . . .	—	—	—	4,5	—	—
Executive directors . . .	—	—	—	—	—	—
Associate companies . .	—	—	—	—	—	—
<b>TOTAL . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,5</b>	<b>—</b>	<b>—</b>

**30.2 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 VII, for the financial year 2011, is EUR 0,9 million.

**31—Contractual obligations and commercial commitments**

**31.1 Hot Telecom commitments**

*31.1.1 Commitments*

*31.1.1.1 Royalties to the ministry of Communications and other payments to the government*

HOT is committed to pay annual royalties out of its overall income that is chargeable with royalties (hereinafter—the chargeable income) at rates of 2,5% in the year 2007, 2% in the course of the year 2008, 1,5% in the year 2009 and 1% in the year 2010. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasts) (Royalties) (Temporary Directives)—2011, which apply to the royalties that are paid by HOT Telecom in respect of national provider services, in the years 2011 - 2012 the royalties rates have been increased and they stand at a rate of 1,75%, which has been determined for the year 2011 and a rate of 2,5%, which has been set for the year 2012.

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**31—Contractual obligations and commercial commitments (Continued)**

In addition, conditions have been set in the regulations, which if met will cause the expiration of the validity of the temporary directives.

In accordance with the Telecommunications Regulations (Telecommunications and Broadcasts) (Royalties) (Temporary Directives)—2011 (hereinafter—The temporary directives), which apply to the royalties that are paid by HOT Telecom in respect of national provider services, the royalties will stand at 1% in the year 2013. It was further determined that in the event that competition arises in the sector by way of the entry of additional competitors, the said increases will be cancelled.

On June 13, 2011 the Finance Committee approved an amendment to the Concession Regulations, according to which the royalty rate will stand at 2,5% as from July 1, 2011 and until December 31, 2012. During the course of March 2011 HOT Telecom filed a petition in the High Court for the cancellation of the temporary directive. Petitions were also filed on this issue by the mobile telephone companies Pelephone, Partner and Cellcom as well as by Bezeq.

In continuation of the compromise proposal, which was suggested by the Court and accepted by the State, on July 25, 2011 the Finance Committee of the Israeli parliament (The Knesset) approved an amendment to the concession regulations, according to which the royalties that are paid by a holder of a cable broadcasting license holder in the years 2011 and 2012 will stand at a rate of 1,75%. Furthermore, draft regulations were passed to the Legislation Sub-Committee in the Ministry of Justice according to which the rate of the royalties that are paid by HOT and by HOT Telecom, under the Concessions Regulations and the Royalties Regulations, respectively, at a rate of 1,75% in the years 2011 and 2012 and thereafter, in the year 2013 will be reduced to 0%.

In accordance with the decision handed down by the Court, on August 2, 2011, HOT Telecom announced that it was accepting the State's announcement and that it was asking that after the approval of the Regulations, the validity of a court judgment should be given to the agreement by the parties to the proposed compromise. Since the implementation of the arrangement that was proposed by the Court required the amendment of regulations, which are subject to the approval of the Finance Committee of the Knesset, the State announced to the Court that a draft of the regulations had been prepared accordingly. In continuation of this, on January 30, 2012 the Finance Committee approved an amendment to the Telecommunications Regulations (Concessions) according to which the royalties that are paid by a holder of a cable television broadcasting license will stand at a rate of 0% as from 2013. A parallel amendment to the Telecommunications Regulations (Royalties), which apply to HOT Telecom has not yet been approved by the Finance Committee.

In accordance with the Telecommunications Regulations (Telecommunications and Services) (Royalties)—2001 (hereinafter—the Royalties Regulations), Mirs is required to pay royalties to the State each quarter, as a percentage of its income from radio telephone services, less the payments that Mirs has to pay to another license holder (in respect of a reciprocal connection or roaming services).

In January 2011 the Royalties Regulations were amended by means of a temporary directive, where according to the temporary directive the royalty rate for the years 2011 and 2012 is 1,75% and 2,5% respectively. It was also determined that the amendment would remain until the Director of the Ministry of Communications publishes an announcement in the Official Gazette that one of the following has been met: (a) A holder of a general license for the provision of radio telephone services has begun to provide In Country roaming services; (b) a holder of another license as a virtual operator (MVNO) has begun to operate, and the market share of all of the virtual radio telephone operators is at least 5%. After one of the two aforesaid situations has arisen, the royalties' rate will once again stand at 1%.

In March 2011 petitions were filed in the High Court seeking to cancel the temporary directive. During a hearing on the petitions, which was held on June 16, 2011, the Court raised a suggestion that the royalty rate should stand at 1,75% in 2012, whereas in respect of the following years the royalties rate should be reduced until the royalties were absolutely cancelled in 2012, unless "circumstances that have significantly adverse implications on the state of the economy at the relevant times" were to occur. In

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**31—Contractual obligations and commercial commitments (Continued)**

accordance with a decision by the Court, the State was required to announce its position in relation to the offer by August 1, 2011. On January 3, 2012 the State presented draft regulations for the approval of the Finance Committee of the Knesset. As of the date of the report, the Finance Committee has not yet approved a version of the draft regulations and no date has yet been set for an additional hearing.

In July 2001 the cables companies, including HOT, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions.

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

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

In accordance with the Wireless Telegraph Regulations (Licensing, Certificate and Levies)—1978, Mirs is required to pay a fixed annual payment for each frequency that it uses. *Mirs paid an amount of NIS 20 million in respect of the year 2011 (an amount of NIS 2 million in respect of December 2011).*

The license to operate a broadcasting center: It is determined in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

**31.1.1.2 Other royalties**

Within the framework of the Group's routine operations in the field of broadcasting, 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 2011, 2010 and 2009 amounted to NIS 40 million, NIS 51 million and NIS 29 million, respectively.

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 in royalties issues,

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**31—Contractual obligations and commercial commitments (Continued)**

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. HOT is unable to assess, as of the date of this report, what the impact of the said legislation, if passed, will be on its business results.

**31.1.1.3 A commitment to invest in original productions**

In accordance with the provisions of the Communications Law, the rules of the communication and the decision made by the Council require HOT, 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 2009, 2010 and 2011 HOT complied with the investment rate that is required, as aforesaid.

**31.1.1.4 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 Bezeq (the provisions of both of the said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

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

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and Bezeq conducts the routine maintenance of the cables network and also provides miss function 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 or after the end of it. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide missfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses in HOT Telecom's accounting records for the network services payable to Bezeq in the years 2011, 2010 and 2009 amounted to NIS 46 million, NIS 43 million and NIS 42 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arrive 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 Bezeq under the agreement,

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**31—Contractual obligations and commercial commitments (Continued)**

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.

31.1.1.5 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 2014. The minimal future rental fees in respect of the rental contracts as of December 31, 2011, exclusive of the option period, are as follows:

	<u>NIS in millions</u>	<u>EUR in millions</u>
2011 . . . . .	136	27,3
2012 . . . . .	106	21,3
2013 . . . . .	70	14,0
2014 . . . . .	48	9,6
2015 and thereafter . . . . .	<u>54</u>	<u>10,8</u>
<b>TOTAL . . . . .</b>	<b><u>414</u></b>	<b><u>83,0</u></b>

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 (Fiber to the Building). 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, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The cost of the upgrading of the infrastructure, as aforesaid, which includes the cost of the purchase of the equipment and the services, for a period until the end of the year 2014, is estimated at NIS 550 million by HOT, at this stage (over the length of the said period). The updating of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.

On May 27, 2010 a facility agreement was signed between Mirs and Motorola for the purchase, licensing and instillation of the infrastructure equipment (hardware and software) which is required in order to operate Mirs' 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 Mirs 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 Mirs' iDEN network, and so that it will be capable of supplying Mirs with the maintenance services for the equipment infrastructure and the software that is required to operate the network for a period of seven years from the time of the signing of the agreement, subject to the purchase of the said maintenance services by Mirs.

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

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**31—Contractual obligations and commercial commitments (Continued)**

As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, Mirs has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the equipment and the hardware for the system, which arrange the manner of the repair of missfunctions and the provision of support by Motorola for Mirs' iDEN network.

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

On May 26, 2010, as part of the sale of the control in Mirs to Altice, Mirs 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 Mirs) with Mirs 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 Mirs of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

Within the framework of the preparations for the setting up of the new network, Mirs entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network. During the course of February 2012 Mirs signed on framework agreements with additional suppliers. Furthermore, as of the date of the financial statements, Mirs is conducting negotiations in advance of signing agreements with additional suppliers.

On June 16, 2011 Mirs entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for Mirs new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for Mirs as a turnkey contractor.

In the first stage, which is expected to be completed during the course of 2012, the supplier will completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 20%, which Mirs must meet 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, Mirs has been given the right to expand the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement arranges the work arrangements between the supplier and Mirs, the manner of the handing over of the system to Mirs and the manner of the maintenance of the system by the supplier.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that Mirs 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 stage in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of USD 52 million. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to Mirs assessment.



**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**31—Contractual obligations and commercial commitments (Continued)**

31.1.1.6 Commitment with main customer

Mirs supplies a range of services to the Ministry of Defense: mobile telephones, data telecommunications and PTT services. HOT's overall income from the Ministry of Defense in 2011 constitutes approximately 12,5% of Mirs income in that year (approximately 14,4% of Mirs income in December 2011) and the number of subscribers constitutes approximately 15,5% of Mirs' subscribers.

Mirs and the Ministry of Defense are acting under the force of a number of agreements with the largest and the most important being an agreement for the supply of mobile telephones, the tender for which was won by HOT in the year 2005. In October 2008 the Ministry of Defense exercised an option that was awarded it in the tender for the extension of the agreement until October 2011 (the year 2012 is considered to be a transition year).

On December 28, 2011 the Ministry of Defense published a tender for the supply of mobile equipment and services to the IDF. The tender is for some 68 000 subscribers with the possibility of increasing this to 120 000 subscribers. The tender includes threshold conditions, which prima facie prevent Mirs from having the possibility of competing within the framework of the tender. Mirs has presented an objection to the existence of these conditions. The objection was turned down by the Ministry of Defense and in the light of this Mirs is considering making an appropriate approach to the courts.

31.1.1.7 Capitalized leasing rights on land from the Israel Land Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 14 296 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. The lease periods end in the years 2021-2045.

31.1.2 *Guarantees and liens*

As collateral for HOT's liabilities, the investee partnership HOT Telecom and the subsidiary company HOT Net vis-à-vis financial institutions in accordance with the credit agreement, first ranking fixed charges and endorsement by way of the charge have been placed in an unlimited amount.

As collateral for the commitments of HOT and the investee partnership HOT Telecom and the subsidiary company HOT Net, HOT and the partnership have given guarantees for the payment of their liabilities in unrestricted guarantees.

As collateral for commitments of HOT and the investee partnership HOT Telecom vis-à-vis financial institutions in accordance with the credit agreement, the following have been placed:

- First ranking fixed charges on the rights of the companies in the Group.
- Endorsements by way of a charge on:
  - (1) The Group's subscription agreements with its subscribers.
  - (2) The supplier numbers of companies in the Group with credit card companies.
  - (3) Rights under the agreement for the provision of services between HOT Telecom and HOT.
- Fixed charges on the equipment of companies in the Group.
- Fixed charges on the land assets of companies in the Group.
- Fixed charges on the bank accounts of companies in the Group.

The said charges are in unrestricted amounts, jointly and severally vis-à-vis HOT, the investee partnership—HOT Telecom and the subsidiary company—HOT Net.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**31—Contractual obligations and commercial commitments (Continued)**

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

As collateral for HOT's commitments in respect of the royalties agreement, a second ranking floating charge has been placed in favor of the State.

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

- Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to USD 8,4 million, in force until June 2012, December 2012 and December 2025.
- Guarantees in an amount of NIS 33,4 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April, June and December 2012.
- A bank guarantee in an amount of USD 2 million to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which are in force until December 2012.
- A bank guarantee in an amount of NIS 695 million, which was made available by Mirs within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, Mirs 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, MIRS has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

On November 28, 2011, Mirs and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).

The second winner in the tender for the allocation of frequencies is the Golan Telecom Group, which offered a maximum amount of NIS 360 million in respect of the frequencies within the framework of the tender. Golan Telecom made the required bank guarantee, in an amount of NIS 350 million available (NIS 10 million was paid in cash). In the wake of this, HOT sent the Ministry of Communications a letter demanding the reduction of the level of the fee for its license to NIS 10 million (which is the minimal amount in the tender) and alternatively to equalize it with the level of Golan Telecom's winning offer—NIS 360 million. As of date of this report, no response has yet been received from the Ministry of Communications.

The Group has extended a number of bank guarantees to various bodies in an overall amount of NIS 15,5 million.

*31.1.3 Guarantees to HOT Telecom*

- The Group has given guarantees in a cumulative amount of USD 16 million as collateral for payments by HOT Telecom to the Cisco company.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**31—Contractual obligations and commercial commitments (Continued)**

- The Group has extended a guarantee in an amount of NIS 238 million (index-linked) as collateral for HOT Telecom’s commitments vis-à-vis an interested party with which it has signed a rental agreement.

There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group’s liabilities to those financial institutions.

*31.1.4 Other contingent liabilities*

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, “The Legal Claims”).

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company’s Subsidiaries on various matters, is as follows:

- An amount of approximately NIS 1,7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company’s management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements.
- An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company’s management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded for in accordance with the assessments of the managements of the Company’s Subsidiaries and the opinion of the legal advisors, as aforesaid.

The following is an abbreviated summary of the Group’s contingent liabilities effective as of signature date, in accordance with groupings having similar characteristics:

<b>The nature of the lawsuit (EUR in millions)</b>	<b>The amount of the additional exposure in excess of the provision recorded as of signature date</b>	<b>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)</b>
Customers . . . . .	574	21
Lawsuits after the balance sheet date in respect of customers . . . . .	33	33
Suppliers . . . . .	13	5
Employees . . . . .	1	—
The merger transaction . . . . .	50	—
<b>Total . . . . .</b>	<b>671</b>	<b>59</b>

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**31—Contractual obligations and commercial commitments (Continued)**

**31.2 Coditel Holding commitments**

As at December 31, 2011 off balance sheets commitments include:

- a ranking pledge agreement dated December 2, 2011, all the registered PECs owned from time to time by Coditel Holding Lux S.à r.l., and in particular:
- the 108 131 000 issued on June 29, 2011 by Coditel Holding S.A. in registered form, numbered 1 to 108 131 000 (including), having a par value of EUR 1 each,
- the 21 991 770 PECs issued on December 2, 2011 by Coditel Holding S.A. in registered form, number 1 to 21 991 770 (including), having a par value of EUR 1 each, are pledged in favor of ING BANK N.V. as Pledgee, acting as security agent, as a first-ranking pledge. The PECs may not be disposed of in any way without the prior written consent of ING BANK N.V.

**31.3 Other commitments**

As of December 31, 2011, ABO entity does not bear any off-balance sheet commitments.

**32—Statutory Auditors' fees**

In 2011, an amount of EUR 1,1 million was paid to various network affiliates of the Group's auditors, of which 0,14 million was paid as fees for audit services and 0,97 million as fees for non-audit fee services.

**33—Going concern**

During the year ended December 31, 2011, the company had a net current liability position of EUR 558,5 million (mainly due to short term bank debts of EUR 241,8 million and trade payables of EUR 208,2 million), a net gain of EUR 123,9 million, positive cash flow from operations of EUR 295,7, and negative working capital of EUR 184,7 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 185,7 million is mainly driven by trade receivables and payables.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with a short period between invoicing and cash collection and suppliers are paid in the beginning of the following month (with invoicing in the beginning of the month), thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 102,7 million vs. EUR 208,2 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2011, the company had many short term loan payments, due in less than 365 days (of which EUR 76 million at HOT and EUR 69 million at COOL Holding), which were refinanced in 2012 and converted to long term debts.

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 amortization and depreciation and generated strong positive operating cash flows in 2011 (EUR 295,7 million). Operating income before depreciation and amortization amounted to EUR 297,8 million, an increase of 519% compared to FY10 (mainly driven by the change in accounting method for HOT accounts and the acquisitions of Coditel Belgium and Luxembourg, as well as the optimization of operating expenses in the French Antilles companies), thus reaffirming Management's ability to drive profits in the different operating companies,
- The group generated positive net profits of EUR 123,9 million in the year ended December 31, 2011,
- A financing mechanism has been put in place to cover short term cash needs, if required.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**34—Events after the reporting period**

On February 28, 2012, Altice VII acquired the entire issued capital of the company RightProposal—Telecomunicações S.A. for an amount of EUR 50 000.

In February 2012, Altice VII completed the takeover of Cabovisao from Cogeco, a Canadian cable operator. Cabovisao is the second cable operator in Portugal and possesses a high quality cable network. The acquisition price was EUR 45 million.

On March 12, 2012, Altice VII has sold to Codilink S.à r.l. 20 000 of the shares of RightProposal—Telecomunicações S.A., representing 40% of RightProposal's capital.

On March 26, 2012, RightProposal—Telecomunicações S.A. has changed its name into Altice Portugal S.A..

On August 17, 2012, Altice VII decided the incorporation of ALTICE FINCO S.A. a public limited company incorporated under the law of the Grand-Duchy of Luxembourg by the subscription of all the shares, for a total amount of EUR 35 000. The group holds 100% of the share capital of ALTICE FINCO S.A..

On August 17, 2012, ALTICE FINCO decided the incorporation of ALTICE FINANCING, a public company incorporated under the law of the Grand-Duchy of Luxembourg by the subscription of all shares, for a total amount of EUR 28 872.

In August 2012, the Altice Group invested USD 20 million in convertible bonds in Wananchi, a Kenya based cable operator, with activities in other East African markets. This investment was made in tranches of USD 5 million each and the bonds were converted to shares in Dec. 2012.

On December 27, 2012, Altice Financing S.A. and Altice Finco S.A. (the "Issuers") announced that the proceeds (the "Escrow Proceeds") of their offerings of (i) USD 460 million in aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% senior secured notes due 2019 and EUR 210 million in aggregate principal amount of 8% senior secured notes due 2019 of Altice Financing S.A. (together, the "Senior Secured Notes") and (ii) USD 425 million in aggregate principal amount of 9<sup>7</sup>/<sub>8</sub>% senior notes due 2020 of Altice Finco S.A. (the "Senior Notes", together with the Senior Secured Notes, the "Notes") were released from escrow following successful satisfaction of the Condition (as defined below). It was a condition (the "Condition") to the release of the Escrow Proceeds that the Issuers certify, amongst other things, to the escrow agent that promptly upon release of the Escrow Proceeds (i) the acquisition by a wholly-owned subsidiary of Cool Holding Ltd ("Cool"), an affiliate of the Issuers, of the remaining shares of HOT Telecommunication Systems Ltd. ("HOT") not currently owned by Cool would be consummated (the "Take-Private Transaction") and (ii) certain existing indebtedness of Cool and HOT would be repaid (the "Refinancing" and, together with the Take-Private Transaction, the "Transactions"). On December 27, 2012, the Escrow Proceeds were used to consummate the Transactions.

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the "ONI Purchase Agreement"), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the "ONI Transaction"). The deal was consummated on August 8, 2013.

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the "Outremer Purchase Agreement") with the owners of OMT Invest and certain of its affiliates pursuant to which (i) the Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the "Outremer Investment Agreement") pursuant to which (i) the Group contributed all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**34—Events after the reporting period (Continued)**

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the “2013 Senior Notes”).

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the “2013 Term Loan Facility”) which provides for U.S. dollar term loans (the “2013 Term Loans”) up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the “First Draw”). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described below), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

**Cabovisao Refinancing**

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the “Cabovisao Refinancing”).

**Coditel Refinancing**

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

**ABO Refinancing**

On July 2, 2013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the “ABO Refinancing”).

**WSG and MTVC Refinancing**

WSG and MTVC are indirect subsidiaries of the Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the “Le Cable Refinancing”).

**MCS & SportV**

In October 2013, the Group completed the acquisition of two sports based content delivery channels, Ma Chaine Sport and SportV. This acquisition was completed in October 2013 and total consideration paid amounted to EUR 15 million. These channels are focussed on providing quality sports programming and are intended to serve as a platform for the potential new business segment for the Company (Content). The acquisition was fully financed using equity holders’ equity.

**Tricom**

In November 2013, the Group confirmed that it has signed an agreement to acquire a controlling stake in Tricom, the second largest cable operator in the Dominican Republic. This acquisition is expected to explore significant synergies with the Group’s French Overseas Territories operations.

**ALTICE VII S.À R.L.**  
**Notes to the consolidated financial statements (Continued)**  
**December 31, 2011**

**34—Events after the reporting period (Continued)**

**Network Sharing Agreement**

On November 8, 2013, HOT Mobile entered in to a network sharing agreement (the “Network Sharing Agreement”) with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile’s customers.

Also, as part of the engagement the Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Company will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Company. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with Pelephone will be phased out until the contractual end of the agreement in 2014.

**Reduction of Guarantees to the State of Israel**

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11,3%, constituting an addition of 9,52% on HOT Mobile’s market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695,0 million (EUR 144,6 million) to an amount of NIS 80 million (EUR 16,6 million). This was in addition to an amount of NIS 10,0 million (EUR 2,0 million) that it paid upon the receipt of the license.

As of the date of the approval of the financial statements, the response of the Ministry of Communications has not yet been received and the guarantee therefore remained in the same amount.

**35—Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Managers and authorized for issue on November 8, 2013.

# **ORANGE DOMINICANA, S.A.**

**Unaudited Condensed interim standalone Financial Statements**

**As of September 30, 2013 and for the nine-month periods ended  
September 30, 2013 and 2012**



## INDEPENDENT AUDITORS' REVIEW REPORT

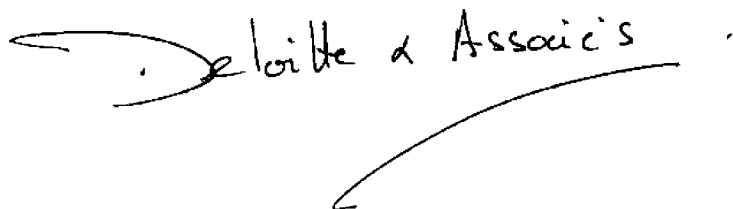
To the Board of Directors and Shareholders of Orange Dominicana

We have reviewed the accompanying condensed statement of financial position of Orange Dominicana (the "Company") as of September 30, 2013, and the related condensed statements of income, shareholders' equity and of cash flows for the nine-month periods ended September 30, 2013 and 2012 (the "interim financial statements"). These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with auditing standards generally accepted in the United States of America ("US GAAS") applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with International Financial Reporting Standards as issued by the IASB.

DELOITTE & ASSOCIÉS

A handwritten signature in black ink that reads "Deloitte & Associés". The signature is written in a cursive style and is underlined with a long, sweeping horizontal line that extends to the right and then curves back down to the left.

Neuilly-sur-Seine, France

November 8, 2013

**ORANGE DOMINICANA, S.A.**  
**Unaudited Condensed interim standalone Financial Statements**  
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## UNAUDITED INTERIM INCOME STATEMENT

<u>Income statement</u>	<u>Notes</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
		<b>In Dominican pesos</b>	
<b>Revenues</b> . . . . .	2.1	<b>17,953,623,352</b>	<b>16,943,056,706</b>
Cost of equipment sold . . . . .	3.1	(2,233,113,679)	(2,142,869,777)
Selling, distribution and traffic costs . . . . .	3.2	(4,634,645,907)	(4,397,888,405)
Advertising and sponsoring costs . . . . .		(558,839,468)	(694,526,326)
Offices and technical sites costs . . . . .		(460,915,458)	(420,459,308)
Labor expenses . . . . .		(913,106,344)	(880,444,330)
Corporate fees . . . . .		(463,576,479)	(424,899,623)
Maintenance costs . . . . .		(237,235,126)	(240,420,765)
Other costs and income . . . . .	3.3	(1,758,774,800)	(1,862,560,142)
Depreciation and amortization . . . . .		(2,565,020,605)	(2,544,776,512)
Total costs and operating expenses . . . . .		<u>(13,825,227,867)</u>	<u>(13,608,845,188)</u>
<b>Operating income</b> . . . . .		<b>4,128,395,485</b>	<b>3,334,211,519</b>
Bank commissions . . . . .		(56,524,122)	(53,030,486)
Interest income . . . . .		10,772,788	28,710,113
Foreign currency exchange gains (losses) . . . . .		16,451,647	27,756,910
Other . . . . .		(12,833,299)	(11,290,289)
Non-operating income (expenses) . . . . .		<u>(42,132,986)</u>	<u>(7,853,751)</u>
<b>Profit before income tax</b> . . . . .		<b>4,086,262,499</b>	<b>3,326,357,767</b>
Income tax . . . . .	5.1	(1,157,726,258)	(678,075,213)
<b>Net income</b> . . . . .		<u><b>2,928,536,241</b></u>	<u><b>2,648,282,554</b></u>
Other comprehensive income . . . . .		—	—
<b>Total comprehensive income for the period</b> . . . . .		<u><u><b>2,928,536,241</b></u></u>	<u><u><b>2,648,282,554</b></u></u>

## UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

<u>Statement of financial position</u>	<u>Notes</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
		<b>In Dominican pesos</b>	
Intangible assets, net . . . . .		2,083,854,439	2,211,688,949
Property, plant and equipment, net . . . . .		13,582,224,499	13,873,521,204
Other non-current assets . . . . .		54,553,673	55,133,105
Deferred tax assets . . . . .	5.4	1,689,177,934	1,622,149,160
<b>Total non-current assets . . . . .</b>		<b>17,409,810,545</b>	<b>17,762,492,418</b>
Inventories . . . . .		749,343,236	882,961,123
Trade receivables . . . . .	2.2	2,798,086,600	2,570,781,717
Other receivables . . . . .	2.3	1,658,008,675	629,454,718
Income tax receivable . . . . .	5.2	—	235,499,637
Prepaid expenses . . . . .		380,664,144	197,925,846
Cash and cash equivalents . . . . .		1,195,762,606	1,159,590,768
<b>Total current assets . . . . .</b>		<b>6,781,865,261</b>	<b>5,676,213,809</b>
<b>Total assets . . . . .</b>		<b>24,191,675,806</b>	<b>23,438,706,227</b>
Share capital . . . . .		5,800,000,000	5,800,000,000
Legal reserve . . . . .		580,000,000	580,000,000
Hyperinflation reserve . . . . .		1,680,984,200	1,680,984,200
Retained earnings . . . . .		9,268,872,610	8,182,305,384
<b>Total Shareholders' equity . . . . .</b>	<b>6</b>	<b>17,329,856,810</b>	<b>16,243,289,584</b>
Non-current liabilities . . . . .	4	675,411,098	644,675,778
<b>Total non-current liabilities . . . . .</b>		<b>675,411,098</b>	<b>644,675,778</b>
Trade payables . . . . .	3.4	3,654,539,431	4,138,024,612
Other current liabilities . . . . .	3.5	639,704,539	697,728,614
Deferred income . . . . .	2.4	1,621,475,503	1,714,987,638
Income tax payable . . . . .	5.2	270,688,424	—
<b>Total current liabilities . . . . .</b>		<b>6,186,407,898</b>	<b>6,550,740,864</b>
<b>Total equity and liabilities . . . . .</b>		<b>24,191,675,806</b>	<b>23,438,706,227</b>

## UNAUDITED INTERIM STATEMENT OF CASH FLOWS

<u>Statement of cash flows</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<b>In Dominican pesos</b>	
<b>Operating activities</b>		
Net income . . . . .	2,928,536,241	2,648,282,554
<i>Adjustments to reconcile net profit to cash provided by operating activities</i>		
Depreciation and amortization . . . . .	2,565,020,605	2,544,776,512
Gains (losses) on disposal . . . . .	—	761,266
Change in provisions (Litigations, dismantling and others) . . . . .	(46,242,738)	5,697,755
Income tax . . . . .	(67,028,774)	(315,110,931)
<i>Change in inventories, accounts receivable and payable</i>		
Decrease (increase) in inventories, net . . . . .	133,617,887	183,581,099
Decrease (increase) in trade receivables, net . . . . .	(227,304,883)	(57,402,854)
Decrease (increase) in other receivables, net . . . . .	(1,028,553,957)	(1,708,378,628)
Increase (decrease) in trade payables . . . . .	(470,104,195)	(1,282,314,308)
<i>Other changes in working capital requirements</i>		
Decrease (increase) in prepaid expenses . . . . .	(182,738,298)	(17,071,152)
Decrease (increase) in other non-current assets . . . . .	579,432	(841,696)
Decrease (increase) in other non-current liabilities . . . . .	23,766,156	11,704,639
Decrease (increase) in other current liabilities . . . . .	(58,024,074)	213,905,373
Deferred income . . . . .	(93,512,135)	(111,407,413)
Change in income tax receivable/payable . . . . .	506,188,061	558,593,269
<b>Net cash provided by operating activities . . . . .</b>	<b>3,984,199,326</b>	<b>2,674,775,484</b>
<b>Investing activities</b>		
Purchase of PPE and intangible assets . . . . .	(2,092,677,488)	(1,928,169,285)
<b>Net cash used in investing activities . . . . .</b>	<b>(2,092,677,488)</b>	<b>(1,928,169,285)</b>
<b>Financing activities</b>		
Dividends paid . . . . .	(1,855,350,000)	(1,137,080,000)
<b>Net cash used in financing activities . . . . .</b>	<b>(1,855,350,000)</b>	<b>(1,137,080,000)</b>
Net increase (decrease) in cash and cash equivalents . . . . .	36,171,837	(390,473,802)
Cash and cash equivalents—opening balance . . . . .	1,159,590,768	1,144,656,534
<b>Cash and cash equivalents—closing balance . . . . .</b>	<b>1,195,762,606</b>	<b>754,182,731</b>

## UNAUDITED STATEMENT OF CHANGE IN EQUITY

Statement of changes in equity	Capital	Legal Reserve	Hyperinflation reserve In Dominican pesos	Retained Earnings	Total
<b>Balance at 12/31/2012 .</b>	<b>5,800,000,000</b>	<b>580,000,000</b>	<b>1,680,984,200</b>	<b>8,182,305,384</b>	<b>16,243,289,584</b>
Net income . . . . .	—	—	—	2,928,536,241	2,928,536,241
Other comprehensive income . . . . .	—	—	—	—	—
<b>Total comprehensive income . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Dividends paid (note 9.3) . . . . .	—	—	—	(1,855,350,000)	(1,855,350,000)
Other movement . . . . .	—	—	—	13,380,986	13,380,986
Capital increase . . . . .	—	—	—	—	—
<b>Balance at 09/30/2013 .</b>	<b>5,800,000,000</b>	<b>580,000,000</b>	<b>1,680,984,200</b>	<b>9,268,872,610</b>	<b>17,329,856,810</b>

## Notes to the unaudited condensed interim standalone financial statements

### Note 1—Basis of preparation of the condensed interim standalone financial statements

This note describes the changes in accounting policies which were used by Orange Dominicana S.A. (hereafter called “ODO”) to prepare its condensed interim financial statements as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012 (the “Interim Financial Statements”). The financial statements as of December 31, 2012 and 2011 and for the two years then ended were audited by Deloitte & Associés and signed off on September 18, 2013 (the Financial Statements).

#### 1.1 Basis of presentation and purpose of the financial statements

The condensed financial statements and notes were prepared for the purpose of the disposal of ODO by the Orange Group.

The Interim Financial Statements were prepared in accordance with IAS 34 “Interim Financial Reporting”, as issued by the IASB.

The Interim Financial Statements were prepared using the same accounting policies as the Financial Statements, with the exception of the specific requirements of IAS 34 and the application of the new standards presented in note 1.4.

Where a specific transaction is not dealt with any standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- present fairly ODO’s financial position, financial performance and cash flows;
- reflect the economic substance of the transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

#### 1.2 Uses of estimates and judgment

In preparing ODO’s financial statements, ODO’s management is required to make estimates insofar as many elements included in the financial statements cannot be measured with precision. The underlying assumptions used for the main estimates are similar to those described in the Financial Statements. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at September 30, 2013 may subsequently be changed. ODO’s management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

#### 1.3 New standards and interpretations

- Standard applied from January 1, 2013

<u>Standard</u>		<u>Consequences for ODO</u>
IFRS 13	Fair Value Measurement	This standard is applicable prospectively and has no effect on the fair value currently measured by ODO:  The requirements provided by the standard have no effect on the measurements of the fair value of the Company’s financial assets and liabilities.

## Notes to the unaudited condensed interim standalone financial statements (Continued)

### Note 1—Basis of preparation of the condensed interim standalone financial statements (Continued)

- Interpretation issued but not earlier applied

<u>Standard</u>		<u>Consequences for ODO</u>
IFRIC 21	Levies	<p>The principal issue raised by this interpretation is about when an entity should recognise a liability to pay a levy imposed by government (other than income taxes).</p> <p>The application of this interpretation might impact the interim net income and its effects are currently being analyzed by ODO.</p> <p>This interpretation is applicable retrospectively from January 1, 2014.</p>

### Note 2—Sales

#### 2.1 Revenues

<u>Revenues</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<u>In thousand Dominican pesos</u>	
Mobile . . . . .	15,142,964	14,553,765
Wholesale . . . . .	1,365,315	1,236,343
Internet . . . . .	459,201	374,726
Equipment . . . . .	771,756	591,411
Other . . . . .	214,387	186,812
<b>Revenues</b> . . . . .	<b><u>17,953,623</u></b>	<b><u>16,943,057</u></b>

#### 2.2 Trade receivables

<u>Trade receivables</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<u>In Dominican pesos</u>	
Customers (gross) . . . . .	3,266,636,847	3,058,316,537
Provision for doubtful accounts . . . . .	(468,550,247)	(487,534,820)
<b>Customers (net of provision)</b> . . . . .	<b><u>2,798,086,600</u></b>	<b><u>2,570,781,717</u></b>

#### 2.3 Other receivables

<u>Other receivables</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<u>In Dominican pesos</u>	
Advances to suppliers . . . . .	185,844,522	296,156,659
VAT . . . . .	136,103,685	158,393,560
Cash pooling—current account . . . . .	1,320,953,268	135,623,414
Others . . . . .	15,107,200	39,281,085
<b>Total</b> . . . . .	<b><u>1,658,008,675</u></b>	<b><u>629,454,718</u></b>



**Notes to the unaudited condensed interim standalone financial statements (Continued)**

**Note 2—Sales (Continued)**

**2.4 Deferred income**

<u>Deferred income</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<b>In Dominican pesos</b>	
Prepaid telephone cards . . . . .	898,858,666	768,069,643
Loyalty program . . . . .	511,072,839	511,072,839
Monthly fee . . . . .	114,583,592	130,045,686
Handsets . . . . .	89,708,698	237,384,310
Sim & Kit and other deferred income . . . . .	7,251,708	68,415,159
<b>Total . . . . .</b>	<b><u>1,621,475,503</u></b>	<b><u>1,714,987,638</u></b>

**Note 3—Purchases and other expenses**

**3.1 Cost of equipment sold**

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

<u>Cost of equipment sold</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<b>In Dominican pesos</b>	
Handsets . . . . .	2,016,771,981	1,920,113,769
SIM cards . . . . .	84,803,957	99,664,291
Import duties and freight costs . . . . .	95,389,394	85,955,075
Other (phone cards, accessories) . . . . .	36,148,347	37,136,642
<b>Total . . . . .</b>	<b><u>2,233,113,679</u></b>	<b><u>2,142,869,777</u></b>

**3.2 Selling, distribution and traffic costs**

<u>Selling, distribution and traffic costs</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<b>In Dominican pesos</b>	
Selling and distribution costs . . . . .	1,655,106,345	1,659,834,246
National voice mobile terminations . . . . .	1,340,220,824	1,342,292,409
National voice fixed line terminations . . . . .	129,579,046	145,237,567
International terminations . . . . .	372,397,291	366,537,604
Data terminations (SMS) . . . . .	175,845,298	176,539,347
International roaming . . . . .	59,495,541	57,510,340
LDB . . . . .	841,620,155	602,020,596
Other . . . . .	60,381,407	47,916,298
<b>Total . . . . .</b>	<b><u>4,634,645,907</u></b>	<b><u>4,397,888,405</u></b>

**Notes to the unaudited condensed interim standalone financial statements (Continued)**

**Note 3—Purchases and other expenses (Continued)**

**3.3 Others**

<u>Other costs and income</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<b>In Dominican pesos</b>	
Disposal of fixed assets . . . . .	1,210,715	4,478,401
Cost recovery . . . . .	2,816,613	6,330,051
Other operating income . . . . .	144,644,683	95,941,218
Other income . . . . .	148,672,011	106,749,670
Purchase of services . . . . .	(349,875,305)	(327,533,002)
Electricity . . . . .	(166,434,360)	(147,669,887)
Gas . . . . .	(210,472,642)	(174,103,954)
Network energy . . . . .	(376,907,002)	(321,773,841)
Consulting, contractors & prof. serv. . . . .	(189,576,002)	(228,709,264)
Bad debt expense . . . . .	(163,196,881)	(149,045,074)
IT expenses . . . . .	(129,538,136)	(131,518,941)
Temporary staff/interim net <sup>(a)</sup> . . . . .	(55,059,865)	(58,282,361)
Purchases of supplies . . . . .	(99,737,121)	(101,767,006)
Operating tax . . . . .	(36,813,171)	(119,244,964)
Security . . . . .	(67,814,720)	(66,430,751)
Spectrum fees . . . . .	(63,744,900)	(56,462,353)
Storage costs . . . . .	(55,541,061)	(50,346,727)
Travels . . . . .	(18,917,142)	(27,762,142)
Other operating provision . . . . .	30,133,591	24,434,113
Other . . . . .	(330,859,095)	(354,867,500)
Other . . . . .	(506,743,327)	(531,435,360)
<b>Total</b> . . . . .	<b><u>(1,758,774,800)</u></b>	<b><u>(1,862,560,142)</u></b>

(a) The temporary labor expenses attributable to the network development are net of costs capitalized.

**3.4 Trade payables**

<u>Trade payables</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<b>In Dominican pesos</b>	
Fixed assets and operating suppliers . . . . .	2,590,346,613	3,044,652,663
Related companies . . . . .	368,786,370	314,449,212
Distributors (dealers) . . . . .	207,869,622	229,265,172
Merchandises suppliers . . . . .	445,068,152	540,481,470
Others . . . . .	42,468,675	9,176,095
<b>Total</b> . . . . .	<b><u>3,654,539,431</u></b>	<b><u>4,138,024,612</u></b>

**3.5 Other current liabilities**

<u>Other current liabilities</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<b>In Dominican pesos</b>	
Taxes and VAT . . . . .	377,696,434	455,803,544
Staff bonuses . . . . .	155,458,438	213,293,577
Vacations and other . . . . .	106,549,667	28,631,492
<b>Total</b> . . . . .	<b><u>639,704,539</u></b>	<b><u>697,728,614</u></b>

Notes to the unaudited condensed interim standalone financial statements (Continued)

Note 3—Purchases and other expenses (Continued)

3.6 Intangible assets, property, plant and equipment

Intangible assets	September 2013					2012
	Frequencies	Software licenses & IRU	Right of use corporate solutions	Total		
	In Dominican pesos					
Gross value (opening balance) . . . . .	1,192,676,947	4,094,656,073	132,852,964	5,420,185,983	4,782,110,363	
Acquisitions . . . . .	—	322,654,772	17,796,570	340,451,342	696,046,488	
Disposals . . . . .	—	(9,204,595)	—	(9,204,595)	(14,352,199)	
Reallocations . . . . .	(1,213,414)	(81,669,305)	—	(82,882,719)	(43,618,668)	
<b>Gross value (closing balance) . . . . .</b>	<b>1,191,463,533</b>	<b>4,326,436,945</b>	<b>150,649,534</b>	<b>5,668,550,011</b>	<b>5,420,185,983</b>	
Depreciation (opening balance) . . . . .	(593,324,201)	(2,525,276,116)	(89,896,717)	(3,208,497,034)	(2,534,475,883)	
Depreciation expense . . . . .	(94,331,958)	(388,527,353)	(15,416,067)	(498,275,378)	(688,373,350)	
Disposals . . . . .	—	9,204,595	—	9,204,595	14,352,199	
Reallocation . . . . .	1,213,414	111,658,831	—	112,872,245	—	
<b>Depreciation (closing balance) . . . . .</b>	<b>(686,442,745)</b>	<b>(2,792,940,043)</b>	<b>(105,312,784)</b>	<b>(3,584,695,572)</b>	<b>(3,208,497,035)</b>	
<b>Net total value . . . . .</b>	<b>505,020,788</b>	<b>1,533,496,902</b>	<b>45,336,750</b>	<b>2,083,854,439</b>	<b>2,211,688,949</b>	

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 70.

Plant, property and equipment	September 2013						2012
	Lands	Buildings	Network and transition equipment	IT infrastructure	Others	Total	
	In Dominican pesos						
Gross value (opening balance) . . . . .	158,783,979	1,720,670,474	25,760,775,864	2,159,692,072	188,739,491	29,988,661,879	27,229,194,068
Acquisitions . . . . .	—	108,198,102	1,416,882,031	217,768,184	9,377,828	1,752,226,145	2,941,068,823
Disposals . . . . .	—	—	(7,195,915)	(4,462,842)	(12,556)	(11,671,313)	(91,446,590)
Reallocations . . . . .	17,803,154	(88,563,081)	(1,197,562,201)	(122,953,656)	(3,800,390)	(1,395,076,174)	(90,154,421)
<b>Gross value (closing balance) . . . . .</b>	<b>176,587,133</b>	<b>1,740,305,495</b>	<b>25,972,899,780</b>	<b>2,250,043,758</b>	<b>194,304,373</b>	<b>30,334,140,538</b>	<b>29,988,661,879</b>
Depreciation (opening balance) . . . . .	—	(814,069,448)	(13,670,410,515)	(1,529,631,424)	(101,029,288)	(16,115,140,675)	(13,384,994,371)
Depreciation expense . . . . .	—	(157,040,625)	(1,708,852,847)	(189,288,219)	(11,563,537)	(2,066,745,228)	(2,820,831,628)
Disposals . . . . .	—	—	7,195,915	4,462,842	12,556	11,671,313	90,685,324
Reallocation . . . . .	—	70,811,451	1,220,784,576	122,953,656	3,748,865	1,418,298,548	—
<b>Depreciation (closing balance) . . . . .</b>	<b>—</b>	<b>(900,298,622)</b>	<b>(14,151,282,871)</b>	<b>(1,591,503,145)</b>	<b>(108,831,404)</b>	<b>(16,751,916,042)</b>	<b>(16,115,140,675)</b>
<b>Net total value . . . . .</b>	<b>176,587,133</b>	<b>840,006,873</b>	<b>11,821,616,909</b>	<b>658,540,613</b>	<b>85,472,969</b>	<b>13,582,224,497</b>	<b>13,873,521,205</b>

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 1,461.

Note 4—Non-current liabilities

Non-current liabilities	30 September 2013	31 December 2012
	In Dominican pesos	
Customer deposit . . . . .	214,017,203	203,084,345
Provisions . . . . .	301,104,336	343,923,698
ARO provisions . . . . .	160,289,559	97,667,735
<b>Total . . . . .</b>	<b>675,411,098</b>	<b>644,675,778</b>

## Notes to the unaudited condensed interim standalone financial statements (Continued)

### Note 5—Income tax

The computation of the income tax for these Interim Financial Statements is similar the one used for the Financial Statements.

#### 5.1 Income tax charge

<u>Income tax</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<u>In Dominican pesos</u>	
Current income tax . . . . .	1,248,913,501	1,103,276,284
Deferred income tax . . . . .	(67,028,773)	(278,722,960)
Dividends credits . . . . .	—	(136,102,753)
Tax credit from Law 57-2007 incentives . . . . .	(24,158,469)	(10,375,358)
<b>Total</b> . . . . .	<b><u>1,157,726,259</u></b>	<b><u>678,075,214</u></b>

#### 5.2 Income tax receivable/liability

<u>Income tax</u>	<u>30 September 2013</u>	<u>31 December 2012</u>
	<u>In Dominican pesos</u>	
Advances of the period . . . . .	681,466,294	497,442,249
Prior year tax credit carry forward . . . . .	272,600,314	796,762,816
Tax credit from Law 57-2007 incentives . . . . .	24,158,469	10,387,949
Credit arising from dividends withholdings . . . . .	—	329,753,087
Current tax provision . . . . .	(1,248,913,501)	(1,398,846,464)
<b>Total</b> . . . . .	<b><u>(270,688,424)</u></b>	<b><u>235,499,637</u></b>

#### 5.3 Tax proof

<u>Tax proof</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
	<u>In Dominican pesos</u>	
Profit before income tax . . . . .	4,086,262,499	3,326,357,767
29% Income tax rate on profit before income tax . . . . .	1,185,016,125	964,643,752
<b>Tax effect of:</b>		
Dividends credits . . . . .	—	(136,102,753)
Impact of assets annual reevaluation for tax purpose (inflation) . . .	(128,930,555)	(219,374,058)
Effect of change in tax rate on deferred income tax . . . . .	(15,965,873)	—
Adjustment to current tax of prior year . . . . .	(9,418,271)	27,326,457
Other . . . . .	127,024,833	41,581,815
<b>Effective income tax</b> . . . . .	<b><u>1,157,726,259</u></b>	<b><u>678,075,213</u></b>
Effective tax rate . . . . .	28.3%	20.4%

## Notes to the unaudited condensed interim standalone financial statements (Continued)

### Note 5—Income tax (Continued)

#### 5.4 Deferred income tax

Deferred income tax	30 September 2013		31 December 2012	
	Balance Sheet	Income Statement	Balance Sheet	Income Statement
	In Dominican pesos			
Provision for loyalty Program . . . . .	127,351,697	10,637,970	137,989,667	15,151,457
Depreciable fixed assets . . . . .	1,169,040,910	(68,145,177)	1,100,895,733	(257,394,884)
Provision for bad debts . . . . .	133,391,795	14,442,118	147,833,913	(14,097,955)
Provision inventory obsolescence . .	26,712,489	(4,911,040)	21,801,449	(774,224)
Other provisions . . . . .	324,773,833	561,173	325,335,006	(77,268,838)
Vacations and incentives provision .	8,945,746	765,535	9,711,281	1,119,279
Deferred revenues/cost . . . . .	1,813,896	64,782	1,878,678	(10,349,938)
Exchange difference . . . . .	—	—	—	1,554,733
Deferred tax assets . . . . .	1,792,030,365	(46,584,638)	1,745,445,727	(342,060,370)
<b>Deferred tax liabilities</b>				
Exchange difference . . . . .	(5,315,111)	4,347,991	(967,120)	—
Effect of IAS 29 adjustment . . . . .	(97,537,320)	(24,792,127)	(122,329,447)	9,559,672
Deferred tax liabilities . . . . .	(102,852,431)	(20,444,135)	(123,296,566)	9,559,671
<b>Net deferred tax</b> . . . . .	<b>1,689,177,934</b>	<b>(67,028,773)</b>	<b>1,622,149,161</b>	<b>(332,500,699)</b>

### Note 6—Equity

#### 6.1 Share capital

At September 30, 2013, based on the number of issued shares at that date, ODO's share capital amounted to RD\$5,800,000,000, comprising 58,000,000 shares with a par value of RD\$100 each.

#### 6.2 Legal reserve

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to be used to pay dividends.

#### 6.3 Dividends

ODO's shareholders meeting approved the payment of dividends in May 2013 for a total amount of RD\$1,855,350,000.

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity (accounted for as a reduction of equity in accordance with IAS 12—Income Tax). This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period.

### Note 7—Litigation and unrecognized contractual commitments

#### 7.1 Litigation

As of September 30, 2013, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

No significant litigation has occurred since December 31, 2012.

**Notes to the unaudited condensed interim standalone financial statements (Continued)**

**Note 7—Litigation and unrecognized contractual commitments (Continued)**

**7.2 Unrecognized contractual commitments**

No event has significantly impacted the unrecognized contractual commitments since December 31, 2012.

**Note 8—Subsequent events**

None.

# **ORANGE DOMINICANA, S.A.**

## **Standalone Financial Statements**

**As of and for the two years ended December 31, 2012**

**ORANGE DOMINICANA, S.A.**  
**Standalone Financial Statements**  
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## INDEPENDENT AUDITORS' REPORT

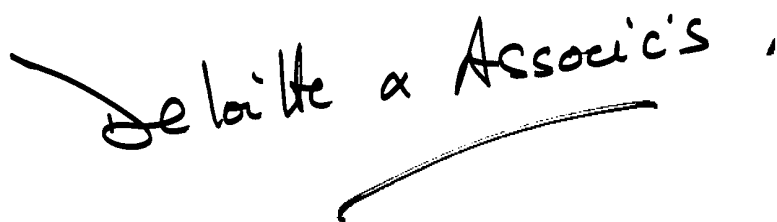
To the Board of Directors and Shareholders of Orange Dominicana

We have audited the accompanying balance sheets of Orange Dominicana (the "Company") as of December 31, 2012 and 2011, and the related statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards ("IFRS") as issued by the IASB.

DELOITTE & ASSOCIÉS

A handwritten signature in black ink that reads "Deloitte & Associés". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Neuilly-sur-Seine, France  
September 18, 2013

Société anonyme au capital de 1 723 040 €  
Société d'Expertise Comptable inscrite au Tableau de l'Ordre du Conseil Régional de Paris Ile-de-France  
Société de Commissaires aux Comptes, membre de la Compagnie régionale de Versailles  
572 028 041 RCS Nanterre  
TVA : FR 02 572 028 041

Member of Deloitte Touche Tohmatsu Limited

## INCOME STATEMENT

<u>Income statement</u>	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>In Dominican pesos</u>	
<b>Revenues</b> . . . . .	3.1	<b>22,754,373,505</b>	<b>22,183,989,151</b>
Cost of equipment sold . . . . .	4.1	(3,000,109,167)	(3,370,231,069)
Selling, distribution and traffic costs . . . . .	4.2	(5,861,191,549)	(5,899,205,178)
Advertising and sponsoring costs . . . . .		(937,385,613)	(1,053,899,861)
Offices and technical sites costs . . . . .		(563,689,755)	(467,358,296)
Labor expenses . . . . .	5	(1,174,728,970)	(1,061,299,445)
Corporate fees . . . . .		(582,695,613)	(580,165,980)
Maintenance costs . . . . .		(331,814,892)	(304,579,553)
Other costs and income . . . . .	4.3	(2,572,513,250)	(1,975,054,438)
Depreciation and amortization . . . . .	6.1/6.2	(3,509,204,978)	(3,354,660,775)
Total costs and operating expenses . . . . .		<u>(18,533,333,788)</u>	<u>(18,066,454,595)</u>
<b>Operating income</b> . . . . .		<b>4,221,039,717</b>	<b>4,117,534,556</b>
Bank commissions . . . . .		(70,778,482)	(65,901,033)
Interest income . . . . .		36,522,740	64,620,300
Foreign currency exchange gains (losses) . . . . .		69,838,887	16,776,620
Other . . . . .		(20,423,571)	—
Non-operating income (expenses) . . . . .		<u>15,159,574</u>	<u>15,495,887</u>
<b>Profit before income tax</b> . . . . .		<b>4,236,199,291</b>	<b>4,133,030,443</b>
Income tax . . . . .	7.1	(789,931,748)	(7,803,044)
<b>Net income</b> . . . . .		<b>3,446,267,543</b>	<b>4,125,227,399</b>
Other comprehensive income . . . . .		—	—
<b>Total comprehensive income for the year</b> . . . . .		<u><b>3,446,267,543</b></u>	<u><b>4,125,227,399</b></u>

## STATEMENT OF FINANCIAL POSITION

<u>Statement of financial position</u>	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>In Dominican pesos</u>	
Intangible assets, net . . . . .	6.1	2,211,688,949	2,247,634,479
Property, plant and equipment, net . . . . .	6.2	13,873,521,204	13,844,199,696
Other non-current assets . . . . .		55,133,105	53,018,958
Deferred tax assets . . . . .	7.4	1,622, 149,160	1,289,648,460
<b>Total non-current assets . . . . .</b>		<b>17,762,492,418</b>	<b>17,434,501,593</b>
Inventories . . . . .	4.4	882,961,123	987,614,178
Trade receivables . . . . .	3.2	2,570,781,717	2,511,763,302
Other receivables . . . . .	3.3	629,454,718	626,817,254
Income tax receivable . . . . .	7.3	235,499,637	860,477,397
Prepaid expenses . . . . .		197,925,846	223,324,321
Cash and cash equivalents . . . . .	8	1,159,590,768	1,144,656,534
<b>Total current assets . . . . .</b>		<b>5,676,213,809</b>	<b>6,354,652,985</b>
<b>Total assets . . . . .</b>		<b>23,438,706,227</b>	<b>23,789,154,578</b>
Share capital . . . . .		5,800,000,000	1,752,869,800
Legal reserve . . . . .		580,000,000	175,286,980
Hyperinflation reserve . . . . .		1,680,984,200	1,680,984,200
Retained earnings . . . . .		8,182,305,384	12,532,661,061
<b>Total Shareholders' equity . . . . .</b>	<b>9</b>	<b>16,243,289,584</b>	<b>16,141,802,041</b>
Non-current liabilities . . . . .	6.3	644,675,778	618,016,036
<b>Total non-current liabilities . . . . .</b>		<b>644,675,778</b>	<b>618,016,036</b>
Trade payables . . . . .	4.5	4,138,024,612	4,621,399,985
Other current liabilities . . . . .	4.6	697,728,614	734,596,096
Deferred income . . . . .	3.4	1,714,987,638	1,673,340,422
<b>Total current liabilities . . . . .</b>		<b>6,550, 740,864</b>	<b>7,029,336,502</b>
<b>Total equity and liabilities . . . . .</b>		<b>23,438,706,227</b>	<b>23,789,154,578</b>

## STATEMENT OF CASH FLOWS

Statement of cash flows	2012	2011
	In Dominican pesos	
<b>Operating activities</b>		
Net income . . . . .	3,446,267,543	4,125,227,399
<i>Adjustments to reconcile net profit to cash provided by operating activities</i>		
Depreciation and amortization . . . . .	3,509,204,978	3,354,660,775
Gains (losses) on disposal . . . . .	761,266	—
Change in provisions (Litigations, dismantling and others) . . . . .	67,719,013	(279,430,828)
Income tax . . . . .	(332,500,700)	(413,429,415)
<i>Change in inventories, accounts receivable and payable</i>		
Decrease (increase) in inventories, net . . . . .	104,653,055	259,796,748
Decrease (increase) in trade receivables, net . . . . .	(59,018,415)	124,215,885
Decrease (increase) in other receivables, net . . . . .	(2,637,465)	493,004,912
Increase (decrease) in trade payables . . . . .	(483,375,372)	152,067,437
<i>Other changes in working capital requirements</i>		
Decrease (increase) in prepaid expenses . . . . .	25,398,475	(56,936,423)
Decrease (increase) in other non-current assets . . . . .	(2,114,147)	(29,302,650)
Decrease (increase) in other non-current liabilities . . . . .	8,419,337	53,480,630
Decrease (increase) in other current liabilities . . . . .	47,427,001	103,636,112
Deferred income . . . . .	41,647,217	(59,088,382)
Income tax paid . . . . .	624,977,760	(369,650,775)
<b>Net cash provided by operating activities . . . . .</b>	<b>6,996,829,544</b>	<b>7,458,251,424</b>
<b>Investing activities</b>		
Purchase of PPE and intangible assets . . . . .	(3,637,115,310)	(3,702,125,212)
<b>Net cash used in investing activities . . . . .</b>	<b>(3,637,115,310)</b>	<b>(3,702,125,212)</b>
<b>Financing activities</b>		
Dividends paid . . . . .	(3,344,780,000)	(3,252,300,000)
<b>Net cash used in financing activities . . . . .</b>	<b>(3,344,780,000)</b>	<b>(3,252,300,000)</b>
Net increase (decrease) in cash and cash equivalents . . . . .	14,934,234	503,826,212
Cash and cash equivalents—opening balance . . . . .	1,144,656,534	640,830,322
<b>Cash and cash equivalents—closing balance . . . . .</b>	<b>1,159,590,768</b>	<b>1,144,656,534</b>

## STATEMENTS OF CHANGE IN EQUITY

Statements of changes in equity	Capital	Legal Reserve	Hyperinflation reserve In Dominican pesos	Retained Earnings	Total
<b>Balance at 12/31/2010 .</b>	<b>1,752,869,800</b>	<b>175,286,980</b>	<b>1,680,984,200</b>	<b>11,659,733,662</b>	<b>15,268,874,642</b>
Net income . . . . .	—	—	—	4,125,227,399	4,125,227,399
Other comprehensive income . . . . .	—	—	—	—	—
<b>Total comprehensive income . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,125,227,399</b>	<b>4,125,227,399</b>
Dividends paid (note 9.3) . . . . .	—	—	—	(3,252,300,000)	(3,252,300,000)
<b>Balance at 12/31/2011 .</b>	<b>1,752,869,800</b>	<b>175,286,980</b>	<b>1,680,984,200</b>	<b>12,532,661,061</b>	<b>16,141,802,041</b>
Net income . . . . .	—	—	—	3,446,267,543	3,446,267,543
Other comprehensive income . . . . .	—	—	—	—	—
<b>Total comprehensive income . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,446,267,543</b>	<b>3,446,267,543</b>
Dividends paid (note 9.3) . . . . .	—	—	—	(3,344,780,000)	(3,344,780,000)
Transfer to legal reserve . . . . .	—	404,713,020	—	(404,713,020)	—
Capital increase . . . . .	4,047,130,200	—	—	(4,047,130,200)	—
<b>Balance at 12/31/2012 .</b>	<b>5,800,000,000</b>	<b>580,000,000</b>	<b>1,680,984,200</b>	<b>8,182,305,384</b>	<b>16,243,289,584</b>

## Notes to the standalone financial statements

### Note 1—Description of business and basis of preparation of the standalone financial statements

#### 1.1 Description of business

Orange Dominicana, S.A. (hereafter called “ODO”), a company incorporated in accordance with the Dominican Republic laws, began operations on November 13 2000. ODO is an indirectly wholly-owned subsidiary of Orange S.A., a French listed company.

ODO operates under a service concession agreement for the operation of telecommunications services.

ODO provides consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission and other value added services.

#### 1.2 Basis of presentation and purpose of the financial statements

These financial statements have been prepared in the context of the proposed sale of ODO by its sole shareholder and for use in any offering documents relating to securities that may be offered by ODO.

They have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The principles applied to prepare financial data are based on:

- all standards and interpretations compulsory as of December 31, 2012;
- the recognition and measurement alternatives allowed by the IFRSs:

<u>Standard</u>		<u>Alternative used</u>
IAS 2	Inventories	Measurement of inventories determined by the weighted average unit cost method
IAS 16	Property, Plant and Equipment	Measurement at amortized historical cost
IAS 38	Intangible Assets	Measurement at amortized historical cost

- the available exemptions regarding the retrospective application of IFRSs at the transition date (January 1, 2004 for ODO):

<u>Standard</u>		<u>IFRS 1 alternative used</u>
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	Measurement of property, plant and equipment and intangible assets at historical cost

In the absence of any accounting standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- present fairly the ODO’s financial position, financial performance and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

#### 1.3 Standards and interpretations compulsory after December 31, 2012 with no early application elected by ODO

IFRS 13—Fair value measurement—defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in IFRS 7. This standard is applicable prospectively and has no expected effect on the fair value currently measured by ODO.

## Notes to the standalone financial statements (Continued)

### Note 1—Description of business and basis of preparation of the standalone financial statements (Continued)

#### 1.4 Use of estimates and judgment

In preparing ODO's financial statements, the management makes estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at December 31, 2012 may subsequently be changed.

ODO's management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

<u>Estimate</u>		<u>Nature of estimate</u>
Note 3.1	Revenue	Identification of separable components of a bundled offer based on the individual components relative fair value Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship Reporting of revenue on a net versus gross basis (depending on an analysis of the ODO's involvement as either principal or agent)
Note 4	Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement
Note 6	Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments
Note 7	Income tax	Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions  Assumptions used for recognition of deferred tax assets arising

### Note 2—Accounting policies

#### 2.1 Financial statements preparation principle

##### Presentation

##### Income statement

Expenses are presented in the income statement based on their nature.

Operating income corresponds to net income before:

- finance income;
- finance costs;
- income tax (current and deferred taxes).

##### Statement of financial position

Current and non-current items are presented separately in the statement of financial position: assets and liabilities with a term of no more than twelve months are classified as current whereas, assets and liabilities with a term of more than twelve months are classified as noncurrent.

## Notes to the standalone financial statements (Continued)

### Note 2—Accounting policies (Continued)

#### Statement of cash flows

The statement of cash flows is reported using the indirect method starting with the net income and is broken down into three categories:

- cash flows arising from operating activities (including finance costs and income taxes);
- cash flows arising from investing activities (mainly purchase and disposal of intangible and tangible assets);
- cash flows arising from financing activities (dividends paid).

#### Foreign operations

The financial statements are expressed in Dominican pesos.

Monetary assets and liabilities in foreign currency are translated into Dominican pesos at the year-end exchange rate at the end of each reporting period and the resulting translation differences are recorded in:

- in operating income for commercial transactions;
- in finance income or finance costs for financial transactions.

Foreign operations are recorded on initial recognition at the spot exchange rate at the date of the transaction.

### 2.2 Revenues

#### Revenues

Revenues from ODO's activities are recognized as follows:

#### Separable components of bundled offers

Certain service offers include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

For the sale of multiple products or services, ODO evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a standalone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises when selling bundled offers that include a handset sold at a discounted price and a telecommunications service contract. The handset is considered to have value on a standalone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunications service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

For offers that cannot be separated into identifiable components, revenues are recognized in full over the life of the contract. The main example is connection to the service: this does not represent a separately identifiable transaction from the subscription and communications, and connection fees are therefore recognized over the average expected life of the contractual relationship.



## Notes to the standalone financial statements (Continued)

### Note 2—Accounting policies (Continued)

#### Equipment sales

Revenues from mobile sales are recognized when the significant risks and rewards of ownership are transferred to the buyer.

When equipment—associated to the subscription of telecommunication services—is sold by a third party retailer who purchases it from ODO and receives a commission for signing up the customer, the related revenue is:

- recognized when the equipment is sold to the end-customer;
- measured by ODO taking into account the best estimate of the retail price and any subsidies granted to the retailer at the time of the sale and passed on to the end-customer in the form of a rebate on the equipment

#### Service revenues

Considerations from telephone service are recognized in revenue on a straight-line basis over the subscription period.

Revenue for airtime usage and messaging by customers is recognized as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

#### Loyalty programs

Points awarded to customers are treated as a separable component to be delivered in the transaction that triggered the acquisition of points. Part of the invoiced revenue is allocated to these points based on their fair value taking into account an estimated utilization rate, and deferred until the date at which the points are definitively converted into benefits. Fair value is defined as the excess price over the sales incentive that would be granted to any new customer. This principle is applied for both types of loyalty programs that exist within ODO, those with and those without a contractual renewal obligation.

#### Trade receivables

The trade receivables are mainly short-term, bearing no interest rate and measured at original invoice amount.

The valuation allowance on trade receivables is determined as follows:

- for mobile telephone services: the allowance is computed based on expected loss rates depending upon their aging. These rates are reviewed and adjusted periodically. When a client is determined to be in bankruptcy or subject to equivalent judicial proceedings, the associated receivables are then excluded from the statistical database and individually written-off;
- for dealers, wholesalers, interconnection (local and roaming) and carriers: the impairment loss is determined on a case by case analysis based on the ODO's experience.

### 2.3 Purchases and operating expenses

#### Subscriber acquisition and retention costs

Subscriber acquisition and retention costs, other than loyalty programs costs, are recognized as an expense for the period in which they are incurred.

#### Advertising and sponsoring costs

Advertising, promotion, sponsoring, communications and brand marketing costs are expensed as incurred.

## Notes to the standalone financial statements (Continued)

### Note 2—Accounting policies (Continued)

#### Inventories

The inventories comprise mainly mobile handsets either located in ODO's premises or at distributors until the customer service activation.

The inventories are stated at the lower of cost or net realizable value taking into account expected revenues from the sales of mobile phones. Cost corresponds to purchase cost determined using the weighted average cost method.

#### Trade payables

Payables are recorded at their nominal value

#### Provisions and contingent liabilities

##### Provisions

In the ordinary course of business, ODO is involved in certain legal and arbitration proceedings and administrative actions.

The costs which may result from these proceedings are accrued when ODO has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of that liability can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

##### Contingent liabilities

Contingent liabilities are:

- possible obligations that are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within ODO's control; or
- present obligations arising from past events that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

#### 2.4 Employee benefits

Labor costs are expensed as incurred including social costs contributed by the Company in accordance with the law 87-01.

Employees are not provided with postemployment benefits.

#### 2.5 Intangible assets, property, plant and equipment

##### Intangible assets

Intangible assets comprise mainly licenses for software and international telecommunication, frequency rights and Indefeasible Rights of Use (IRUs).

IRUs acquired by ODO correspond to the right to use cable or capacity transmission cable granted for a fixed period. They are recognized as an asset when ODO has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life.

##### Property, plant and equipment

Property, plant and equipment comprised mainly network equipment.

## Notes to the standalone financial statements (Continued)

### Note 2—Accounting policies (Continued)

The gross value of tangible assets corresponds to their acquisition or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Due to 2004 and 2005 hyperinflation in Dominican Republic, ODO restated its 2004 and 2005 financial statements applying IAS 29 Financial Reporting in Hyperinflationary Economies and adjusted consequently the gross value of assets with the corresponding balance within Shareholders' equity (i.e. Hyperinflation reserve).

The cost of networks includes design and construction costs. Maintenance and repair costs are expensed as incurred, except where they increase the asset's productivity or extend its useful life.

### Depreciation

Assets are depreciated, generally with no residual value, on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. The straight-line basis is usually applied. The useful lives are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates: these changes in accounting estimates are recognized prospectively.

<u>Main assets categories</u>	<u>Useful life</u> (in years)
Licences . . . . .	3–5
Frequencies . . . . .	10–15
IRU (Indefeasible rights of use) . . . . .	10–15
Buildings . . . . .	30
Antennas and technical equipment (sites) . . . . .	8–28
Other technical equipment . . . . .	3–8
Office material and software . . . . .	3–5
Office furniture and equipment . . . . .	5–10
Leasehold improvements . . . . .	10

### Dismantling

ODO is required to dismantle equipment and restore sites.

The provision is based on dismantling costs (on a per-unit basis for telephone poles, terminals and public phones, and on a per-site basis for mobile antennae) incurred by ODO to meet its environmental commitments and annual estimated asset dismantling and site restorations. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and adjusted where appropriate against the asset to which it relates.

### 2.6 Income tax

Current tax is measured by ODO at the amount expected to be paid or recovered from the taxation authorities, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognized for all temporary differences between the book values of assets and liabilities and their tax basis, using the liability method. Deferred tax assets are recognized only when their recovery is considered probable.

Deferred tax assets and liabilities are not discounted.

At reporting period end, ODO reviews the recoverable amount of the deferred tax assets.

In accordance with these principles, ODO calculates the tax assets, liabilities and accruals recognized in the statement of financial position based on the technical merits of the positions it defends versus that of the tax authorities.

## Notes to the standalone financial statements (Continued)

### Note 2—Accounting policies (Continued)

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the assets will be realized and the liabilities settled on the basis of tax rates in force or substantially in force at the period end.

#### 2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks as well as short-term investments with an original maturity of three months or less from the date of acquisition.

### Note 3—Sales

#### 3.1 Revenues

<u>Revenues</u>	<u>2012</u>	<u>2011</u>
	<u>In thousand Dominican pesos</u>	
Mobile . . . . .	19,436,051	18,820,409
Wholesale . . . . .	1,662,446	1,729,426
Internet . . . . .	507,036	351,824
Equipment . . . . .	866,134	977,656
Other . . . . .	282,707	304,674
<b>Revenues . . . . .</b>	<b><u>22,754,374</u></b>	<b><u>22,183,989</u></b>

#### 3.2 Trade receivables

<u>Trade receivables</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Customers (gross) . . . . .	3,058,316,537	2,966,998,426
Provision for doubtful accounts . . . . .	(487,534,820)	(455,235,124)
<b>Customers (net of provision) . . . . .</b>	<b><u>2,570,781,717</u></b>	<b><u>2,511,763,302</u></b>

The aging balance of gross trade receivables is as follows:

<u>Customers (gross)</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Not due or less than 30 days . . . . .	1,884,738,022	1,698,317,346
Between 30 and 60 days . . . . .	654,176,575	744,877,784
Between 60 and 90 days . . . . .	181,345,679	208,275,360
More than 90 days . . . . .	338,056,261	315,527,936
<b>Revenues . . . . .</b>	<b><u>3,058,316,537</u></b>	<b><u>2,966,998,426</u></b>

#### 3.3 Other receivables

<u>Other receivables</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Advances to suppliers . . . . .	296,156,659	367,033,548
VAT . . . . .	158,393,560	183,553,810
Cash pooling—current account . . . . .	135,623,414	33,157,227
Others . . . . .	39,281,085	43,072,668
<b>Total . . . . .</b>	<b><u>629,454,718</u></b>	<b><u>626,817,253</u></b>

## Notes to the standalone financial statements (Continued)

### Note 3—Sales (Continued)

#### 3.4 Deferred income

<u>Deferred income</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Prepaid telephone cards . . . . .	768,069,643	798,076,352
Loyalty program . . . . .	511,072,839	528,072,839
Monthly fee . . . . .	130,045,686	156,357,506
Handsets . . . . .	237,384,310	129,344,806
Sim & Kit . . . . .	68,415,159	61,488,918
<b>Total . . . . .</b>	<b><u>1,714,987,638</u></b>	<b><u>1,673,340,422</u></b>

### Note 4—Purchases and other expenses

#### 4.1 Cost of equipment sold

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

<u>Cost of equipment sold</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Terminals . . . . .	2,691,685,132	2,995,259,870
SIM cards . . . . .	134,380,975	160,659,833
Import duties and freight costs . . . . .	123,264,823	135,181,721
Phone cards . . . . .	50,750,362	73,841,184
Accessories . . . . .	(168,291)	5,293,548
Other . . . . .	196,166	(5,088)
<b>Total . . . . .</b>	<b><u>3,000,109,167</u></b>	<b><u>3,370,231,069</u></b>

#### 4.2 Selling, distribution and traffic costs

<u>Selling, distribution and traffic costs</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Selling and distribution costs . . . . .	2,181,628,470	2,279,184,762
National voice mobile terminations . . . . .	1,766,511,266	1,835,171,015
National voice fixed line terminations . . . . .	222,273,638	182,577,887
International terminations . . . . .	497,571,059	467,727,888
Data terminations (SMS) . . . . .	215,589,932	219,120,848
International roaming . . . . .	76,658,280	95,913,747
Other . . . . .	900,958,905	819,509,031
<b>Total . . . . .</b>	<b><u>5,861,191,549</u></b>	<b><u>5,899,205,178</u></b>

## Notes to the standalone financial statements (Continued)

### Note 4—Purchases and other expenses (Continued)

#### 4.3 Others

<u>Other costs and income</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Other income . . . . .	127,281,750	197,485,171
Purchase of services . . . . .	(453,543,414)	(381,759,212)
Network energy . . . . .	(432,777,929)	(380,859,081)
Consulting, contractors & prof. serv. . . . .	(309,892,025)	(300,352,526)
Bad debt expense . . . . .	(212,931,032)	(150,677,752)
IT expenses . . . . .	(178,198,199)	(154,500,762)
Temporary staff/interim net <sup>(a)</sup> . . . . .	(78,477,569)	(97,732,906)
Purchases of supplies . . . . .	(137,730,818)	(126,324,827)
Operating tax . . . . .	(137,062,235)	(143,214,269)
Other . . . . .	(759,181,779)	(437,118,274)
<b>Total</b> . . . . .	<b><u>(2,572,513,250)</u></b>	<b><u>(1,975,054,438)</u></b>

(a) The temporary labor expenses attributable to the network development are net of costs capitalized (RD\$ 71,335,720 and RD\$ 41,264,818, respectively for 2012 and 2011).

#### 4.4 Inventories

<u>Inventories (net)</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
ODO's warehouse . . . . .	572,890,663	752,394,474
ODO's distributors (dealers) . . . . .	310,070,460	235,219,703
<b>Total</b> . . . . .	<b><u>882,961,123</u></b>	<b><u>987,614,178</u></b>

#### 4.5 Trade payables

<u>Trade payable</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Fixed assets and operating suppliers . . . . .	3,044,652,663	2,714,255,359
Merchandises suppliers . . . . .	540,481,470	720,110,475
Related companies (see note 11) . . . . .	314,449,212	506,839,042
Distributors (dealers) . . . . .	229,265,172	316,863,286
Others . . . . .	9,176,095	363,331,823
<b>Total</b> . . . . .	<b><u>4,138,024,612</u></b>	<b><u>4,621,399,985</u></b>

#### 4.6 Other current liabilities

<u>Other current liabilities</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Taxes and VAT . . . . .	455,803,544	509,329,982
Staff bonuses . . . . .	213,293,577	203,296,978
Vacations and other . . . . .	28,631,492	21,969,136
<b>Total</b> . . . . .	<b><u>697,728,613</u></b>	<b><u>734,596,096</u></b>

## Notes to the standalone financial statements (Continued)

### Note 5—Labor expenses

Labor expenses	2012	2011
	In Dominican pesos	
Salaries and wages . . . . .	758,861,075	663,868,224
Employee profit sharing . . . . .	167,749,604	163,120,309
Social contribution . . . . .	143,296,628	131,902,106
Other . . . . .	104,821,663	102,408,807
<b>Total</b> . . . . .	<b>1,174,728,970</b>	<b>1,061,299,445</b>

The labor expenses attributable to the network development have been capitalized in 2012 and 2011, for RD\$266,039,069 and RD\$292,084,111 respectively.

### Note 6—Intangible assets, property, plant and equipment

#### 6.1 Intangible assets

Intangible assets	2012				2011
	Frequencies	Software licenses & IRU	Right of use corporate solutions	Total	
	In Dominican pesos				
Gross value (opening balance) . . . . .	1,188,849,360	3,480,175,483	113,085,520	4,782,110,363	4,080,480,827
Acquisitions . . . . .	3,827,587	672,451,456	19,767,444	696,046,488	703,448,586
Disposals . . . . .	—	(14,352,199)	—	(14,352,199)	(1,149,249)
Reallocations . . . . .	—	(43,618,668)	—	(43,618,668)	(669,801)
<b>Gross value (closing balance)</b> . . . . .	<b>1,192,676,947</b>	<b>4,094,656,073</b>	<b>132,852,964</b>	<b>5,420,185,983</b>	<b>4,782,110,363</b>
Depreciation (opening balance) . . . . .	(485,284,295)	(1,993,330,005)	(55,861,583)	(2,534,475,883)	(1,847,464,480)
Depreciation expense . . . . .	(108,039,906)	(546,298,310)	(34,035,134)	(688,373,350)	(688,279,238)
Disposals . . . . .	—	14,352,199	—	14,352,199	1,149,249
Reallocation . . . . .	—	—	—	—	118,585
<b>Depreciation (closing balance)</b> . . . . .	<b>(593,324,201)</b>	<b>(2,525,276,116)</b>	<b>(89,896,717)</b>	<b>(3,208,497,035)</b>	<b>(2,534,475,883)</b>
<b>Net total value</b> . . . . .	<b>599,352,746</b>	<b>1,569,379,956</b>	<b>42,956,247</b>	<b>2,211,688,949</b>	<b>2,247,634,479</b>

#### 6.2 Plant, property and equipment

Plant, property and equipment	2012						2012
	Lands	Buildings	Network and transition equipment	IT infrastructure	Others	Total	
	In Dominican pesos						
Gross value (opening balance) . . . . .	157,705,194	1,532,467,464	23,526,966,922	1,847,467,428	164,587,060	27,229,194,068	24,207,301,424
Acquisition . . . . .	1,078,785	190,743,505	2,385,800,052	339,294,050	24,152,431	2,941,068,823	2,998,676,625
Disposals . . . . .	—	(2,540,496)	(66,541,612)	(22,364,483)	—	(91,446,590)	(105,763,769)
Reallocations . . . . .	—	—	(85,449,498)	(4,704,924)	—	(90,154,421)	128,979,787
<b>Gross value (closing balance)</b> . . . . .	<b>158,783,979</b>	<b>1,720,670,474</b>	<b>25,760,775,864</b>	<b>2,159,692,072</b>	<b>188,739,491</b>	<b>29,988,661,879</b>	<b>27,229,194,067</b>
Depreciation (opening balance) . . . . .	—	(625,395,394)	(11,358,045,050)	(1,323,052,269)	(78,501,658)	(13,384,994,371)	(10,810,256,183)
Depreciation expense . . . . .	—	(191,184,156)	(2,378,353,041)	(228,766,800)	(22,527,631)	(2,820,831,628)	(2,666,381,537)
Disposals . . . . .	—	2,510,103	65,987,577	22,187,645	—	90,685,324	105,763,769
Reallocation . . . . .	—	—	—	—	—	—	(14,120,420)
<b>Depreciation (closing balance)</b> . . . . .	<b>—</b>	<b>(814,069,448)</b>	<b>(13,670,410,515)</b>	<b>(1,529,631,424)</b>	<b>(101,029,288)</b>	<b>(16,115,140,675)</b>	<b>(13,384,994,371)</b>
<b>Net total value</b> . . . . .	<b>158,783,979</b>	<b>906,601,026</b>	<b>12,090,365,349</b>	<b>630,060,648</b>	<b>87,710,203</b>	<b>13,873,521,205</b>	<b>13,844,199,696</b>

**Notes to the standalone financial statements (Continued)**

**Note 6—Intangible assets, property, plant and equipment (Continued)**

**6.3 Non-current liabilities**

<u>Non-current liabilities</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Customer deposit . . . . .	203,084,345	215,088,579
Provisions . . . . .	343,923,698	273,004,686
ARO provisions . . . . .	97,667,735	129,922,770
<b>Total . . . . .</b>	<b><u>644,675,778</u></b>	<b><u>618,016,036</u></b>

**Note 7—Income tax**

**7.1 Income tax charge**

<u>Income tax</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Current income tax . . . . .	1,462,560,893	1,306,410,817
Deferred income tax . . . . .	(332,500,700)	(413,429,415)
Dividends credits . . . . .	(329,753,087)	(874,803,000)
Tax credit from Law 97-2007 incentives . . . . .	(10,375,358)	(10,375,358)
<b>Total . . . . .</b>	<b><u>789,931,748</u></b>	<b><u>7,803,044</u></b>

**7.2 Tax proof**

<u>Tax proof</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Profit before income tax . . . . .	4,236,199,291	4,133,030,444
29% Income tax rate on profit before income tax . . . . .	1,228,497,795	1,198,578,829
<b>Tax effect of:</b>		
Dividends credits . . . . .	(329,753,087)	(874,803,000)
Impact of assets annual reevaluation for tax purpose (inflation) . . . . .	(168,732,345)	(251,895,805)
Effect of change in tax rate on deferred income tax . . . . .	(46,475,938)	(54,323,859)
Adjustment to current tax of prior year . . . . .	63,714,428	2,124,401
Other . . . . .	42,680,895	(11,877,522)
<b>Effective income tax . . . . .</b>	<b><u>789,931,748</u></b>	<b><u>7,803,044</u></b>
Effective tax rate . . . . .	18.6%	0.2%

**7.3 Income tax receivable**

<u>Income tax</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
Advances of the period . . . . .	497,442,249	1,281,709,849
Prior year tax credit carry forward . . . . .	796,762,816	—
Tax credit from Law 97-2007 incentives . . . . .	10,387,949	10,375,358
Credit arising from dividends withholdings . . . . .	329,753,087	874,803,000
Adjustment to previous year tax . . . . .	—	(2,124,401)
Current tax provision . . . . .	(1,398,846,464)	(1,304,031,071)
Others . . . . .	—	(255,338)
<b>Total . . . . .</b>	<b><u>235,499,637</u></b>	<b><u>860,477,397</u></b>



## Notes to the standalone financial statements (Continued)

### Note 7—Income tax (Continued)

#### 7.4 Deferred income tax

Deferred income tax	2012		2011	
	Balance Sheet	Income Statement	Balance Sheet	Income Statement
	In Dominican pesos			
Provision for loyalty Program . . . . .	137,989,667	15,151,457	153,141,122	(30,813,196)
Depreciable fixed assets . . . . .	1,100,895,733	(257,394,884)	843,500,849	(268,181,067)
Provision for bad debts . . . . .	147,833,913	(14,097,955)	133,735,958	(27,675,400)
Provision inventory obsolescence . . . . .	21,801,449	(774,224)	21,027,225	10,120,454
Other provisions . . . . .	325,335,006	(77,268,838)	248,066,168	(66,175,285)
Vacations and incentives provision . . . . .	9,711,281	1,119,279	10,830,560	(3,751,988)
Deferred revenues/cost . . . . .	1,878,678	(10,349,938)		
Exchange difference . . . . .	—	1,554,733	587,613	(587,613)
Deferred tax assets . . . . .	1,745,445,727	(342,060,370)	1,410,889,495	(387,064,095)
<b>Deferred tax liabilities</b>				
Exchange difference . . . . .	(967,120)	—	—	(471,817)
Deferred revenues/costs . . . . .	—	—	(8,471,260)	(2,582,493)
Effect of IAS29 adjustment . . . . .	(122,329,447)	9,559,672	(112,769,775)	(23,311,010)
Deferred tax liabilities . . . . .	(123,296,566)	9,559,672	(121,241,035)	(26,365,320)
<b>Net deferred tax . . . . .</b>	<b>1,622,149,160</b>	<b>(332,500,699)</b>	<b>1,289,648,460</b>	<b>(413,429,415)</b>

The Law No.309-12 was enacted on December 7, 2012, with the objective of granting the possibility of a tax amnesty to tax payers regarding the following taxes: income tax, value added tax, asset tax, transfer tax, inheritance tax, property taxes and customs taxes. The main benefits of the tax amnesty include closing fiscal periods up to 2011 for tax audit purposes; waive of penalties regarding existing tax liabilities, including those appealed by the tax payer. Orange did not apply for the tax amnesty.

### Note 8—Cash and cash equivalents

Cash and cash equivalents	2012	2011
	In Dominican pesos	
Cash on hand . . . . .	944,811	1,901,350
Cash at banks . . . . .	1,158,645,957	1,142,755,184
<b>Total . . . . .</b>	<b>1,159,590,768</b>	<b>1,144,656,534</b>

### Note 9—Equity

#### 9.1 Share capital

The shareholders' meeting decided the conversion of the retained earnings into share capital on December 19, 2012. The share capital therefore, increased by 38,000,000 shares, and is now made of 58,000,000 shares each at a par value of RD\$100. There are no outstanding shares as of December 31, 2012.

#### 9.2 Legal reserve

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to use to pay dividends.

#### 9.3 Dividends

ODO's shareholders meeting approved the payment of dividends in April, September and November 2012 for a total amount of RD\$469,320,000; 667,760,000 and RD\$2,207,700,000 respectively.

## Notes to the standalone financial statements (Continued)

### Note 9—Equity (Continued)

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity. This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period. The dividends paid in April and September 2012 were taxed under the former regime.

### Note 10—Foreign currency

ODO is exposed to foreign exchange risk due both to its revenues and purchases denominated in US dollars and euros. As a consequence, these foreign operations have a direct effect on the operating, finance income and the trade receivables and payables.

<u>Breakdown by currency</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
<b>Revenues</b>		
DOP . . . . .	16,471,989,318	15,771,264,887
EUR . . . . .	265,314,558	310,906,548
USD . . . . .	6,017,069,386	6,101,817,717
Multi currencies (Gas & Electricity) . . . . .	242	—
<b>Total</b> . . . . .	<b>22,754,373,505</b>	<b>22,183,989,151</b>
<b>Operating expenses</b>		
DOP . . . . .	(5,829,181,877)	(5,296,843,738)
EUR . . . . .	(1,077,968,440)	(1,095,284,532)
USD . . . . .	(7,581,584,880)	(7,842,386,587)
Multi currencies (Gas & Electricity) . . . . .	(535,393,613)	(477,278,963)
<b>Total</b> . . . . .	<b>(15,024,128,810)</b>	<b>(14,711,793,820)</b>
<b>Capex</b>		
DOP . . . . .	(1,533,906,442)	(1,714,898,981)
EUR . . . . .	(901,068,402)	(683,153,573)
USD . . . . .	(1,202,140,466)	(1,304,072,658)
<b>Total</b> . . . . .	<b>(3,637,115,310)</b>	<b>(3,702,125,212)</b>

## Notes to the standalone financial statements (Continued)

### Note 11—Related parties transactions

ODO's financial position and income statement elements with Orange SA and its subsidiaries is detailed below:

<u>Related parties transactions</u>	<u>2012</u>	<u>2011</u>
	<u>In Dominican pesos</u>	
<b>Statement of financial position</b>		
Accounts receivable . . . . .	29,223,556	32,674,022
Cash pooling—current account <sup>(a)</sup> . . . . .	135,623,414	33,157,227
Accounts payable . . . . .	(314,449,212)	(506,839,042)
<b>Income statement</b>		
Revenue (Traffic, interconnection and other income) . . . . .	218,902,968	161,468,498
Selling, distribution and traffic costs . . . . .	(66,186,205)	(67,159,342)
Brand fees <sup>(b)</sup> . . . . .	(351,549,524)	(336,388,654)
Corporate management fees <sup>(c)</sup> . . . . .	(231,146,089)	(243,777,326)
General maintenance and services . . . . .	(9,896,989)	(8,221,594)
Other operating expenses, net . . . . .	(102,414,970)	(100,489,891)
Other operating income . . . . .	12,636,008	—

(a) In February 2009, Orange SA and ODO signed a centralized treasury management agreement (CTMA). Orange S.A. thus optimizes the Group liquidity. ODO lends or borrows its cash surplus/needs through a current account with Orange SA. The cash pooling accounts bear interest which is calculated on a daily balance and on a daily basis using:

- for the EUR account: EONIA rate for a credit balance and EONIA plus 2.15% margin for a debit balance
- for the USD account: LIBOR Overnight rate for a credit balance and LIBOR Overnight plus 2.15% margin for a debit balance

(b) The utilization of the Orange brand name is defined in a brand license agreement signed with Orange Group and costs a 1.6% fee of the ODO's monthly operating revenue.

(c) Management fees are determined in accordance with an agreement signed with Orange SA and are charged using a 1.03% on the monthly contributive operational revenue in 2012.

### Note 12—Unrecognized contractual commitments

#### 12.1 Leasing commitments

<u>Rental commitments by year of expiration</u>	<u>&lt; 1 year</u>	<u>1–5 years</u>	<u>over 5 years</u>	<u>Total</u>
	<u>In Dominican pesos</u>			
<b>Total . . . . .</b>	<b>474,094,831</b>	<b>1,100,473,583</b>	<b>400,133,861</b>	<b>1,974,702,275</b>

The Company enters into operating lease agreements in its ordinary course of business (mainly commercial offices and antennas sites).

#### 12.2 Other purchase and investment commitments

<u>Other purchase and investment commitments</u>	<u>2012</u>
	<u>In Dominican pesos</u>
Other opex commitments . . . . .	458,756,888
Cap ex commitments . . . . .	965,744,919
Handset purchase commitments . . . . .	631,578,716

- Other opex commitment are relating to marketing, network, gas distribution and civil engineering.
- Capital expenditures mainly related to network projects.

## Notes to the standalone financial statements (Continued)

### **Note 13—Litigation**

As of December 31, 2012, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

### **Note 14—Subsequent events**

None.

**CABOVISÃO—TELEVISÃO POR CABO, S.A.**

**Financial Statements**

**For the Period of 2 Months Ended in February 29, 2012**

**CABOVISÃO—Televisão por Cabo, S.A.**  
**BALANCE SHEET DATA**

<u>Thousand Euros</u>	<u>Feb 29, 2012</u>
<b>ASSETS</b>	
Cash and Cash equivalents . . . . .	9,016
Restricted cash . . . . .	876
Trade receivables . . . . .	4,647
Other receivables . . . . .	3,580
Inventories . . . . .	
<b>Total current assets</b> . . . . .	<b>18,119</b>
Long-term trade receivables . . . . .	
Investment in financial assets available for sale . . . . .	
Other long-term receivables . . . . .	
Fixed assets . . . . .	30,085
Intangible assets . . . . .	
Goodwill . . . . .	
Deferred taxes . . . . .	
<b>Total non-current assets</b> . . . . .	<b>30,085</b>
<b>TOTAL ASSETS</b> . . . . .	<b>48,204</b>
<b>EQUITY AND LIABILITIES</b>	
Credit from banking corporations and debentures . . . . .	
Trade payables . . . . .	18,844
Other payables . . . . .	14,435
Short -term loans from related parties . . . . .	
Provision for legal claims . . . . .	5,056
<b>Total current liabilities</b> . . . . .	<b>38,245</b>
Loans from banking corporations and debentures . . . . .	0
Long-term loans from related parties . . . . .	
Other long-term liabilities . . . . .	
Advances received from the terminal equipment Installation . . . . .	
Employee benefit liabilities . . . . .	
Deferred Taxes . . . . .	
<b>Total non-current liabilities</b> . . . . .	<b>0</b>
Share capital . . . . .	30,000
Share premium . . . . .	496,840
Treasury shares . . . . .	
Principal from share-based payment . . . . .	
Capital reserve from available for sale financial asset . . . . .	
Accumulated profit(loss) . . . . .	- 516,881
<b>Total equity</b> . . . . .	<b>9,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b> . . . . .	<b>48,204</b>

**CABOVISÃO—Televisão por Cabo, S.A.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA**

	<u>2 months ended Feb 29, 2012</u>
<b>Revenue</b>	
<b>Telecom</b> .....	<b>8,862</b>
<i>Internet</i> .....	4,629
<i>Telefony</i> .....	4,233
Cable television .....	10,750
Other .....	149
Adjustments(3) .....	0
<b>Total revenue</b> .....	<b>19,761</b>
<b>Expenses</b>	
Depreciation and amortization .....	792
Operating expenses .....	13,240
Sales and marketing expenses .....	2,412
Administrative and general expenses .....	1,407
Other expenses (income), net and network set up expenses .....	424 0
Operating income .....	<u>1,485</u>
Financing income .....	13
Financing expenses .....	1
<b>Income before taxes on income</b> .....	<b>1,499</b>
Taxes on income .....	97
<b>Net income (loss)</b> .....	<b>1,402</b>
Other comprehensive loss (after tax effect) .....	0
Loss on available for sale financial asset .....	0
<b>Total comprehensive income (loss)</b> .....	<b><u>1,402</u></b>

**CABOVISÃO, Televisão por Cabo, S.A**

<u>Values in Thousand</u>	<u>Feb 29, 2012 (2 months)</u>
<b>Revenues</b> . . . . .	<b>19,761</b>
Other operating expenses . . . . .	13,375
General and administrative expenses . . . . .	1,407
Other sales and marketing expenses . . . . .	2,412
<b>EBITDA</b> . . . . .	<b>2,567</b>
Depreciation and amortization . . . . .	792
Other (revenues)/expenses, net . . . . .	289
Management fees . . . . .	0
Reorganization and extraordinary costs . . . . .	0
<b>Operating profit</b> . . . . .	<b>1,485</b>
Financing income . . . . .	13
Financing expenses . . . . .	1
<b>Profit before taxes on revenue</b> . . . . .	<b>1,499</b>
Taxes on revenue . . . . .	97
<b>Net income</b> . . . . .	<b>1,402</b>
<b>Other comprehensive loss/income</b> . . . . .	<b>0</b>
<b>Total Comprehensive income</b> . . . . .	<b>1,402</b>



**CABOVISÃO—Televisão por Cabo, S.A.**

**CASH FLOW**

	<u>2 Months</u> <u>February 29, 2012</u>
<b>Cash Flow from Current Activities</b>	
<b>Net income</b> .....	<b>1,403</b>
<i>Adjustments required to present cash flows from current activities:</i>	
Depreciation and amortization .....	792
Gain on disposal of fixed assets .....	
Taxes on income, net .....	
Change in employee benefit liabilities, net .....	
Linkage differentials on bonds .....	
Revaluation of other long term liabilities .....	
Cost of share based payment .....	
Financing and other expenses, net .....	_____
<i>Change in asset and liability items</i>	
Increase in trade receivables .....	1,124
Increase in other receivable and long-term receivables .....	(2,140)
Increase in subscription acquisition costs .....	
Prepaid expenses paid to marketers .....	
Decrease (increase) in inventories .....	
Decrease (increase) in non-current trade receivable .....	
Increase in trade liabilities .....	4,442
Increase (decrease) in other payables .....	(1,021)
Increase (decrease) in provision for legal claims .....	
Increase(decrease) in other long term liabilities .....	
Increase (decrease) in income in advance from the installation of terminal equipment, net .....	_____
<i>Cash paid and received over the course of the year for:</i>	
<b>Net cash from current operations</b> .....	<b><u>4,600</u></b>

**LIMITED REVIEW REPORT****(Amounts expressed in thousand Euros—t Euros)****Introduction**

1. We have reviewed the financial statements (“Financial Data”) of Cabovisão—Televisão por Cabo, S.A. (“the Company”), that includes a balance sheet as of February 29, 2012, that show total assets of 48,204 t Euros and total equity of 9,959 t Euros, including a profit of 1,402 t Euros, the statements of income by nature and the cash flows statement for the period of two months then ended.

**Responsibilities**

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations and the cash flows, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to issue a limited review report based on our review of the financial statements.

**Scope**

3. We conducted our review in accordance with the Technical Rules and Directives of Review and Audits, issued by the Portuguese Body of Statutory Auditors applicable to Reviews, which require that we plan and perform the review to obtain a moderate level of assurance whether the financial statements are free from material misstatements. Our review mainly included i) inquires and analytical procedures to assess the appropriateness of the assertions included in the financial information and of the accounting policies used, taking into consideration the circumstances and its consistency between years, the going concern principle and disclosures made by the Board of Directors, as well as assessing the overall presentation of the financial statements, and ii) substantive tests to the noncurrent and extraordinary relevant transactions. Accordingly, our review gives less assurance than an audit and, consequently, we are not in a position to express an audit opinion.

**Reserve**

4. In 2011, the Company recorded an impairment of its fixed assets of, approximately, 141,664 t Euros, corresponding to the net book value of the network. In May 2012, and following a change in the ownership of the Company’s share capital, the impairment referred to above was reviewed. Taking into consideration the Company considered that there was not sufficient rational for the impairment recorded in 2011, it was totally reversed and the Company recorded a gain in the statement of income of that period. Consequently, as of February 29, 2012, the assets are understated by approximately 119,000 t Euros and the accumulated losses and the profit and loss for the period of two months then ended are overstated by approximately 124,000 t Euros and 5 t Euros, respectively.

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## Opinion

5. Based on the work performed, which was executed to obtain a moderate level of assurance, except for the matter described in paragraph 4, nothing came to our attention that makes us to believe that the financial statements of Cabovisão—Televisão por Cabo, S.A. as of February 29, 2012, referred in paragraph 1, are not free of material misstatements that affect its conformity with the International Financial Reporting Standards.

## Emphases

6. As of February 29, 2012, the financial statements show accumulated losses amounting to, approximately 516,881 t Euros, in part as a result of the significant depreciations and impairments related to the network. In addition, although as of that date, current assets are lower than current liabilities, it is the Company's Board of Directors understanding that the future operations will generate sufficient cash to cover the Company's liabilities and continue to develop its regular operations.
7. The financial statements referred in paragraph 1, were prepared for the purpose of preparation of pro forma accounts at Altice VII level and, accordingly, does not comply in format and content with the requirements applicable to a complete set of financial statements, namely do not include a statement of changes in equity nor the related notes to the financial statements. Our limited review report could be not appropriate for other uses and should not be disclosed for other purposes.

Lisbon, 14<sup>th</sup> October 2013

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BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.  
Represented by Paulo Jorge Duarte Gil Galvão André

# **CABOVISÃO—TELEVISÃO POR CABO, S.A.**

## **Financial Statements**

**For the Period Ended in December 31, 2011  
(12 Months)**

**CABOVISÃO—Televisão por Cabo, S.A.**  
**BALANCE SHEET DATA**

<u>Thousand Euros</u>	<u>December 31, 2011</u>
<b>ASSETS</b>	
Cash and Cash equivalents . . . . .	8,060
Restricted cash . . . . .	0
Trade receivables . . . . .	5,771
Other receivables . . . . .	1,440
Inventories . . . . .	
<b>Total current assets</b> . . . . .	<u><b>15,271</b></u>
Long-term trade receivables . . . . .	
Investment in financial assets . . . . .	
Other long-term receivables . . . . .	
Fixed assets . . . . .	28,109
Intangible assets . . . . .	
Goodwill . . . . .	
Deferred taxes . . . . .	
<b>Total non-current assets</b> . . . . .	<u><b>28,109</b></u>
<b>TOTAL ASSETS</b> . . . . .	<u><u><b>43,380</b></u></u>
<b>EQUITY AND LIABILITIES</b>	
Credit from banking corporations and debentures . . . . .	
Trade payables . . . . .	14,402
Other payables . . . . .	15,366
Short-term loans from related parties . . . . .	
Provision for legal claims . . . . .	5,056
<b>Total current liabilities</b> . . . . .	<u><b>34,824</b></u>
Loans from banking corporations and debentures . . . . .	
Long-term loans from related parties . . . . .	
Other long-term liabilities . . . . .	
Advances received from the terminal equipment Installation . . . . .	
Employee benefit liabilities . . . . .	
Deferred Taxes . . . . .	
<b>Total non-current liabilities</b> . . . . .	<u><b>0</b></u>
Share capital . . . . .	30,000
Share premium . . . . .	496,840
Treasury shares . . . . .	
Principal from share-based payment . . . . .	
Capital reserve from available for sale financial asset . . . . .	
Accumulated profit (loss) . . . . .	– 518,284
<b>Total equity</b> . . . . .	<u><b>8,556</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b> . . . . .	<u><u><b>43,380</b></u></u>

**CABOVISÃO—Televisão por Cabo, S.A.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA**

	<u>For Year ended December 31, 2011</u>
<b>Revenue</b>	
<b>Telecom</b> .....	<b>54,960</b>
<i>Internet</i> .....	29,788
<i>Telefony</i> .....	25,173
Cable television .....	67,531
Other .....	893
Adjustments(3) .....	
<b>Total revenue</b> .....	<b>123,384</b>
<b>Expenses</b>	
Depreciation and amortization .....	157,583
Operating expenses .....	74,958
Sales and marketing expenses .....	12,772
Administrative and general expenses .....	18,405
Other expenses (income), net and network set up expenses .....	154
Operating income .....	- 140,488
Financing income .....	110
Financing expenses .....	- 3,738
<b>Income before taxes on income</b> .....	<b>- 144,116</b>
Taxes on income .....	100
<b>Net income (loss)</b> .....	<b>- 144,215</b>
Other comprehensive loss (after tax effect) .....	
Loss on available for sale financial asset .....	
<b>Total comprehensive income (loss)</b> .....	<b>- 144,215</b>

**CABOVISÃO—Televisão por Cabo, S.A**

<u>Values in Thousand</u>	<u>December 31, 2011</u>
<b>Revenues</b> . . . . .	<b>123,384</b>
Other operating expenses . . . . .	75,390
General and administrative expenses . . . . .	17,734
Other sales and marketing expenses . . . . .	12,772
<b>EBITDA</b> . . . . .	<b>17,488</b>
Depreciation and amortization . . . . .	157,583
Other (revenues)/expenses, net . . . . .	0
Management fees . . . . .	671
Reorganization . . . . .	-278
<b>Operating profit</b> . . . . .	<b>- 140,488</b>
Financing income . . . . .	110
Financing expenses . . . . .	-3,738
<b>Profit before taxes on revenue</b> . . . . .	<b>- 144,115</b>
Taxes on revenue . . . . .	100
<b>Net income</b> . . . . .	<b>- 144,215</b>
<b>Other comprehensive loss/income</b> . . . . .	<b>0</b>
<b>Total Comprehensive income</b> . . . . .	<b>- 144,215</b>

**CABOVISÃO—Televisão por Cabo, S.A.**  
**CASH FLOW**

Thousand euros	Y2011 December 31, 2011
<b>Cash Flow from Current Activities</b>	
<b>Net income</b> .....	<b>(144,215)</b>
<i>Adjustments required to present cash flows from current activities:</i>	
Depreciation and amortization .....	157,583
Gain on disposal of fixed assets .....	
Taxes on income, net .....	
Change in employee benefit liabilities, net .....	
Linkage differentials on bonds .....	
Revaluation of other long term liabilities .....	
Cost of share based payment .....	
Financing and other expenses, net .....	_____
<i>Change in asset and liability items</i>	
Increase in trade receivables .....	637
Increase in other receivable and long-term receivables .....	266
Increase in subscription acquisition costs .....	
Prepaid expenses paid to marketers .....	
Decrease (increase) in inventories .....	
Decrease (increase) in non-current trade receivable .....	
Increase in trade liabilities .....	4,768
Increase (decrease) in other payables .....	(5,110)
Increase (decrease) in provision for legal claims .....	(190)
Increase(decrease) in other long term liabilities .....	
Increase (decrease) in income in advance from the installation of terminal equipment, net .....	_____
<i>Cash paid and received over the course of the year for:</i>	
<b>Net cash from current operations</b> .....	<b><u>13,739</u></b>



**CABOVISÃO—Televisão por Cabo, S.A.**

**CASH FLOW**

	Y2011 December 31, 2011
<b>Net cash from current operations</b> .....	<u>13,739</u>
<b>Cash Flow from Investment Activities</b>	
Purchase of newly consolidated subsidiary .....	
Acquisition of fixed assets and intangible assets .....	(19,379)
Proceeds from the disposal of fixed assets .....	
Repayment (investment) in restricted cash, net .....	
<b>Net cash used in investment activities</b> .....	<u>(19,379)</u>
<b>Cash Flow from Financing Activities</b>	
Short-term credit from financial institutions, net .....	
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds .....	
Receipt of loan from a related party .....	
Receipt of short-term loan from a related party .....	
Receipt of long-term loans from financial institutions .....	
Increase in other long-term liabilities .....	
Repayment of bond loan .....	
Issuance of share capital .....	
Dividend for shareholders in the Company .....	
Repayment of accessory contributions .....	
<b>Net cash used in financing Activities</b> .....	<u>          </u>
<b>Increase (decrease) in cash and cash equivalents</b> .....	<u>(5,640)</u>
Balance of cash and cash equivalents at the beginning of the year .....	13,700
Balance of cash and cash equivalents at the end of the year .....	8,060

## **AUDIT REPORT**

### **(Amounts expressed in thousand Euros—t Euros)**

#### **Introduction**

1. We have audited the financial statements (“Financial Data”) of Cabovisão—Televisão por Cabo, S.A. (“the Company”), that includes a balance sheet as of December 31, 2011, that shows total assets of 43,380 t Euros and total equity of 8,556 t Euros, including a loss of 144,215 t Euros and the statements of income by nature and of cash flows for the year then ended.

#### **Responsibilities**

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, and the cash flows, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to express an opinion on those financial statements based on our audit.

#### **Scope**

3. We conducted our audit in accordance with the Technical Rules and Directives of Audits issued by the Portuguese Body of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The audit involved performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements and the evaluation of the estimates made by the Board of Directors, used in its preparation. The audit also included the assessment as to the appropriateness of the accounting policies and accounting estimates used and disclosures 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.

#### **Reserve**

4. During the year ended December 31, 2011, the Company recorded an impairment of its tangible fixed assets of approximately, 141,664 t Euros, corresponding to the net book value of the network. In May 2012, and following a change in the ownership of the Company’s share capital, the impairment referred to above was reviewed. Taking into consideration that the Company considered that there was not sufficient rational for the impairment recorded in 2011, it was totally reversed. Consequently, as of 31 December 2011 the asset is understated by approximately 125,664 t Euros and the loss for the year then ended is overstated by the same amount.

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## **Opinion**

5. In our opinion, except for the effect of the matter described in paragraph 4, the financial statements referred in paragraph 1, give a true and fair view in all material respects, of the financial position of Cabovisão—Televisão por Cabo, S.A. as of December 31, 2011, and the results of its operations and cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

## **Emphasis**

6. As of December 31, 2011, the financial statements shows accumulated losses amounting to, approximately 518,284 t Euros, in part as a result of the significant depreciations related with the network. In addition, as of that date, current assets are lower than current liabilities, being the Company's Board of Directors understanding that the future operations will generate sufficient cash to cover the Company's liabilities and to continue to develop its regular operations.
7. The financial statements referred in paragraph 1, were prepared for Altice Group purposes and, accordingly does not comply in format and content with the requirements applicable to a complete set of financial statements, namely does not include comparative information related to December 31, 2010, nor a complete set of disclosures. Our audit opinion on these financial statements ("Financial Data") could be not appropriate for other uses and should not be disclosed for other purposes.

Lisbon, 21 November 2013

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BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.  
Represented by Paulo Jorge Duarte Gil Galvão André

# **WINREASON, S.A.**

**Pro Forma Consolidated Financial Statements  
as of and for the twelve months periods ended December 31, 2012  
and 2011**

**WINREASON, S.A.**  
**PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2012 AND 2011**  
**(Amounts stated in Euros)**

	<u>31 December 2012</u>	<u>31 December 2011</u>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Tangible fixed assets . . . . .	57,210,974	62,445,553
Intangible assets . . . . .	10,546,598	12,991,000
<b>Total non-current assets</b> . . . . .	<u>67,757,572</u>	<u>75,436,553</u>
CURRENT ASSETS:		
Inventories . . . . .	1,786,911	1,746,254
Accounts receivable from customers . . . . .	21,029,188	24,779,236
Advances to suppliers . . . . .	666,082	1,270,684
Current income tax assets . . . . .	409,369	372,225
Other current assets . . . . .	6,985,429	9,881,045
Deferrals . . . . .	2,343,722	4,632,161
Cash and cash equivalents . . . . .	2,117,749	3,445,782
<b>Total current assets</b> . . . . .	<u>35,338,450</u>	<u>46,127,387</u>
<b>Total assets</b> . . . . .	<u>103,096,022</u>	<u>121,563,940</u>
<b>EQUITY AND LIABILITIES</b>		
EQUITY:		
Share capital . . . . .	12,000,000	12,000,000
Own shares . . . . .	(50,000)	—
Other equity instruments . . . . .	57,740,676	57,740,676
Other changes in equity . . . . .	(2,286,028)	(1,044,453)
Accumulated losses . . . . .	(100,117,417)	(88,152,140)
	<u>(32,712,769)</u>	<u>(19,455,917)</u>
Consolidated net loss for the period . . . . .	(19,573,413)	(12,138,466)
<b>Equity attributable to the shareholders of the parent company</b>	<u>(52,286,182)</u>	<u>(31,594,383)</u>
Equity attributable to non-controlling interests . . . . .	364,902	423,678
<b>Total equity</b> . . . . .	<u>(51,921,280)</u>	<u>(31,170,705)</u>
LIABILITIES:		
NON-CURRENT LIABILITIES:		
Provisions . . . . .	854,005	1,173,005
Loans . . . . .	—	42,644,461
Other non-current liabilities . . . . .	8,780,399	11,197,155
<b>Total non-current liabilities</b> . . . . .	<u>9,634,404</u>	<u>55,014,621</u>
CURRENT LIABILITIES:		
Suppliers . . . . .	21,936,637	21,881,380
Loans . . . . .	46,066,072	5,484,932
Shareholders . . . . .	48,677,862	41,056,583
Other taxes . . . . .	1,320,787	501,880
Other current liabilities . . . . .	26,425,088	27,443,322
Deferrals . . . . .	956,452	1,351,927
<b>Total current liabilities</b> . . . . .	<u>145,382,898</u>	<u>97,720,024</u>
<b>Total liabilities</b> . . . . .	<u>155,017,302</u>	<u>152,734,645</u>
<b>Total equity and liabilities</b> . . . . .	<u>103,096,022</u>	<u>121,563,940</u>

*The Accountant*

*The Board of Directors*

**WINREASON, S.A.**  
**PRO-FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE TWELVE MONTHS PERIODS ENDED 31 DECEMBER 2012 AND 2011**  
**(Amounts stated in Euros)**

	<u>31 December 2012</u>	<u>31 December 2011</u>
<b>REVENUES AND COSTS</b>		
Sales and services rendered . . . . .	117,415,254	115,435,537
Other operating income . . . . .	174,069	279,492
Total operating revenue . . . . .	<u>117,589,323</u>	<u>115,715,029</u>
Cost of goods sold . . . . .	(9,657,587)	(6,219,211)
Suppliers and services . . . . .	(78,652,996)	(72,222,571)
Payroll expenses . . . . .	(15,203,624)	(14,741,645)
Amortisation and depreciation . . . . .	(18,348,948)	(19,123,571)
Impairment losses in non-current assets . . . . .	(919,675)	(377,996)
Impairment losses in receivables . . . . .	(582,089)	(1,441,264)
Impairment losses in inventories . . . . .	(178,976)	(20,987)
Provisions . . . . .	4,255	53,534
Other operating expenses . . . . .	(3,981,416)	(3,490,801)
Total operating costs . . . . .	<u>(127,521,055)</u>	<u>(117,584,511)</u>
Operating profit/(loss) . . . . .	<u>(9,931,732)</u>	<u>(1,869,482)</u>
Financial expenses . . . . .	(9,198,126)	(8,175,225)
Net profit/(loss) before income tax . . . . .	<u>(19,129,858)</u>	<u>(10,044,707)</u>
Corporate income tax for the period . . . . .	(424,170)	(2,085,207)
Consolidated net profit/(loss) for the period of continuous operations . . . . .	<u>(19,554,028)</u>	<u>(12,129,915)</u>
Effect of the change in the fair value of hedge derivative financial instrument . . . . .	(1,241,575)	(1,044,453)
Total consolidated comprehensive income . . . . .	<u>(20,795,603)</u>	<u>(13,174,368)</u>
Consolidated net profit/(loss) for the period of continuous operations attributable to:		
Equity holders of the parent company . . . . .	(19,573,413)	(12,138,466)
Non-controlling interests . . . . .	19,385	8,551
	<u>(19,554,028)</u>	<u>(12,129,915)</u>
Consolidated comprehensive income attributable to:		
Equity holders of the parent company . . . . .	(20,814,988)	(13,182,919)
Non-controlling interests . . . . .	19,385	8,551
	<u>(20,795,603)</u>	<u>(13,174,368)</u>
Earnings per share of continuous operations:		
Basic . . . . .	(1,636)	(1,011)
Diluted . . . . .	<u>(1,636)</u>	<u>(1,011)</u>

*The Accountant*

*The Board of Directors*

**WINREASON, S.A.**  
**PRO-FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTHS PERIODS ENDED 31 DECEMBER 2012 AND 2011**  
**(Amounts stated in Euros)**

	31 December 2012	31 December 2011	
<b>OPERATING ACTIVITIES:</b>			
Cash receipts from customers . . . . .	121,155,994	121,328,529	
Cash paid to suppliers . . . . .	(88,954,981)	(90,127,504)	
Cash paid to employees . . . . .	(14,360,562)	(14,428,345)	
<b>Net cash from operating activities . . . . .</b>	<b>17,840,451</b>	<b>16,772,680</b>	
Payments of income tax . . . . .	(385,849)	(646,802)	
Other cash paid relating to operating activities . . . . .	(2,393,714)	(4,515,097)	
<b>Net cash from operating activities [1]</b>	<b>15,060,888</b>	<b>11,610,781</b>	
<b>INVESTING ACTIVITIES:</b>			
<b>Cash paid relating to:</b>			
Acquisition of tangible fixed assets . . . . .	(9,085,173)	(11,398,648)	
Acquisition of intangible assets . . . . .	(3,598,338)	(3,568,246)	(14,966,894)
<b>Net cash used in investing activities [2]</b>	<b>(12,683,511)</b>	<b>(14,966,894)</b>	
<b>FINANCING ACTIVITIES:</b>			
<b>Cash received relating to:</b>			
Loans obtained . . . . .	3,500,000	51,453,000	
Realization of capital and other equity instruments . . . . .	—	9,261,892	60,714,892
<b>Cash paid relating to:</b>			
Loans obtained . . . . .	(2,276,087)	(49,650,060)	
Own shares acquisitions . . . . .	(25,000)	—	
Interest and other similar expenses . . . . .	(3,321,556)	(4,454,014)	
Other financial expenses . . . . .	(1,582,767)	(1,198,624)	(55,302,698)
<b>Net cash used in financing activities [3]</b>	<b>(3,705,410)</b>	<b>5,412,194</b>	
<b>Net increase/(decrease) in cash and cash equivalents [4]=[1]+[2]+[3]</b>	<b>(1,328,033)</b>	<b>2,056,081</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	3,445,782	1,389,701	
<b>Cash and cash equivalents at the end of the period</b>	<b>2,117,749</b>	<b>3,445,782</b>	

*The Accountant*

*The Board of Directors*

**AUDITORS' REPORT**  
**PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS**

(Translation of a report originally issued in Portuguese—in the event of discrepancies, the Portuguese version prevails)

**To the shareholders of  
Winreason, S.A.**

**Introduction**

1. We have examined the accompanying pro-forma consolidated statements of financial position of Winreason, S.A. (“the Company”) and its subsidiaries (“the Group”) as of 31 December 2012 and 2011, which reflect a total of 103,096,022 Euros and 121,563,940 Euros, respectively and negative equity attributable to the shareholders of the parent company of 52,286,182 Euros and 31,594,383 Euros, respectively, including a consolidated net loss of 19,573,413 Euros and 12,138,466 Euros, respectively, the pro-forma consolidated statements of comprehensive income and cash flows for the twelve months periods then ended (together the “pro-forma consolidated financial statements”).

**Responsibilities**

2. The preparation of pro-forma consolidated statements of the financial position, comprehensive income and cash-flows that present a true and fair view, of the financial position of the companies included in the consolidation, the consolidated comprehensive income from their operations and their consolidated cash flows, as well as the adoption of adequate accounting principles and criteria and maintenance of an appropriate system of internal control are the responsibility of the Board of Directors of the Company. Our responsibility is to express a professional and independent opinion on these pro-forma consolidated financial statements based on our examinations.

**Scope**

3. Our examinations were performed in accordance with the auditing standards (“Normas Técnicas e as Directrizes de Revisão/Auditoria”) issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that the examinations are planned and performed with the objective of obtaining reasonable assurance about whether the pro-forma consolidated financial statements are free of material misstatement. Our examinations included verifying, on a sample basis, evidence supporting the amounts and disclosures in those pro-forma consolidated financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Our examinations also included verification of the consolidation procedures and that the financial statements of the companies included in the consolidation were adequately examined, assessing the adequacy of the accounting principles used and their uniform application, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the pro-forma consolidated financial statements. We believe that our examinations provide a reasonable basis for expressing our opinion.

**Qualification**

4. As referred to in paragraph 6 below, the accompanying pro-forma consolidated financial statements were prepared for inclusion in pro-forma consolidated financial statements of the group where the Company is currently included, thus, consolidated statements of changes in equity and notes to the pro-forma consolidated financial statements including the description of the accounting policies used in their preparation and other disclosures have not been prepared, which are required by International Financial Reporting Standards as endorsed by the European Union.

**Opinion**

5. In our opinion, except for the matter referred to in paragraph 4 above, the pro-forma consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Winreason, S.A. and its subsidiaries of 31 December 2012 and 2011, the comprehensive income of its operations and its consolidated cash flows for the twelve



months periods then ended, in conformity with International Financial Reporting Standards as endorsed by the European Union (“IFRS/IAS”).

### **Emphases**

6. For legal and statutory purposes, the Company has prepared consolidated financial statements in accordance with the Portuguese Generally Accepted Accounting Principles (“Normas Contabilísticas e de Relato Financeiro” and “Sistema de Normalização Contabilística”) for the economic years ended 30 June 2012 and 2011, which were audited by us, and our Legal Certification of Accounts, dated 29 October 2012 and 28 November 2011, respectively, include emphasis paragraphs related to the continuity of operations and with the adoption of the Portuguese Generally Accepted Accounting Principles referred to above. The pro-forma consolidated financial statements referred in paragraph 1 above have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, for the twelve months periods ended 31 December 2012 and 2011, which correspond to the last two economic years of the group where the Company is currently included, in order to allow it to also prepare pro-forma consolidated financial statements reported to the same dates.
7. The pro-forma statements of consolidated financial position, consolidated comprehensive income and consolidated cash flows for the twelve months periods ended 31 December 2012 and 2011 were prepared on a going concern basis. However, as of those dates, the pro-forma consolidated equity attributable to the shareholders of the parent company is negative in the amounts of 52,286,182 Euros and 31,594,383 Euros, respectively. Consequently, the continuity of the Group’s operations, the realization of its assets and the settlement of its liabilities in the normal course of operations, depend on the support of the group where it is currently included and the success of its future operations.

Lisbon, 25 September 2013

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Deloitte & Associados, SROC S.A.  
Represented by Tiago Nuno Proença Esgalhado

outremertelecom 

## **Groupe Outremer Telecom**

A *Société anonyme* (limited company) with a Management board  
Share capital: €2,756,000  
Registered office: 109, rue du Faubourg Saint-Honoré, 75008 Paris  
Paris Trade and Companies Register 479 197 287

### **Consolidated financial statements to 31.12.12**

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**Groupe Outremer Telecom**  
**Consolidated accounts**

**1—Consolidated Balance Sheet**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Goodwill . . . . .	9.2	41,634	41,634
Other intangible fixed assets . . . . .	9.3	34,060	30,742
Tangible fixed assets . . . . .	9.4	68,302	69,306
Non-current financial assets . . . . .	9.5	1,568	1,319
Deferred tax . . . . .	9.6	3,229	2,728
<b>Total non-current assets . . . . .</b>		<b>148,794</b>	<b>145,729</b>
Stocks . . . . .	9.7	4,420	3,499
Accounts receivable from clients . . . . .	9.8	28,265	24,387
Tax receivables . . . . .		9	12
Other current assets . . . . .	9.9	6,599	8,471
Cash & cash equivalents . . . . .	9.10	27,696	21,232
<b>Total current assets . . . . .</b>		<b>66,990</b>	<b>57,601</b>
<b>TOTAL ASSETS . . . . .</b>		<b>215,784</b>	<b>203,330</b>
<u>(in EUR 000)</u>	<u>Note</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Capital . . . . .	9.11	2,756	2,756
Share premium . . . . .		30,724	30,724
Consolidated reserves . . . . .		(22,872)	(30,660)
Conversion reserve . . . . .		(52)	161
Profit for the financial year . . . . .		18,729	19,803
<b>Equity capital—Group share . . . . .</b>		<b>29,285</b>	<b>22,784</b>
Minority interests . . . . .		413	377
<b>Total equity capital . . . . .</b>		<b>29,698</b>	<b>23,161</b>
Loans and debts . . . . .	9.12	77,730	87,155
Employee benefits . . . . .	9.13	2,281	1,865
Provisions . . . . .	9.14	4,622	4,115
Deferred tax . . . . .	9.6	714	979
Other non-current liabilities . . . . .	9.15	1,410	2,611
<b>Total non-current liabilities . . . . .</b>		<b>86,758</b>	<b>96,724</b>
Loans and debts . . . . .	9.12	16,810	15,256
Provisions . . . . .	9.14	3,436	2,691
Due from suppliers and related accounts . . . . .		48,276	37,795
Other current liabilities . . . . .	9.16	25,317	25,042
Tax due . . . . .	9.16	5,489	2,661
<b>Total current liabilities . . . . .</b>		<b>99,328</b>	<b>83,445</b>
<b>TOTAL LIABILITIES . . . . .</b>		<b>215,784</b>	<b>203,330</b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**2—Consolidated Profit & Loss Account**

(in EUR 000)	Note	31.12.2012	31.12.2011
<b>Turnover</b> . . . . .		<b>195,127</b>	<b>194,318</b>
External purchases . . . . .	9.18	(101,041)	(103,723)
Employee costs . . . . .	9.19	(28,920)	(27,727)
Duties and taxes . . . . .		(2,106)	(2,155)
Provisions . . . . .		(1,719)	(1,734)
Other operating expenses . . . . .	9.20	(2,992)	(2,874)
Other operating income . . . . .	9.21	1,731	2,314
<b>Operating profit before depreciation</b> . . . . .		<b>60,080</b>	<b>58,419</b>
Acquisition costs . . . . .			(292)
<b>Operating profit before depreciation</b> . . . . .		<b>60,080</b>	<b>58,127</b>
Depreciation and amortisation . . . . .		(25,614)	(24,672)
<b>Operating profit</b> . . . . .		<b>34,466</b>	<b>33,455</b>
Net borrowing costs . . . . .	9.22	(3,976)	(3,458)
Other financial income . . . . .	9.22	465	283
Change in fair value of derivative instruments on hybrid debts . . . . .	9.22	(938)	(404)
<b>Pre-tax profit</b> . . . . .		<b>30,017</b>	<b>29,876</b>
Income tax . . . . .	9.23	(11,218)	(10,646)
<b>Net profit for the financial year</b> . . . . .		<b>18,799</b>	<b>19,230</b>
Net profit—group share . . . . .		18,729	19,803
Net profit—minority interests . . . . .		70	35

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**3—Overall Profit**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31.12. 2012</u>	<u>31.12. 2011</u>
<b>Net profit for the financial year</b> . . . . .		<b><u>18,799</u></b>	<b><u>19,838</u></b>
Other elements of the overall profit: . . . . .			
Change in fair value of hedging derivatives . . . . .		(447)	(470)
Conversion differences . . . . .		<u>(213)</u>	<u>120</u>
Total . . . . .		<u>(660)</u>	<u>(350)</u>
<b>Total profit for the financial year</b> . . . . .		<b><u>18,139</u></b>	<b><u>19,488</u></b>
Of which Group share . . . . .		18,069	19,453
Of which minority interest share . . . . .		70	35

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**4—Change in Equity**

<u>(in EUR 000)</u>	<u>Capital</u>	<u>Share premium</u>	<u>Conversion reserves</u>	<u>Consolidated reserves</u>
<b>As at 31 December 2010 restated</b> . . . . .	<b>2,756</b>	<b>108,721</b>	<b>41</b>	<b>(35,162)</b>
Change in fair value of hedging derivatives . . . . .	—	—	—	(470)
Conversion differences . . . . .	—	—	120	—
<b>Profits and losses shown directly under equity capital</b> . . . . .	<b>—</b>	<b>—</b>	<b>120</b>	<b>(470)</b>
Profit for the year . . . . .	—	—	—	—
<b>Total income and expenses shown</b> . . . . .	<b>—</b>	<b>—</b>	<b>120</b>	<b>(470)</b>
Payment in shares . . . . .	—	—	—	561
Neutralisation of own shares held . . . . .	—	—	—	(74)
Allocation of profit to reserves . . . . .	—	—	—	13,966
Dividend distribution . . . . .	—	(77,997)	—	(9,481)
<b>As at 31 december 2011</b> . . . . .	<b>2,756</b>	<b>30,724</b>	<b>161</b>	<b>(30,660)</b>
<b>As at 1<sup>st</sup> January 2012</b> . . . . .	<b>2,756</b>	<b>30,724</b>	<b>161</b>	<b>(30,660)</b>
Change in fair value of derivative instruments on hybrid debts . . . . .	—	—	—	(447)
Conversion differences . . . . .	—	—	(213)	—
<b>Profits and losses shown directly under equity capital</b> . . . . .	<b>—</b>	<b>—</b>	<b>(213)</b>	<b>(447)</b>
Profit for the year . . . . .	—	—	—	—
<b>Total income and expenses shown</b> . . . . .	<b>—</b>	<b>—</b>	<b>(213)</b>	<b>(447)</b>
Payment in shares . . . . .	—	—	—	276
Neutralisation of own shares held . . . . .	—	—	—	—
Allocation of profit to reserves . . . . .	—	—	—	19,803
Dividend distribution . . . . .	—	—	—	(11,844)
<b>As at 31 december 2012</b> . . . . .	<b>2,756</b>	<b>30,724</b>	<b>(52)</b>	<b>(22,872)</b>



**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**5—Cash Flow Statement**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Total consolidated net profit . . . . .		18,799	19,838
Elimination of effects of :			
—Unrealised profits (losses) on financial instruments . . . . .		(36)	(758)
—Net allocations to depreciation and provisions . . . . .		27,121	25,820
—Autres produits et charges . . . . .		276	561
—Other income and expenses . . . . .		402	299
—Tax income . . . . .	9.23	11,218	10,646
—Interest charge . . . . .		4,284	3,710
Effect of changes in stocks . . . . .		(921)	(780)
Effect of change in customer receivables and other debtors . . . . .		(1,935)	(62)
Effect of change in supplier debts and other creditors . . . . .		7,039	(6,342)
<b>Cash flows from operating activities before tax and interest . . . . .</b>		<b>66,247</b>	<b>52,932</b>
Tax paid . . . . .		(9,152)	(978)
Interest paid . . . . .		(3,955)	(3,101)
<b>Cash flows from operating activities . . . . .</b>		<b>53,140</b>	<b>48,853</b>
Effects of changes in consolidation structure . . . . .		—	—
Acquisitions of tangible and intangible fixed assets . . . . .		(22,165)	(20,789)
Investment subsidies received . . . . .		—	1,174
Change in loans and advances granted . . . . .		(353)	(74)
Disposals of tangible and intangible fixed assets . . . . .		22	30
Other investment operations . . . . .		—	(102)
<b>Cash flows from investment activities . . . . .</b>		<b>(22,497)</b>	<b>(19,761)</b>
Bond issues . . . . .		203	89,252
Bond redemptions . . . . .		(12,215)	(49,065)
Dividends paid to minority shareholders . . . . .		(35)	(56)
Dividends paid to group shareholders . . . . .		(11,844)	(87,478)
Sale (acquisition) of own shares (net) . . . . .		—	(74)
<b>Cash flows from financial activities . . . . .</b>		<b>(23,891)</b>	<b>(47,421)</b>
<b>Total cash flows of the period . . . . .</b>		<b>6,752</b>	<b>(18,329)</b>
Opening cash position . . . . .		19,467	37,751
Effect of changes in interest rates . . . . .		(135)	45
<b>Cash position at the end of the period . . . . .</b>	<b>9.10</b>	<b>26,083</b>	<b>19,467</b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**6—Presentation of the Group**

Founded in 1986, Groupe Outremer Telecom has become the leading alternative telecommunications operator in the French overseas regions (Martinique, Guadeloupe, Guiana, Reunion Island and Mayotte) capable of offering a complete range of integrated fixed and mobile telephony and internet access services for consumers and businesses alike.

Groupe Outremer Telecom has built up an independent telecommunications network under its main brand, Only.

The Group plans to enhance the convergence of its services, to expand its business clientele and to continue providing innovative and competitive services.

**7—Highlights**

**7.1 Change in SMS call termination rates**

Pursuant to Decision No. 2010-0892 of the Autorité de régulation des communications électroniques et des postes, SMS call termination rates are as follows in 2012:

<u>€cts ex-VAT</u>	<u>January 2012</u>	<u>July 2012</u>
Operators in Antilles and Guyana . . . . .	2.0	2.0
Operators on Reunion Island and Mayotte . . . . .	2.0	1.0

**7.2 Change in mobile voice call termination rates**

Pursuant to Decision No. 2010-1149 of the Autorité de régulation des communications électroniques et des postes, overseas mobile telephone operators modified their mobile voice call termination rates on 1 January 2012.

**2012 (cts d'euro/mm)**

Antilles Guyana . . . . .	Orange Caraïbe	2.5
	Digicel	2.5
	Outremer Telecom	2.8
Indian Ocean . . . . .	SRR	2.5
	Orange Réunion	2.8
	Outremer Telecom	2.8

**7.3 Aggressive new offers**

Management has made many upgrades in the group's offers during the year.

In the first quarter, we began revamping the range of Mobile packages with the gradual replacement of Trio packages by modular NEXT packages from €9.99 €39.99 with a 24-months contract.

This new range was followed in the second quarter with the launch, for the first time in the DOM (French overseas administrative districts) of offers including unlimited 24/7 voice and SMS with the Next+ packages from €39.99 to €59.99 with a 24-months contract.

After 3 years of marketing the TRACE brand in the segment of young people, the Group has decided to discontinue this brand and to launch in the second quarter the ON by Only brand, which is breathing new life into this market segment.

In response to popular demand and in order to reduce simultaneously the price and marketing cost of its packages, the Group has rolled out packages "without mobile phone" with a monthly discount of €2 to €10; these packages come without discount on the terminal.

In the second quarter, the range of Internet packages was also overhauled with the launch of an entry-level range of €19.90 (plus a fixed subscription of €10) and 2 packages which, like the Next+ packages

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**7—Highlights (Continued)**

and also for the first time in the DOM, includes unlimited 24/7 calls to many destinations including local mobile phones.

Lastly, in addition to these many changes for private customers, the Group is reviewing its business offers, beginning with the launch of the NEXT+ PRO offer towards the middle of May.

The overhaul of the Group's offers and the success of the unlimited packages has boosted growth of the subscriber base, especially in market segments with high value addition. However, still high call termination rates limited the impact of this growth on the Group's gross earnings in 2012.

**7.4 Competition Authority fines SRR for €2 million**

*In June 2009, our Company, together with Orange Réunion, applied to the Competition Authority against SRR for anti-competitive practices. In September 2009, the Competition Authority ordered protection measures. Despite which SRR continued its practices.*

*The practice for which SRR is criticised is the application, for almost all its offers, of a distinction between the rates of calls for its own network and for those of other operators. This pricing strategy makes calls between SRR subscribers attractive (club effect) and degrades the image of its competitors*

*In a decision pronounced on 24 January 2012, the Competition Authority, holding that SRR had deliberately ignored the injunction in order to maintain its market position, ordered SRR to pay a fine of €2 million.*

*The case is not yet closed and continues on the merits. The Competition Authority may order another fine in the months ahead to sanction the impact of SRR's anti-competitive practices on the economy and consumers.*

**7.5 Procedures launched by ARCEP against holders of WIMAX/BLR licences**

On 20 July 2011, ARCEP informed all operators with BLR/Wimax authorisations that it planned to launch formal investigation procedures to verify compliance of BLR/Wimax licence holders with their obligations.

On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, an official notice that their BLR networks are only partly deployed in the three administrative districts (départements) of Martinique, Guadeloupe and Reunion Island and ordering them to complete the coverage of their networks in two phases:

Before 31 July 2012 for Martinique

Before 31 January 2013 for Guadeloupe and Reunion Island.

**Deadline of July 2012**

On 17 September 2012, ARCEP checked compliance with the July deadline in the form of a questionnaire on technical and commercial deployment in the administrative district of Martinique.

The Authority confirmed that additional WIMAX high points had been deployed in Martinique, enabling WLL AG to comply with its coverage commitments on 31 July 2012.

**Deadline of January 2013**

The Group has also deployed new WIMAX transmitters in Guadeloupe and Reunion to achieve the objectives stipulated in the specifications.

ARCEP has not yet announced the date on which the deadline of 31 January 2013 will be checked but as current coverage satisfies the obligations in each administrative district, WLL AG and WLLR are in compliance with their undertakings in all administrative districts.

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**Consolidated accounts (Continued)**

## **8—MAIN ACCOUNTING METHODS**

### **8.1 Declaration of conformity**

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the international IAS-IFRS accounting standards, the consolidated financial statements of the Group published for the financial year ended 31.12.12 were prepared according to the international accounting standards applicable on 31.12.12 as approved by the European Union.

The financial statements are presented in thousands of euros and were approved by the Board of Directors during the Board meeting of 27.03.13.

- **Standards, interpretations and amendments in standards whose application became compulsory on 1 January 2012**

The accounting principles used to prepare the annual consolidated financial statements comply with the IFRS standards and interpretations as adopted by European Union on 31 December 2012, which are available at the following website:

[http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

The accounting standards used for the annual consolidated financial statements to 31.12.12 were the same as those used to prepare the annual consolidated financial statements to 31.12.11, as set out in the consolidated financial statements published on this date, except the following standards, whose application is compulsory from 1 January 2012:

- Amendments to IFRS 7 “Financial instruments: disclosures” as regards transfers of financial assets;
- Amendments to IAS 12 “Recovery of underlying assets”.

These amendments and interpretations did not affect the Group’s accounts on 31.12.12.

- **Standards, interpretations and amendments of standards already published by the IASB and endorsed by the European Union but not yet mandatory on 31.12.12. The Group did not apply these standards and interpretations optionally in advance.**

- Amendments to IAS1
- Amendments to IAS 19 “Employee benefits” under which the Group will recognise actuarial differences and other items under comprehensive income;
- Amendments to IFRS 7 “Disclosures: offsetting financial assets and financial liabilities”;
- Amendments to IAS 32 “Offsetting financial assets and financial liabilities”;
- IFRIC 20 “Stripping costs in the production phase of a surface mine”;
- IFRS 10 “Consolidated financial statements”;
- IFRS 11 “Partnership”;
- IFRS 12 “Disclosure of interests in other entities”;
- IAS 28 revised “Investments in associates and joint ventures”;
- IFRS 13 “Fair value measurement”;
- Amendments to IFRS 1 “Presentation of financial statements” as regards severe hyperinflation and removal of fixed dates for first-time adopters.

*The impact on the financial statements of texts published by the IASB on 31.12.12 but not yet compulsory is being analysed.* The Group does not expect a significant impact upon the accounts.

The Group has inter alia valued the impact of IAS 19 Amendments on 1 January 2013 and determined that it reduces equity by no more than €195,000.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—MAIN ACCOUNTING METHODS (Continued)**

- **Standards, interpretations and amendments already published by the IASB but not yet endorsed by the European Union**
  - IFRS 9 Financial Instruments (phase 1: classification and valuation of financial assets) Amendment, and complement—Fair value option for financial liabilities;
  - Amendments to IFRS 10, IFRS 11 and IFRS 12 “First-time adoption”;
  - Amendments to IFRS 1 “Public subsidies” (when applicable to the entity);
  - Annual improvements (2009-2011 cycle).

*The impact on the financial statements of texts published by the IASB on 31.12.12 but not yet in force in the European Union is being analysed. The Group does not expect a significant impact upon the accounts.*

**8.2 Options adopted by the Group pursuant to IFRS 1**

The Group did not adopt any of the exemptions offered by IFRS 1. In particular, the standard on business combinations, IFRS 3, was applied to all acquisitions prior to 1 January 2005.

As Groupe Outremer Telecom SA (formerly Fintel SAS) was created in October 2004, the acquisition of Outremer Telecom on 23 December 2004 was restated in accordance with IFRS 3 because of the importance of this transaction for the company.

**8.3 Preparation principles and methods**

The Group’s consolidated financial statements for the financial year ended 31 December 2012 include Groupe Outremer Telecom SA and its subsidiaries (together referred to as the “Group”) and the Group’s share in affiliates and companies under joint control.

They are based upon historic cost except the following assets and liabilities, which are valued at fair value: derivatives, financial instruments held for trading purposes, financial instruments classified as available for sale.

Preparation of the financial statements according to IFRS rules requires management to exercise judgment and to make estimates and assumptions which have an impact on application of the accounting methods and on the value of assets and liabilities, income and charges. The underlying estimates and assumptions reflect past experience and other factors considered reasonable under the circumstances. They form the basis for the judgment required to determine the book value of assets and liabilities that cannot be obtained directly from other sources. Real values may differ from estimated values.

The underlying estimates and assumptions are continually reviewed. The impact of a change in accounting estimates is recognised during the period of change when it affects only that period and during the period of change and subsequent period if it also affects the latter.

Estimates and assumptions are notably sensitive to impairment tests for non-current assets and provisions, in particular for dismantlement and retirement allowances, which are primarily based upon income and cash flow estimates.

The accounting methods explained below have been applied at all times to all periods presented in the consolidated financial statements.

The accounting methods have been applied uniformly by the Group’s entities.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

The following companies are included in the consolidation structure:

	% interest at 31 December 2012	% interest at 31 December 2011	Country	Currency
<b>Companies consolidated by full integration method</b>				
Groupe Outremer Telecom SA . . . . .	Parent company	Parent company	France	EUR
City Call Ltd . . . . .	100.00%	100.00%	Mauritius	MUR
Colibri SNC . . . . .	100.00%	100.00%	France	EUR
Infotel OI SARL . . . . .	51.00%	51.00%	France	EUR
Outremer Telecom Ltee . . . . .	100.00%	100.00%	Mauritius	MUR
Outremer Telecom SAS . . . . .	100.00%	100.00%	France	EUR
Outremer Telecom Océan Indien SAS (ex. Telcom Réunion EURL) . . . . .	100.00%	100.00%	France	EUR
Telecom Reunion SNC . . . . .	0.00%	100.00%	France	EUR
Teledom 2004 SNC . . . . .	100.00%	100.00%	France	EUR
Telecom Caraïbes SNC . . . . .	100.00%	100.00%	France	EUR
Rezo SARL . . . . .	100.00%	100.00%	France	EUR
OPS . . . . .	100.00%	0.00%	France	EUR
WLL Antilles-Guyane . . . . .	100.00%	100.00%	France	EUR
WLL Réunion SAS . . . . .	100.00%	100.00%	France	EUR
Outremer Communication SNC . . . . .	100.00%	100.00%	France	EUR
Outremer Communication 2 SNC . . . . .	100.00%	100.00%	France	EUR

The companies are consolidated upon the basis of their financial statements, closed on 31.12.12, except Teledom 2004, which ends its year on 30 September, for which an interim statement was prepared on 31.12.12.

The Group holds a stake in the capital of certain companies in respect of which it has a firm agreement to buy, free of charge, all shares after a period of five years. These companies were set up under a legal tax exemption mechanism giving the Group indirectly the benefit of subsidies for the capital expenditure in new assets operated for five years by these companies. Les sociétés concernées sont : Teledom 2004, Telecom Caraïbes, SNC Colibri, Outremer Communication 1, Outremer Communication 2, Sarl Rezo, et Telecom Reunion arrivée à son terme en 2012.

Consequently, the Group controls these companies, which are fully consolidated. Owing to the firm agreement to buy the shares, free of charge, no minority interest is recognised. The economic advantage of the subsidy is recognised under unearned revenue and is taken to profit for the period during which the fixed assets are subsidised under the tax exemption mechanism. This income is shown under other operating income.

**8.4 Consolidation principles**

**8.4.1 Subsidiaries**

A subsidiary is an entity controlled by the Group, i.e. when the Group has the power to direct the entity's financial and operational policies directly or indirectly in order to obtain the benefit of its activities.

In determining control, the Group factors in potential voting rights, including any which can be currently exercised and any which would be the result of conversion.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control starts until the date on which control ceases.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

*8.4.2 Transactions eliminated in the consolidated financial statements*

Asset and liability balances, unrealised losses and gains, income and charges resulting from intragroup transactions are eliminated during preparation of the consolidated financial statements.

**8.5 Foreign currency**

*8.5.1 Transactions in foreign currency*

Transactions in foreign currency are recognised at the exchange rate applicable on the transaction date.

Monetary assets and liabilities denominated in foreign currency on the cutoff date are converted into euros at the exchange rate applicable on this date. Unrealised exchange gains and losses are recognised under income or charges. Non-monetary assets and liabilities denominated in foreign currency valued at historic cost are converted at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities denominated in foreign currency valued at fair value are converted at the exchange rate applicable on the date when the fair value was determined.

*8.5.2 Financial statements of activities in foreign countries*

The assets and liabilities of activities in foreign countries, including goodwill and the fair value adjustments resulting from consolidation are converted into euros at the exchange rate applicable on the cutoff date. The income and charges of a foreign activity are converted into euros at rates approaching the exchange rates applicable on the transaction dates. Unrealised exchange gains and losses resulting from conversion are recognised under conversion reserves, separately from equity.

The conversion rates used for the Mauritius rupee were as follows:

• Closing rate: . . . . .	0.024813
• Average rate: . . . . .	0.025766
• Opening rate: . . . . .	0.026283

**8.6 Intangible fixed assets**

*8.6.1 Goodwill*

All business combinations are recognised according to the acquisition method.

Goodwill reflects the acquisition of subsidiaries and, since 1 January 2010, the effective date of IFRS 3R, the difference between the acquisition cost, including price adjustments and fair value of identifiable assets, liabilities and contingent liabilities acquired on the effective take-over date.

Whenever take-over involves an interest of less than 100%, the fraction of interest not acquired (non-controlling interests) is valued as follows:

At fair value: in this case, goodwill is recognised for the fraction of non-controlling interests, or

At the value of the fraction of identifiable net assets of the acquired entity: in this case, goodwill is only recognised for the acquired fraction.

Costs that can be charged directly to an acquisition are recognised under operating charges for the period under review.

When a take-over is carried out in phases, the fraction of previously owned interests is revalued at fair value on the take-over date, in consideration of operating profit or loss. Related other comprehensive income is fully restated under profit or loss.

Adjustment of the fair value of assets and liabilities acquired through the combination of businesses recognised initially at provisional values (owing to independent valuations underway or additional analyses to be carried out) are recognised as retrospective adjustments of goodwill if they occur during

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

the 12 months following the acquisition date. Past this time, such adjustments are taken directly to profit or loss unless they reflect error corrections.

Any subsequent change in the fair value through price adjustment is recognised under income or under other comprehensive income according to the applicable standards.

Goodwill is valued at cost less cumulative depreciation. Goodwill is allocated to units generating cash and is not amortised but subjected at least once a year to an impairment test according to the method set out in IAS 36.

*8.6.2 Research and development*

Research expenses are booked under charges as and when incurred.

Network development and improvement expenses are taken to fixed assets if the Group can show their technical and commercial feasibility and the availability of sufficient resources to complete such a development.

Expenses thus taken to assets include the cost of materials, direct labour and an appropriate fraction of overhead expenses. Other development expenses are taken to charges when incurred.

Development expenses taken to assets are booked at cost less cumulative amortisations and cumulative depreciation.

*8.6.3 Other intangible fixed assets*

The other intangible fixed assets acquired by the Group are recognised at cost less cumulative amortisation and depreciation.

For the acquisition of the Outremer Telecom group, the Group applied fair value to identifiable intangible fixed assets acquired, mainly licences and frequencies, a customer base and customer contracts, based upon the report of an independent expert.

Operating licences and the attribution of mobile telecommunications network frequencies are recognised at the discounted amount of fees to be paid and are amortised according to the straight-line method from the start-up date of the service until expiry of the operating right.

Connection costs (service access costs) are taken to fixed assets and amortised over their expected utilisation period.

The cost of SIM cards delivered to customers is taken to fixed assets and amortised over their expected utilisation period.

Expenses connected with subscriber bases and trademarks generated internally are recognised under charges when incurred.

*8.6.4 Depreciation*

Amortisation is recognised under charges according to the straight-line method over the estimated useful life of intangible fixed assets.



**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

Other intangible fixed assets are amortised as soon as they are ready to become operational. The estimated periods of useful life are as follows:

- Customer base and customer contracts acquired . . . . . 4 - 5 years
- Licences and frequencies . . . . . utilisation period or length of operating right whichever is shortest
- Software and software suites . . . . . 1 - 3 years
- Development costs activated . . . . . 3 - 11 years
- Service access costs and SIM cards . . . . . 3 years

The WiMAX licences acquired on 1 August 2007 when taking over this XTS branch, are amortised over the remainder of the operating right on their acquisition date, i.e. 8 years and one month.

**8.7 Tangible fixed assets**

*8.7.1 Assets owned by the Group*

A tangible asset is valued according to the cost model, i.e. its gross value less cumulative amortisation and depreciation.

The cost of an asset produced by the Group for itself includes the cost of raw materials, direct labour, an initial estimate, if applicable, of discounted costs connected with the dismantling and removal of the fixed asset and the restoration of the site where it is situated, and an appropriate fraction of production overhead expenses. Borrowing costs incurred during the period in which the fixed assets are constructed are included in the cost of fixed assets when inclusion of costs began on or after the effective date of IAS 23 amended, i.e. 1 January 2009.

When the components of tangible fixed assets have useful lives of different lengths, they are recognised as different tangible fixed assets.

Most of the network was constructed by the Group itself. Direct construction costs are recognised under fixed assets on the balance sheet. Unfinished infrastructures are taken to assets under construction. When an itinerary has been completed, it is amortised over its estimated useful life.

Modems, set top boxes and decoders put at the disposal of customers are taken to fixed assets and amortised over their estimated useful life.

*8.7.2 Leased assets*

Lease agreements transferring to the Group nearly all risks and benefits inherent in the ownership of an asset are treated as lease finance agreements. An asset leased under a lease finance agreement is recognised in an amount equal to its fair value or, if this is lower, the discounted value of the minimum lease payments less cumulative amortisation and depreciation.

It is amortised according to the straight-line period over the useful life or the term of the lease agreement, whichever is shortest.

*8.7.3 Subsequent costs*

The Group includes in the book value of a tangible fixed asset the cost of replacing a component of this tangible fixed asset at the moment when this cost is incurred if it is probable that the future economic advantages connected with this asset will benefit the Group and its costs can be valued reliably. All service and maintenance costs are taken to charges when incurred.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

*8.7.4 Depreciation*

Depreciation is recorded under charges according to the straight-line method over the estimated useful life for each person of a tangible fixed asset. Depreciation is based upon acquisition cost, including recognition of residual value.

Land is not depreciated. The estimated periods of useful life are as follows:

- Constructions . . . . . 5 to 20 years
- Telecommunications equipment . . . . . 4 to 7 years
- General facilities . . . . . 4 to 10 years
- Interconnection boxes . . . . . 2 years
- Office equipment and computer hardware . . . . . 2 to 5 years
- Transport equipment . . . . . 2 to 4 years
- Office furniture . . . . . 3 to 10 years

**8.8 Impairment of tangible and intangible fixed assets**

The book value of intangible fixed assets with a predetermined useful life and tangible fixed assets are examined at every cutoff date in order to determine whether there is any indicator to show that an asset has lost value. If there is such an indicator, the recoverable value of the asset is estimated.

As regards goodwill, the recoverable value is estimated whenever there is an indicator that the asset has lost value and at least once a year on the annual closing date.

Loss of value is recognised when the book value of an asset or its cash generating unit is higher than its recoverable value. Losses of value are taken to the profit & loss account.

A loss of value recognised in respect of a cash generating unit is charged first to the decrease in book value of any goodwill allocated to the cash generating unit (group of units) and secondly to the decrease in book value of the other assets of the unit (group of units) in proportion to the book value of each asset of the unit (group of units).

For impairment test purposes, goodwill was allocated to cash generating units benefiting from synergies resulting from the combination. These cash generating units are the level at which this is monitored for internal management needs. They are main sectors of activity itemised in the reports, i.e. the Residential, Mobile and Business Activity sectors.

*(i) Calculation of recoverable value*

The recoverable value of intangible and tangible assets is their fair value less sales costs or their value in use, which is highest. To determine the value in use, estimated future cash flows are discounted at a pre-tax rate that reflects the current market valuation of the time value of money and the specific risks of the asset. The recoverable value of an asset which does not generate largely independent cash inflow is determined for the cash generating unit to which the asset belongs.

*(ii) Writeback of loss of value*

Loss of value on goodwill cannot be written back subsequently.

Loss of value recognised for an amortisable intangible or tangible asset is written back when the estimates used to determine the recoverable value have changed.

In this case, the book value of an asset, plus the loss of value written back, may not exceed the book value determined, net of amortisation and depreciation, if no loss of value had been recognised.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

**8.9 Accounting of investments in the equipment manufacturer ZTE**

The Group's network investments at its equipment manufacturer ZTE are financed with a vendor financing arrangement. The signature of this contract results in recognition of an asset and a financial debt in the financial statements without generating a cash flow. Pursuant to IAS 7, transactions without compensation are not shown in the cash flow table.

**8.10 Financial assets**

Financial assets include non-consolidated equity interests, deposits, guarantees, receivables, debt instruments, **investment** securities, derivatives, cash and cash equivalents.

*8.10.1 Valuation and recognition of financial assets*

When recognised initially on the settlement date, financial assets are valued at fair value plus trading costs except for financial assets measured at fair value through profit or loss.

On the acquisition date, the Group determines the classification of the financial asset in one of the four accounting categories provided for in IAS 39.

*(i) Held to maturity investments*

These assets are exclusively assets with fixed income and maturities, acquired with the intention and the capacity to keep them until maturity. After their initial recognition at fair value, they are valued and recognised at cost amortised according to the effective interest rate method. No asset was booked in this category on 31.12.12.

*(ii) Loans and receivables*

This category includes receivables from related entities, other loans and receivables and trade receivables.

Trade receivables are valued initially at fair value, generally corresponding to their nominal value, unless the discount effect is significant.

In the event that delayed payment or default, loans and receivables are subjected to an impairment test and if the discounted recoverable value is less than the net book value, a loss of value is recognised under operating income.

*(iii) Available-for-sale financial assets*

These mainly include the Group's interests in the capital of non-consolidated companies.

Available-for-sale financial assets are valued in the balance sheet at fair value and changes in value are recognised directly under equity except when an impairment test results in recognition of an unrealised capital loss compared with the historic acquisition cost and is considered a significant or prolonged loss. In this last case, the loss of value is recognised under income. Any writebacks of value are recognised under income but only for debt instruments (receivables and rate bonds).

Amounts recognised under equity are written back to income when available-for-sale financial assets are sold. Fair value corresponds to the market price for listed securities or to an estimated value in use for unlisted securities, determined according to financial criteria best suited to the specific situation of each security. For equity securities not quoted in an active market; whose fair value cannot be measured reliably, the Group finally uses historic cost less any depreciation.

*(iv) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include assets held for trading purposes which the Group intends to sell in the near future or which belong to a portfolio managed and monitored at

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**8—Main Accounting Methods (Continued)**

fair value. Derivatives belong by default to this category. Changes in value are recognised through profit or loss.

*8.10.2 Other equity securities*

The interests held by the Group in companies in which the Group does not have control or a significant influence are classified as available for sale and valued at fair value. Any resulting profit or loss is taken directly to equity except the amount of losses of value. When such interests are divested, cumulative profits or losses recognised earlier directly under equity are taken to income.

*8.10.3 Deposits and guarantees*

Deposits and guarantees are recognised at amortised cost calculated by means of the effective interest rate.

*8.10.4 Trade receivables and other debtors*

Trade receivables and other debtors are valued at nominal value less depreciation to factor in actual recovery possibilities.

The implementation, during the past financial year, of new monitoring tools made it possible to improve analysis of receivables and to estimate actual recovery possibilities more accurately according to their age.

*8.10.5 Transferable investment securities*

Transferable **investment** securities correspond to short-term **investments** with a maturity of more than 3 months on the acquisition date or with a significant risk of change in value. These **investments**, managed in order to obtain a higher yield than benchmark targets, are recorded as “assets held for trading purposes” and are measured at fair value. Realised profits and losses are recognised in the profit & loss account.

*8.10.6 Cash and cash equivalents*

Pursuant to IAS 7, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments with a maturity of less than three months on the acquisition date and that are subject to an insignificant risk of changes in value. Bank overdrafts redeemable on demand, which are an integral part of the Group’s cash management, are a component of cash and cash equivalent for cash flow purposes.

**8.11 Inventories**

Inventories are valued at cost or net sales value, whichever is lower. The net sales value is the sales price estimated in the normal course of business less estimated costs necessary to complete the sale.

The purchase cost consists of the purchase price plus shipping costs.

For laptops supplied to customers as part of commercial offers, the probable net sales value also factors in future income expected from new subscriptions connected with the sale of equipment.

**8.12 Deferred tax assets**

Determination of the possibility of recovering a deferred tax asset calls for evaluation on the part of management insofar as it is primarily based upon estimated future taxable income within each sphere of taxation (see the method used to recognise deferred tax assets described in note 9.6).

Management notably:

- estimates future taxable income upon the basis of the assumptions in its business plan;
- estimates probable changes in temporary differences in the carrying value of tax assets and liabilities.

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**8—Main Accounting Methods (Continued)**

**8.13 Interest-bearing loans**

Interest-bearing loans are initially recognised at fair value less the amount of transaction costs. After initial entry, they are recognised at amortised cost. The difference between cost and repayment value is recognised in the profit & loss account over the duration of the loans, according to the effective interest rate method.

**8.14 Other derivatives**

The Group uses derivatives to hedge exposure to interest rate risks resulting from financial and investment activities. In line with its cash management policy, the Group does not hold or issue derivatives for transaction purposes.

However, the Group has not opted for hedge treatment. Derivates are valued at fair value. The profit or loss resulting from revaluation at fair value is immediately recognised as follows: the fraction of the hedge considered ineffective under income and the fraction considered effective under equity.

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to cancel the swap on the closing date, taking into account the present level of interest rates and the counterparty risk.

**8.15 Employee benefits**

The Group recognises and values employee benefits according to IAS 19. Employee benefits include benefits subsequent to employment and long-term benefits.

Other long-term benefits mainly include bonuses paid for service years. Commitments for bonuses to be paid for service years are recognised in the form of provisions.

Pursuant to IFRS 2, the Group recognises the fair value of options and share-based payments granted to employees under employee charges during the period in which the rights were acquired.

**8.15.1 Defined contributions schemes**

Contributions to be paid into a defined contributions scheme are recognised under charges when incurred. In addition to the legally compulsory pension scheme applicable in France, the Group subscribes to a complementary defined contributions scheme.

**8.15.2 Defined benefits schemes**

The Group values pension commitments to benefits subsequent to employment and to long-term benefits by estimating the amount of future benefits acquired by employees in exchange for services provided during the current period and past periods. This amount is discounted to determine present value. The discount rate is equal to the rate, on the closing date, based upon first category obligations whose maturity date is close to the one of the Group's commitments. The calculations are made by an actuary using the projected credit units method.

The Group has decided to apply the corridor method (IAS 19 paragraph 95) for recognising actuarial gains and losses. Consequently, for benefits subsequent to employment, only actuarial gains and losses situated outside a corridor of plus or minus 10% of the present value of the defined benefits obligation on the closing date of the previous financial year are recognised in the profit & loss account over the average residual employment of employees entitled to benefits under the scheme. Actuarial gains and losses situated within this corridor are never recognised.

Actuarial gains and losses connected with valuation of other long-term benefits are immediately recognised under income.

The increase in the commitment due to accretion is recognised under financial charges.

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**8—Main Accounting Methods (Continued)**

*8.15.3 Share-based payment plan*

The company's General Shareholders' Meeting has decided to grant existing or newly created shares within the limit of 4% of the company's share capital on the Grant Date and has authorised the Board of Directors to grant these shares in one or more tranches.

On 14 December 2009, the company's Board of Directors resolved to grant a second tranche of 150,000 shares, i.e. 0.71% of the share capital.

On 20 December 2010, the company's Board of Directors resolved to grant a third tranche of 117,000 shares, i.e. 0.55% of the share capital.

On 15 December 2011, the Management Board resolved to grant another 5,000 shares, i.e. 0.02% of the share capital.

In all three cases, the final number of shares granted depends upon performance criteria. Thus, for half of them, the final number of shares granted depends upon the level of sales reached after the grant period, while for the remaining 50% the final number depends upon the level of EBITDA reached after this same period.

The grant periods of the three plans expire on the dates of the General Meetings called to vote on the financial years closed on 31 December 2011, 2012 and 2013, respectively.

Pursuant to IFRS2, share-based payments to employees are included in their overall remuneration package. The fair value of services provided by employees in return for such shares is therefore recognised under personnel charges during the grant period. This fair value is estimated based upon the fair value of the shares on the grant date. The above grant conditions factor in adjustment of the number of shares included in the valuation of the overall amount of each plan. These values as calculated amount to 27 thousand euros in 2012 for the 2011 plan, 610 thousand euros for the 2010 plan and 460 thousand euros for the 2009 plan.

Personnel charges in 2012 for the 2011 and 2010 plans amounted to €14,000 and €262,000, respectively. Personnel charges in 2011 for the 2009 and 2010 plans amounted to €156,000 and €405,000, respectively

**8.16 Provisions**

A provision is recognised in the balance sheet when the Group has a current legal or implicit obligation resulting from a past event and when disbursement of resources representing economic advantages will probably be necessary to extinguish the obligation.

When the time value effect is significant, the amount of the provision is determined by discounting expected future cash flows at a pre-tax rate reflecting current measurement of the time value of money by the market and, when appropriate, the specific risks of the liability in question.

The Group is obliged to dismantle installed equipment and to restore the sites leased by it. In line with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the provision was valued at the best estimate available, which will make it possible to extinguish the obligation recognised to offset the increase in the initial cost of the underlying fixed asset. The provision is discounted by applying a rate reflecting the passage of time, based upon the yield of a risk-free bond. The underlying fixed asset is valued according to the cost method. This cost may be adjusted in the case of a change in the amount of the provision, estimated at each cut-off date.

**8.17 Trade payables and other suppliers**

Trade payables and other suppliers are valued at fair value during initial recognition and subsequently at amortised cost.

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**Consolidated accounts (Continued)**

**8—Main Accounting Methods (Continued)**

**8.18 Other liabilities**

Other liabilities mainly include:

- tax and social security liabilities;
- deferred income, mainly corresponding to monthly fixed fees and investment subsidies obtained through tax-exemption transactions.

**8.19 Income**

*8.19.1 Equipment sales and maintenance*

Income from the sale of goods such as laptops, terminals and accessories is recognised in the profit & loss account when the significant risks and advantages inherent in ownership of goods have been transferred to the buyer. Income from maintenance is recognised in the profit & loss account according to the straight-line method over the duration of the contract.

No income is recognised when there is a significant uncertainty as to (i) whether the compensation due can be collected, (ii) costs incurred or to be incurred in connection with the service or (iii) goods may be returned if the purchase is cancelled and the Group remains involved in managing the goods.

*8.19.2 Services*

Sales from communication services is recognised as and when such services are provided to the customer.

Revenue from the sale of prepaid telephone cards is recognised as and when the cards are used.

Income from internet access subscriptions and telephone package subscriptions is recognised according to the straight-line method over the duration of the corresponding service.

Sales from switched services is recognised as and when traffic is routed.

*8.19.3 Joint offers*

The company provides complex contractual services or transactions with many different components. The amount received or to be collected for offers with identified separable components is allocated according to the fair value of each component. When the components of such transactions cannot be identified or analysed as separable from a main offer, they are considered linked and the associated revenue is recognised in its entirety over the term of the contract.

The main accounting methods for consumer-oriented mobile telephone offers consisting of several types of communication packages, generally associated with the sale of a mobile terminal, are as follows (i) income from telephone packages is recognised according to the straight-line method over the duration of the corresponding service, (ii) the cost of acquiring customers, mainly the cost of mobile phones sold and associated subsidies is recognised when incurred (iii) SIM cards put at the disposal of customers are taken to intangible assets and amortised over their estimated working life.

*8.19.4 Service access costs*

Service access costs or preselection costs billed as part of ADSL or Fixed offers on contract termination are taken to income when their collection is probable.

*8.19.5 Promotional offers and loyalty programmes*

Sales are presented net of discounts. As part of commercial offers for contracts including a time commitment on the part of the customer, the Group grants certain free services during a predetermined contractual period. When free services are tied to a contractual commitment, total contractual revenue is spread over the whole period of the contractual commitment.

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**8—Main Accounting Methods (Continued)**

The Group's customer loyalty programme is entitled Only4U. Under this programme, customers get advantages or points in proportion to amounts billed. These points have a limited life and can be exchanged for products marketed by the Group or for discounts on such products and, since September 2006, against advantages offered by partners (airplane tickets, etc.). Pursuant to IFRIC 13, the Group records part of services billed under unearned revenue at the fair value of its obligations, as and when the customer earns these rights. Fair value is determined according to the company's price catalogue and factors in the average historic redemption rate on the date when such points are earned.

*8.19.6 Other operating income*

Other operational income mainly includes the fraction written back to income of subsidies received as part of tax exemption schemes, gains on asset disposals and income from abnormal or unusual events, such as income awarded in significant claims disputes.

**8.20 Charges**

*8.20.1 Customer acquisition cost*

Customer acquisition costs (commercial costs, advertising costs and brand building costs) are recognised under charges during the financial year in which they are incurred.

*8.20.2 Payments under ordinary rental contracts*

Payments under ordinary rental contracts are recognised under charges according to the straight-line method over the term of the rental contract.

*8.20.3 Payments under finance leases*

Minimum payments under a finance lease are divided between a financial charge and debt amortisation. The financial charge is allocated to each period covered by the lease in order to obtain a constant periodic interest rate applicable to the outstanding balance of the debt.

*8.20.4 Net cost of debt*

The net cost of debt includes interest due on borrowings, calculated according to the effective interest rate method, and interest receivable on **investments**.

The interest expense included in payments made under a finance lease is recognised according to the effective interest rate method.

*8.20.5 Corporation tax*

Corporation tax (charge or income) includes the tax charge (income) due and the deferred tax charge (income). The tax is booked under income except when relating to items recognised directly under equity, in which case it is taken to equity.

The tax due is (i) the estimated amount of tax due on the taxable profit for the period, based upon the tax rate adopted or quasi-adopted on the closing date and (ii) any adjustment in the amount of tax due for previous periods.

Deferred taxation is determined according to the balance sheet approach for all time differences between the book value of assets and liabilities and their tax base. Valuation of deferred tax assets and liabilities depends upon the way in which the Group expects to recover or pay the book value of assets and liabilities, based upon tax rates adopted or quasi-adopted on the closing date. For activities in the DROM, the Group enjoyed a rebate on taxable income until 31 December 2010. The cancellation of this tax rebate resulted in an adjustment in 2011 of the deferred tax liabilities on activities that were profitable.



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**8—Main Accounting Methods (Continued)**

A deferred tax asset is only recognised insofar as the Group will probably have taxable future profits to which this asset can be charged.

Lastly, as there has been a tax consolidation structure since 1 January 2005, of which Groupe Outremer Telecom SA is the parent, deferred taxes were determined as though the consolidated Group represented only one entity for tax purposes except for two foreign entities.

**The Budget Act for 2010, passed on 30 December 2009, abolished application of business tax to French tax entities with effect from 2010, replacing it with the Contribution Economique Territoriale (CET—territorial economic contribution), which includes two new levies:**

- ***Cotisation Foncière des Entreprises (CFE—business land contribution) based upon the current business tax;***
- ***Cotisation sur la Valeur Ajoutée des Entreprises (CVAE—contribution over value added by businesses), based upon the value added by each separate company.***

The Group recognises business tax under operating charges.

Pending clarification by the accounting authorities of the treatment of CVAE (tax on value added by businesses), the Group opted to consider the nature of the CVAE contribution similar to business tax. Lacking a recommendation and after examining the practices of many French groups, the Group has decided to restate the CVAE in accordance with IAS12.

The Group holds that value added is a net amount of income and charges and the intermediate level of income used systematically as a basis, under French tax rules, for determining the amount of CVAE due.

The Group holds that the items determining the level of its pre-tax profit are used in calculating the CVAE and that it is therefore appropriate to apply the same accounting treatment to corporation tax and to the CVAE.

**8.20.6 Other operating charges**

Other operating charges mainly include impairment of trade receivables, losses on asset disposals and charges resulting from abnormal or unusual events such as significant claims disputes.

**9—Notes to the Consolidated Financial Statements**

**9.1 Acquisitions, disposals and changes in the consolidation structure during the financial year**

Telecom Reunion SNC formed as part of a tax exemption mechanism expiring in 2012, was liquidated on 31.03.12. (see section 8.4).

SASU OPS was set up in 2012 as part of a legal tax exemption mechanism (see section 8.4).

**9.2 Goodwill**

Goodwill did not change in 2012 and was allocated to the following cash generating units:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Residential . . . . .	21,499	21,499
Mobile . . . . .	11,700	11,700
Corporate activity . . . . .	8,435	8,435
<b>Goodwill . . . . .</b>	<b><u>41,634</u></b>	<b><u>41,634</u></b>

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**9—Notes to the Consolidated Financial Statements (Continued)**

Goodwill is tested annually for loss of value. No impairment was recognised during 2012. These assets are valued according to the discounted projected cash flows of these assets, determined within the framework of the business plans. The main parameters used in 2012 to calculate these projected flows were as follows:

<u>Cash-generating unity</u>	<u>Term of plans</u>	<u>Discount rate</u>	<u>Growth rate in excess of term of plans</u>
Residential . . . . .	5 years	6.75%	0.50%
Mobile . . . . .	5 years	6.75%	0.50%
Corporate activity . . . . .	5 years	6.75%	0.50%

The discount rate of 6.75% is obtained by taking a capital cost of 13.1% and a pre-tax cost of debt of 6%.

The growth rates applied to the period after the business plans are those normally adopted by the markets of the activities in question.

In view of the marginal significance of financial leverage, an increase in the cost of capital is not expected to depreciate goodwill recognised for each cash generating unit

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**9—Notes to the Consolidated Financial Statements (Continued)**

**9.3 Intangible fixed assets**

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	IRU	Telecom access fees	Leasehold right	Wimax licence	Network development costs	Fixed assets under construction	Other	Total other intangible fixed assets
<b>Gross value at</b>								
<b>31 December 2011</b>	<b>17,836</b>	<b>6,497</b>	<b>5,232</b>	<b>3,759</b>	<b>15,193</b>	<b>4,625</b>	<b>29,350</b>	<b>82,492</b>
Purchases . . . . .	488	1,956	846	—	—	6,249	308	9,847
Disposals, scrappages . . . . .	—	(1,669)	(108)	—	—	—	(42)	(1,819)
Changes in scope of consolidation . . . . .	—	—	—	—	—	—	—	—
Conversion differences . . . . .	—	—	—	—	—	—	(14)	(14)
Reclassifications . . . . .	(533)	603	—	—	696	(4,786)	2,027	(1,993)
<b>Gross value at</b>								
<b>31 December 2012</b>	<b>17,791</b>	<b>7,387</b>	<b>5,970</b>	<b>3,759</b>	<b>15,889</b>	<b>6,088</b>	<b>31,629</b>	<b>88,513</b>
<b>Amortisation and depreciation at</b>								
<b>31 December 2011</b>	<b>(2,672)</b>	<b>(3,885)</b>	<b>(3,059)</b>	<b>(2,054)</b>	<b>(12,883)</b>	<b>—</b>	<b>(27,197)</b>	<b>(51,750)</b>
Dotations . . . . .	(1,304)	(1,832)	(598)	(465)	(1,110)	—	(1,189)	(6,498)
Write-backs on disposals, scrappages . . . . .	—	1,669	121	—	—	—	0	1,790
Changes in scope of consolidation . . . . .	—	—	—	—	—	—	—	—
Conversion differences . . . . .	13	—	—	—	—	—	2	16
Reclassifications . . . . .	1,989	—	—	—	—	—	0	1,989
<b>Amortisation and depreciation at</b>								
<b>31 December 2012</b>	<b>(1,973)</b>	<b>(4,048)</b>	<b>(3,536)</b>	<b>(2,519)</b>	<b>(13,993)</b>	<b>—</b>	<b>(28,384)</b>	<b>(54,453)</b>
<b>Net value at</b>								
<b>31 December 2011</b>	<b>15,164</b>	<b>2,612</b>	<b>2,173</b>	<b>1,705</b>	<b>2,310</b>	<b>4,625</b>	<b>2,153</b>	<b>30,742</b>
<b>Net value at</b>								
<b>31 December 2012</b>	<b>15,818</b>	<b>3,339</b>	<b>2,434</b>	<b>1,240</b>	<b>1,896</b>	<b>6,088</b>	<b>3,245</b>	<b>34,060</b>

The Wimax licence acquired in August 2007 is commercialised but within certain limits to allow the Group to complete the tests necessary for its large-scale implementation.

Since its acquisition by the Group, Wimax licence has been amortised according to the straight-line method over its residual term, i.e. until September 2015.

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**9—Notes to the Consolidated Financial Statements (Continued)**

**9.4 Tangible fixed assets**

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	Land and buildings	Plant & equipment	Other tangible fixed assets	Fixed assets under construction	Advances and instalments on fixed assets	Total tangible fixed assets
<b>Gross value at</b>						
<b>31 December 2011 . .</b>	<b>1,119</b>	<b>105,640</b>	<b>49,592</b>	<b>9,552</b>	<b>676</b>	<b>166,579</b>
Purchases . . . . .	—	1,515	367	16,618	—	18,500
Disposals, scrappages .	—	(10,389)	(4,150)	—	(139)	(14,678)
Effects of mergers . . . .	—	—	—	—	—	—
Conversion differences .	—	—	(69)	—	—	(69)
Reclassifications . . . . .	—	6,072	5,930	(11,831)	—	171
<b>Gross value at</b>						
<b>31.12.2012 . . . . .</b>	<b>1,119</b>	<b>102,838</b>	<b>51,670</b>	<b>14,339</b>	<b>537</b>	<b>170,503</b>
<b>Amortisation and depreciation at</b>						
<b>31.12.2011 . . . . .</b>	<b>(511)</b>	<b>(58,091)</b>	<b>(38,670)</b>	<b>—</b>	<b>—</b>	<b>(97,273)</b>
Charges . . . . .	(31)	(13,355)	(5,782)	—	—	(19,168)
Write-backs on						
disposals, scrappages	—	10,389	3,808	—	—	14,197
Effects of mergers . . . .	—	—	—	—	—	—
Conversion differences .	—	—	42	—	—	42
Reclassifications . . . . .	—	0	0	—	—	0
<b>Amortisation and depreciation at</b>						
<b>31.12.2012 . . . . .</b>	<b>(542)</b>	<b>(61,057)</b>	<b>(40,602)</b>	<b>—</b>	<b>—</b>	<b>(102,201)</b>
<b>Net value at 31</b>						
<b>december 2011 . . . .</b>	<b>608</b>	<b>47,549</b>	<b>10,922</b>	<b>9,552</b>	<b>676</b>	<b>69,306</b>
<b>Net value at 31</b>						
<b>december 2012 . . . .</b>	<b>577</b>	<b>41,781</b>	<b>11,068</b>	<b>14,339</b>	<b>537</b>	<b>68,302</b>

Dismantlement assets helped increase technical facilities by €171,000 (€423,000 in 31.12.11).

Tangible fixed assets include leased facilities with a net value of €461,000 (€233,000 in 31.12.11).

**9.5 Non-current financial assets**

Non-current financial assets breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Deposits, guarantees and other receivables . . . . .	1,536	1,287
Other long-term shareholdings . . . . .	32	32
<b>Non-current financial assets . . . . .</b>	<b>1,568</b>	<b>1,319</b>

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**9—Notes to the Consolidated Financial Statements (Continued)**

**9.6 Deferred taxes**

The balance sheet position by source of time differences was as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>variation</u>
Clientele . . . . .	—	—	—
Other fixed assets . . . . .	130	(236)	366
Provision for pensions . . . . .	854	620	234
Other provisions . . . . .	2,179	2,409	(230)
Financial instruments . . . . .	548	342	206
Prepaid expenses and income . . . . .	(598)	(492)	(106)
Loss carry-forwards . . . . .	100	210	(110)
Other timing differences . . . . .	(698)	(1,104)	406
<b>Total deferred tax . . . . .</b>	<b><u>2,515</u></b>	<b><u>1,749</u></b>	<b><u>766</u></b>
<b>Of which</b>			
Deferred tax assets . . . . .	3,229	2,728	501
Deferred tax liabilities . . . . .	(714)	(979)	265

In view of the earnings prospects of some of the Group's entities, deferred tax assets are recognised under tax loss carry forwards.

**9.7 Inventories**

Inventories were made up of the following items:

<u>(in EUR 000)</u>	<u>31.12.2012</u>			<u>31.12.2011</u>		
	<u>Gross value</u>	<u>Depreciation</u>	<u>Net value</u>	<u>Gross value</u>	<u>Depreciation</u>	<u>Net value</u>
Computer hardware . . . . .	186	(127)	59	181	(110)	70
Other (mobiles, pre-paid cards) . . . . .	5,013	(652)	4,361	4,427	(999)	3,429
<b>Stocks . . . . .</b>	<b><u>5,199</u></b>	<b><u>(779)</u></b>	<b><u>4,420</u></b>	<b><u>4,608</u></b>	<b><u>(1,109)</u></b>	<b><u>3,499</u></b>

The company recognised a net depreciation writeback of €330,000 in 2012, compared with a net depreciation writeback of €8,000 in 2011.

**9.8 Trade receivables**

Trade receivables breaks down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Accounts receivable from clients . . . . .	38,149	45,377
Depreciation . . . . .	(9,884)	(20,990)
<b>Total . . . . .</b>	<b><u>28,265</u></b>	<b><u>24,387</u></b>

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**9—Notes to the Consolidated Financial Statements (Continued)**

On 31.12.12, trade receivables were depreciated by €9,884. The changes in the depreciation of trade receivables breaks down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
<b>At beginning</b> . . . . .	<b>(20,990)</b>	<b>(26,791)</b>
Charges . . . . .	(4,162)	(4,356)
Write-backs . . . . .	15,245	10,181
Others movements . . . . .	23	(24)
<b>At year-end</b> . . . . .	<b><u>(9,884)</u></b>	<b><u>(20,990)</u></b>

	31.12.2012						
	<u>Total</u>	<u>Unmatured</u>	<u>Due in less than 1 month</u>	<u>Due in 1 to 3 months</u>	<u>Due in 3 to 6 months</u>	<u>Due in 6 to 12 months</u>	<u>Due after 12 months</u>
Gross receivables at 31.12.2012 (incl.tax) . . . . .	38,149	20,506	2,264	2,991	1,482	2,701	8,205
Provisions at 31.12.2012 (excl.tax) . . . . .	(9,884)	—	(392)	(1,153)	(704)	(1,276)	(6,360)
<b>Net balance at 31 December 2012</b> . . . . .	<b><u>28,265</u></b>	<b><u>20,506</u></b>	<b><u>1,872</u></b>	<b><u>1,838</u></b>	<b><u>778</u></b>	<b><u>1,425</u></b>	<b><u>1,845</u></b>
<b>Net balance at 31 December 2011</b> . . . . .	<b><u>24,387</u></b>	<b><u>15,892</u></b>	<b><u>1,900</u></b>	<b><u>1,738</u></b>	<b><u>839</u></b>	<b><u>1,383</u></b>	<b><u>2,635</u></b>

**9.9 Other current assets**

Other current assets breaks down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Social security . . . . .	21	2
Tax . . . . .	871	1,941
Prepaid expenses . . . . .	2,362	2,664
Other current assets . . . . .	3,515	4,056
Depreciation . . . . .	(170)	(192)
<b>Other current assets</b> . . . . .	<b><u>6,599</u></b>	<b><u>8,471</u></b>

**9.10 Cash and cash equivalents**

Cash in hand and cash equivalents breaks down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Liquid funds . . . . .	6,368	4,765
Marketable securities . . . . .	21,328	16,467
<b>Cash &amp; cash equivalents</b> . . . . .	<b><u>27,696</u></b>	<b><u>21,232</u></b>
Bank balances part of cash flow . . . . .	(1,613)	(1,765)
<b>Cash flow appearing in the cash flow statement</b> . . . . .	<b><u>26,083</u></b>	<b><u>19,467</u></b>

Investment securities consist mainly of SICAV-type mutual funds.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—Notes to the Consolidated Financial Statements (Continued)**

**9.11 Capital**

The company's share capital on 31.12.12 was €2,756,000, divided into 21,200,000 ordinary shares of €0.13, all entirely subscribed and paid up.

On 31.12.12 the Group held 190,758 shares of treasury stock.

The company's capital did not change in 2011 and in 2012.

**9.12 Borrowings and financial debts**

Borrowings and financial debts breaks down as follows:

(in EUR 000)	31.12.2012			31.12.2011		
	Total amount	Current	Non-current	Total amount	Current	Non-current
Senior debts and investment credits . . . .	80,339	7,416	72,923	89,282	9,271	80,011
Lease finance loans . . . . .	845	196	649	628	105	522
Debts from purchase of GSM equipments . . . . .	8,612	5,035	3,577	8,080	2,155	5,925
Royalty debts payable on frequencies . . .	606	223	383	819	213	606
Bank balances . . . . .	1,613	1,613	—	1,766	1,766	—
Short-term accrued unmatured interest . .	480	480	—	477	477	—
FOREX and interest-rate derivatives . . . .	1,503	1,503	—	876	876	—
Guarantees and other debts . . . . .	543	345	198	484	393	91
<b>Total . . . . .</b>	<b>94,540</b>	<b>16,810</b>	<b>77,730</b>	<b>102,411</b>	<b>15,256</b>	<b>87,155</b>

The Group satisfies all applicable financial ratios and therefore presents borrowings and debts according to their contractual repayment schedule.

*9.12.1 Repayment schedule of the entire financial debt on 31 December*

The maturities of the non-discounted debt repayments are as follows:

(in EUR 000)	31.12.2012	31.12.2011
Due in less than one year . . . . .	16,810	15,256
Due in 1 - 5 years . . . . .	58,264	51,639
Due after 5 years . . . . .	19,466	35,516
<b>Total financial debt . . . . .</b>	<b>94,540</b>	<b>102,411</b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—Notes to the Consolidated Financial Statements (Continued)**

*9.12.2 Breakdown of financial debt*

For the financial year ended 31.12.12, financial debts break down as follows:

<u>(in EUR 000)</u>	<u>Currency</u>	<u>Rate</u>	<u>Balance sheet value</u>	<u>Contractual maturity</u>
BNP loan . . . . .	EUR	Euribor + 3.25%	80,339	2,018
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	4,271	2,014
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	386	2,013
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	1,582	2,015
Due to equipment supplier Alcatel . . . . .	EUR	Euribor + 1.5%	2,204	2,014
Due to equipment supplier IBM . . . . .	EUR	6.12%	62	2,014
Due to equipment supplier IBM . . . . .	EUR	6.31%	106	2,015
Lease finance loans . . . . .	EUR		845	2,014
Royalty debt payable on frequencies . . . . .	EUR		606	2,015
Current account balances with banks . . . . .	EUR		1,613	
Accrued interest . . . . .			480	
FOREX and interest-rate derivatives . . . . .			1,503	
Guarantees and other debts . . . . .			543	
<b>Total . . . . .</b>			<b><u>94,540</u></b>	

For the financial year ended 31.12.11, financial debts break down as follows:

<u>(in EUR 000)</u>	<u>Currency</u>	<u>Rate</u>	<u>Balance sheet value</u>	<u>Contractual maturity</u>
BNP loan . . . . .	EUR	Euribor + 3.25%	89,282	2,018
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	5,695	2,014
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	773	2,013
Due to equipment supplier Alcatel . . . . .	EUR	Euribor + 1.5%	1,513	2,014
Due to equipment supplier IBM . . . . .	EUR	6.12%	99	2,014
Lease finance loans . . . . .	EUR		627	2,014
Royalty debt payable on frequencies . . . . .	EUR		819	2,015
Current account balances with banks . . . . .	EUR		1,766	
Accrued interest . . . . .			477	
FOREX and interest-rate derivatives . . . . .			876	
Guarantees and other debts . . . . .			484	
<b>Total . . . . .</b>			<b><u>102,411</u></b>	

The fair value of borrowings at variable rates is considered close to that of amortised cost.

**9.13 Employee Benefits**

Employee benefits break down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Post-employment benefits . . . . .	1,344	1,176
Long-term benefits . . . . .	937	689
<b>Employee benefits . . . . .</b>	<b><u>2,281</u></b>	<b><u>1,865</u></b>



**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—Notes to the Consolidated Financial Statements (Continued)**

- **Benefits after employment**

The discounted value of the Group's retirement allowances liabilities changed as follows:

<u>(in EUR 000)</u>	<u>Discounted value of the obligation (DBO)</u>
<b>As at 1.01.2011</b> . . . . .	<b>750</b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	132
Interest charge . . . . .	37
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	10
Effects of implementation of scheme . . . . .	—
Effects of wind-up . . . . .	—
<b>As at 31.12.2011</b> . . . . .	<b><u>929</u></b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	139
Interest charge . . . . .	46
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	289
Effects of implementation of scheme . . . . .	—
Effects of wind-up . . . . .	(11)
<b>As at 31.12.2012</b> . . . . .	<b><u>1,392</u></b>

Reconciliation of the discounted value of the Group's retirement allowances liabilities and the provision for employee benefits shows the following:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Discounted value of the commitment in respect of end of career compensation . . . . .	1,392	929
Cost of past services not recognised . . . . .	46	46
Actuarial gains and losses not recognised . . . . .	(94)	201
Other . . . . .	—	—
<b>Provision for employee benefits</b> . . . . .	<b><u>1,344</u></b>	<b><u>1,176</u></b>

- **Long-term benefits**

Uses noted in 2007 prompted the Group to recognise a seniority bonus.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—Notes to the Consolidated Financial Statements (Continued)**

The discounted value of the Group's obligation in terms of retirement benefits changed as follows:

<u>(in EUR 000)</u>	<u>Discounted value of the obligation (DBO)</u>
<b>As at 1.01.2011</b> . . . . .	<b>626</b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	138
Interest charge . . . . .	36
Benefits paid . . . . .	—
Effects of changes in scheme . . . . .	<u>(111)</u>
<b>As at 31.12.2011</b> . . . . .	<b>689</b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	149
Interest charge . . . . .	42
Benefits paid . . . . .	—
Effects of changes in scheme . . . . .	<u>57</u>
<b>As at 31.12.2012</b> . . . . .	<b>937</b>

Reconciliation of the discounted value of the Group's liabilities and the provision for long-term benefits shows the following:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Discounted value of the commitment in respect of end of career compensation . . . . .	937	689
Cost of past services not recognised . . . . .	—	—
Actuarial gains and losses not recognised . . . . .	—	—
<b>Provision for employee benefits</b> . . . . .	<b>937</b>	<b>689</b>

• **Actuarial assumptions**

The main actuarial assumptions are as follows:

	<u>31.12.2012</u>	<u>31.12.2011</u>
Discount rate . . . . .	3.0%	5.3%
Salary discount rate . . . . .	0% à 2.5%	1.5% à 2.5%

**9.14 Provisions**

Provisions changed as follows:

<u>(in EUR 000)</u>	<u>31.12.2011</u>	<u>Charges</u>	<u>Effect of discounting</u>	<u>Writebacks</u>		<u>Other</u>	<u>31.12.2012</u>
				<u>Used</u>	<u>Not used</u>		
Provisions for disputes . . . . .	2,691	1,719	—	(663)	(311)	—	3,436
Provision for dismantling . . . . .	4,115	—	344	—	(7)	170	4,622
<b>Total provisions</b> . . . . .	<b>6,806</b>	<b>1,719</b>	<b>344</b>	<b>(663)</b>	<b>(318)</b>	<b>170</b>	<b>8,058</b>

The increase in dismantlement provisions is offset by an increase in tangible fixed assets. The impact of accretion and of the change in the discount rate are recognised under financial charges.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Provisions break down as follows between current and non-current provisions:

(in EUR 000)	31.12.2011		31.12.2012	
	Current	Non current	Current	Non current
Provisions for disputes . . . . .	3,436	—	2,691	—
Provision for dismantling . . . . .	—	4,622	—	4,115
<b>Total provisions . . . . .</b>	<b>3,436</b>	<b>4,622</b>	<b>2,691</b>	<b>4,115</b>

**9.15 Other non-current liabilities**

Other non-current liabilities correspond to the fraction of tax exemption subsidies received which is older than one year.

**9.16 Other current liabilities and tax payables**

Other current liabilities break down as follows:

(in EUR 000)	31.12.2012			31.12.2011		
	Other creditors	Prepaid income	Total	Other creditors	Prepaid income	Total
Social security . . . . .	6,560	—	6,560	4,990	—	4,990
Tax . . . . .	2,396	—	2,396	1,707	—	1,707
Current account credit balances . . . . .	461	—	461	111	—	111
Tax exemption subsidies . . . . .	—	1,170	1,170	—	1,580	1,580
Lump sums received in advance . . . . .	—	10,030	10,030	—	9,067	9,067
Revenues from loyalty programmes . . . . .	—	2,289	2,289	—	2,159	2,159
Other . . . . .	2,411	—	2,411	5,393	34	5,427
<b>Other current liabilities . . . . .</b>	<b>11,828</b>	<b>13,489</b>	<b>25,317</b>	<b>12,201</b>	<b>12,840</b>	<b>25,041</b>

Deferred income from loyalty programs corresponds, at fair value, to the rights to advantages earned by customers for past consumption. The advantage granted averages 0.7% of the main sale.

Due tax liabilities include the debt of €4,867,000 generated by tax consolidation with OMT Invest.

**9.17 Derivatives**

**9.17.1 Interest-rate instruments**

The Group refinances itself primarily at variable rates, exposing itself to changes in its future interest expense.

The Group therefore uses derivatives to eliminate or limit these risks. The rate derivatives used by the Group provide an economic hedge but are not covered by hedge documentation in accordance with IAS 39. Consequently, changes in the fair value of these instruments are recognised under other income and charges as follows: the fraction of the hedge considered effective under gross income and the fraction considered ineffective under net income.

The derivatives used are rate swaps.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*9.17.2 Rate derivatives for trading purposes*

The rate derivatives held for trading purposes break down as follows:

<u>(in EUR 000)</u>	<u>Notional rate at 31 December 2012</u>				<u>Fair value</u>
	<u>&lt; 1 year</u>	<u>1 - 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>	<u>31.12.2012</u>
<i>Interest-rate option</i>					
CAP . . . . .	—	15,000	—	15,000	1
Collar . . . . .	—	12,500	—	12,500	(625)
<i>Rate swaps</i>					
Payer fixed/receiver variable . . . . .	10,000	25,000	—	35,000	(879)
<b>Derivative instruments held for transaction purposes . . . . .</b>	<b>10,000</b>	<b>52,500</b>	<b>—</b>	<b>62,500</b>	<b>(1,503)</b>
<u>(in EUR 000)</u>	<u>Notional rate at 31 December 2011</u>				<u>Fair value</u>
	<u>&lt; 1 year</u>	<u>1 - 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>	<u>31.12.2011</u>
<i>Interest-rate option</i>					
CAP . . . . .	—	15,000	—	15,000	20
Collar . . . . .	—	12,500	—	12,500	(283)
<i>Rate swaps</i>					
Payer fixed/receiver variable . . . . .	—	35,000	—	35,000	(593)
<b>Derivative instruments held for transaction purposes . . . . .</b>	<b>—</b>	<b>62,500</b>	<b>—</b>	<b>62,500</b>	<b>(856)</b>

The change in the fair value of the derivatives is recognised as follows: non-effective fraction under net financial income, effective fraction under equity.

For the financial year ended 31 December 2012, the impact of this change is reflected in financial income of €35,000 and a decrease in equity of €681,000 before the impact of deferred taxation.

**9.18 External charges**

External charges break down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Purchased consumed . . . . .	20,598	17,501
Rents and rental charges* . . . . .	10,517	10,101
Payments to intermediaries and fees . . . . .	2,385	3,219
Telecom costs . . . . .	48,785	53,499
Other external purchases . . . . .	18,756	19,403
<b>External purchases . . . . .</b>	<b>101,041</b>	<b>103,723</b>

\* Commercial leases for offices, shops and warehouses and automatically renewable leases under the laws for regulations and private citizens for the rental of technical sites.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.19 Personnel charges**

Personnel charges were broken down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Salaries . . . . .	(19,450)	(20,110)
Social Security costs . . . . .	(7,078)	(5,885)
Other . . . . .	(2,392)	(1,732)
<b>Total employee costs . . . . .</b>	<b><u>(28,920)</u></b>	<b><u>(27,727)</u></b>

In respect of share-based payments (see section 8.15.3), other personnel charges include a charge of €341,000 for 2012 vs. €561,000 for 2011.

Other charges also include employee profit sharing in the amount of €1,593,000.

The Group had 830 employees on 31 December 2012, up from 911 on 31.12.11.

**9.20 Other operating charges**

Other operating charges break down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Depreciation of accounts receivable from customers . . . . .	(4,306)	(4,438)
Other expenses . . . . .	1,314	1,564
<b>Other operating expenses . . . . .</b>	<b><u>(2,992)</u></b>	<b><u>(2,874)</u></b>

Other operating charges consist mainly of appropriations to provisions for risks and depreciation on client receivables.

**9.21 Other operating income**

Other operating income breaks down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Subsidies received for tax exemption transferred to income for the year . . . .	1 601	2 250
Other income . . . . .	130	64
<b>Other operating income . . . . .</b>	<b><u>1 731</u></b>	<b><u>2 314</u></b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.22 Net cost of debt and other financial income and charges**

(in EUR 000)	31.12.2012			31.12.2011		
	Income	Charges	Net	Income	Charges	Net
Interest on senior debt . . . . .		(2,887)	(2,887)		(1,561)	(1,561)
Interest on lease finance loans . . . . .		(15)	(15)		3	3
Interest on debts to GSM equipment suppliers . . . . .		(269)	(269)		(364)	(364)
Interest on trade debts . . . . .		(35)	(35)		(26)	(26)
Interest on SWAP . . . . .		(516)	(516)		(1,221)	(1,221)
Interest on royalty debt payable on frequencies . . . . .		(83)	(83)		(94)	(94)
Other income/expenses . . . . .		(479)	(479)		(445)	(445)
Income from disposal of marketable securities . . . . .	308		308	250		250
<b>Net borrowing costs . . . . .</b>	<b>308</b>	<b>(4,284)</b>	<b>(3,976)</b>	<b>250</b>	<b>(3,708)</b>	<b>(3,458)</b>
Discounting charges . . . . .		(344)	(344)		(145)	(145)
Other income and expenses . . . . .	(22)	(130)	(152)	758	(408)	350
Change in fair value of derivatives . . . . .	34		34	403		403
Foreign exchange results . . . . .	453	(464)	(11)	283	(404)	(121)
<b>Other financial income and expenses . . . . .</b>	<b>465</b>	<b>(938)</b>	<b>(473)</b>	<b>1,444</b>	<b>(957)</b>	<b>487</b>
<b>Change in fair value of derivative instruments on hybrid debts . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**9.23 Corporation tax**

Corporation tax for the year reflects application of the effective rate at the end of the financial year to pre-tax profit on 31.12.12. In France, deferred taxes are based upon current tax rates, i.e. 34.43% for 2012 and subsequent years.

(in EUR 000)	31.12.2012	31.12.2011
Current tax charge/income . . . . .	(10,069)	(2,274)
Deferred tax charge/income . . . . .	531	(7,040)
CVAE . . . . .	(1,680)	(1,332)
<b>Total tax charge/income . . . . .</b>	<b>(11,218)</b>	<b>(10,646)</b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The theoretical tax rate based upon the statutory tax rate in France and the effective tax rate are reconciled as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Net profit for the period . . . . .	18,799	19,838
Tax rebate		
Tax charge/income for the period . . . . .	<u>(11,218)</u>	<u>(10,646)</u>
<b>Consolidated pre-tax profit . . . . .</b>	<b>30,017</b>	<b>30,484</b>
<i>Theoretical tax rate . . . . .</i>	<i>34.43%</i>	<i>34.43%</i>
Theoretical tax charge/income . . . . .	(10,335)	(10,496)
Effect of change in deferred tax rate . . . . .	—	369
Differences in tax rate . . . . .	665	80
Own shares held . . . . .	381	(54)
N-1 tax adjustment . . . . .	(6)	—
Abatement upto one third—French overseas departments . . . . .	47	77
Share of costs and expenses on dividends . . . . .	(415)	—
Share of cost and expenses on long-term gains . . . . .	(173)	—
Effects of deferred tax assets not recognised by way of losses carried forward . . . . .	(294)	—
Other taxes due . . . . .	(915)	(784)
Other . . . . .	<u>(173)</u>	<u>162</u>
<b>Effective tax charge/income . . . . .</b>	<b><u>(11,218)</u></b>	<b><u>(10,646)</u></b>
<b>Effective tax rate . . . . .</b>	<b>37.37%</b>	<b>34.92%</b>

The recognition of the CVAE as an income tax increased tax liabilities on 31.12.12 by €915,000.

Until 2011, Groupe Outremer Telecom was the head of the tax consolidation group consisting of the entities within the sphere of its consolidation structure. Starting 2012, the Group's entities were added to a larger tax consolidation group headed by OMTInvest, the majority shareholder of Groupe Outremer Telecom. The capacity to consume tax loss carry forwards within the Group's consolidation structure, is therefore examined at the level of each entity, independently from tax consolidation. Similarly, the non-deductible fractions of internal income affect the Group's overall tax rate.

**9.24 Contractual commitments**

*9.24.1 Commitments granted under rental contracts*

Amounts payable under rental contracts break down as follows:

<u>(in EUR 000)</u>	<u>Outstanding at 31 December 2012</u>			
	<u>Total</u>	<u>&lt; 1 year</u>	<u>due in 1 - 5 years</u>	<u>&gt; 5 years</u>
Rentals . . . . .	<b>28 322</b>	<b>8 641</b>	<b>15 932</b>	<b>3 749</b>
<u>(in EUR 000)</u>	<u>Outstanding at 31 December 2011</u>			
	<u>Total</u>	<u>&lt; 1 year</u>	<u>due in 1 - 5 years</u>	<u>&gt; 5 years</u>
Rentals . . . . .	<b>30 582</b>	<b>8 508</b>	<b>17 833</b>	<b>4 241</b>

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*9.24.2 Guarantees granted for borrowings taken out by Groupe Outremer Telecom SA and Outremer Telecom*

9.24.2.1 Bank credit agreement

On 28 July 2011, the Group signed a 7-year credit facilities agreement with an overall value of €92.7 million, recognised for €80.4 million under liabilities on 31 December 2012.

In order to secure repayment of these facilities, the lending institutions benefit from certain guarantees, particularly the following:

- the pledging of the Outremer Telecom SAS securities held by the Group,
- the pledging of the claims held by Groupe Outremer Telecom SA and by its subsidiary Outremer Telecom SAS
- the pledging of the bank accounts of Outremer Telecom SAS
- the pledging of the trademarks owned by Outremer Telecom SAS

9.24.2.2 Agreements signed with ZTE Corporation

Outremer Telecom SAS continues to build a denser network and to migrate its networks to 3.5 G. As part of this drive, it has signed a contract for the supply of telecommunications equipment and associated services with ZTE Corporation (“ZTE”).

Under this agreement, ZTE granted Outremer Telecom SAS a renewable credit line of maximum €20 million, which was partly drawn down in several tranches in 2011 and 2012. The remainder of this financing amounted to €6.2 million on 31.12.12.

To guarantee payment of all sums owed under this vendor financing arrangement, ZTE is entitled to:

- a pledge on the equipment supplied,
- a joint guarantee of the commitments accepted by the subsidiary Outremer Telecom SAS, issued by Groupe Outremer Telecom SA, and
- a commitment by Outremer Telecom SAS to deposit, in an escrow account, the revenue from marketing prepaid cards and from billing roaming services for mobile telephone networks in Guadeloupe and Guyana.

9.24.2.3 Agreements with Alcatel Lucent

As part of the agreements signed in July 2012 between Outremer Telecom SAS and Alcatel-Lucent France in order to deploy a microwave-links transmission network, Electro-Banque granted Outremer Telecom SAS a credit of €2.8 million, to be repaid over a period of 3 years.

On 31 December 2012, the outstandings remaining of this credit amounted to €2.2 million.

To guarantee payment of all sums owed by virtue of this credit facility, the lender has a joint lien on the commitments accepted by Outremer Telecom SAS, granted by Groupe Outremer Telecom SA.



**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.25 Related parties**

*9.25.1 Transactions with senior managers*

Transactions with senior managers (members of the Management Board and the Supervisory Board) broke down as follows:

**Principal officers**

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Short-term benefits . . . . .	2,384	2,594
Post-employment benefits . . . . .	42	164
Other long-term benefits . . . . .	94	103
End of contract compensation . . . . .	—	11
Payment in shares . . . . .	152	368
<b>Total employee costs . . . . .</b>	<b><u>2,672</u></b>	<b><u>3,240</u></b>
Fees . . . . .	—	—
Rentals . . . . .	53	21
<b>Total other expenses . . . . .</b>	<b><u>53</u></b>	<b><u>21</u></b>

*9.25.2 Other related parties*

Transactions with the parent company, OMT Invest, break down as follows:

<u>(in EUR 000)</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Balance Sheet—Financial Statement of Current Liabilities . . . . .	9,148	—
External expenses . . . . .	(576)	96
Rental income . . . . .	9	—

**9.26 Risk management**

*9.26.1 Liquidity risk*

On 28 July 2012, the Group signed a 7-year credit facilities agreement with an overall value of €92.7 million, recognised for €80.4 million under liabilities on 31 December 2012.

Under this financing agreement, the Group must comply with the following financial ratios:

- i—Leverage ratio (consolidated debt/consolidated EBITDA) which may not exceed a threshold decreasing from 1.80 on 31.12.12 to 1.10 on 30 June 2018.
- ii—Leverage ratio (consolidated debt/consolidated EBITDA) which may not exceed a threshold of 4.50 during each half-yearly test.
- iii—The coverage ratio for debt service (free cash flows/debt service), which must remain above a threshold set at 1.35 during each half-yearly test.
- iv—The Group must also comply with annual **investment** caps, whose level changes according to consolidated EBITDA.

Similarly, vendor credits granted by the equipment manufacturers ZTE and Alcatel Lucent, amounting on 31.12.12 to respectively €6.2 and €2.2 million, are also tied to comply with financial ratios that are relatively comparable with those in the credit agreement although under less stringent conditions.

On 31.12.12, the Group complied with all financial ratios to which it was committed and had a significant cash position of more than €26 million.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*9.26.2 Currency risk*

The Group's exposure to the currency risk in connection with its commercial activities is relatively low and does not call for hedges.

The following table shows the Group's net positions, by currency, on 31 December 2012 and 31 December 2011:

Equivalent value (in EUR 000)	31.12.2012		31.12.2011	
	US dollar	Mauritian rupee	US dollar	Mauritian rupee
Assets . . . . .	370	12,794	255	2,217
Liabilities . . . . .	(337)	(9,708)	(725)	(538)
<b>Net position before management</b> . . . . .	<b>33</b>	<b>3,086</b>	<b>(470)</b>	<b>1,679</b>
Off-balance sheet position . . . . .	—	—	—	—
<b>Net position after management</b> . . . . .	<b>33</b>	<b>3,086</b>	<b>(470)</b>	<b>1,679</b>

*9.26.3 Credit risk*

The financial instruments capable of exposing Outremer Télécom to the credit risk are primarily cash in hands and trade receivables.

Outremer Télécom believes that concentration of the trade receivables credit risk is extremely low because of the large number of customers, their diversity (residential and professional), their positioning in a range of different economic **sectors** and their geographical dispersal. Moreover, the maximum credit risk connected with these financial assets is equal to the net book value committed.

*9.26.4 Rate risk*

The Group's incurs debt mainly at variable rates. The Group manages exposure to the rate risk by means of different financial instruments, mainly fixed rate borrowing swaps and interest rate option purchases (tunnel purchases).

**Sensitivity of financial assets and liabilities to rate risks**

Sensitivity "S" is shown in the table below, which displays, on 31.12.12, with maturities of up to one year, from one to five years and more than five years, debt outstanding and financial assets before and after application of off balance sheet instruments.

	Due in less than one year	Due within 1 - 5 years	Due after 5 years	Total
Financial liabilities . . . . .	(140,383)	(2,434)	—	(142,816)
Financial assets . . . . .	55,961	—	—	55,961
<b>Net position before management</b> . . . . .	<b>(84,421)</b>	<b>(2,434)</b>	<b>—</b>	<b>(86,855)</b>
Off-balance sheet . . . . .	30,000	—	—	30,000
<b>Net position after management</b> . . . . .	<b>(54,421)</b>	<b>(2,434)</b>	<b>—</b>	<b>(56,855)</b>

This table was prepared according to the AMF recommendation. All variable rate assets and debts are shown in the column of up to one year unless their real maturities are longer.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

S = Net position to be renewed in less than one year after management X 1% change in the short term rate X Average duration of short term rate (impact through to the end of the next financial year)

S = Net position to renew after management	X 1% variation of short-term rate	X average duration (one year) left until the end of the next financial year	= impact
(54,421)	1.0%	1	(544)

After factoring the effect of rate hedges, the impact of a 1% increase in interest rates would be €544,000. The ratio between this amount and the total amount of financial charges during the past year (€4,284,000) is 12.7%. This ratio indicates the impact, upon the Group's financial charges, of changes in rates affecting:

- financial assets and liabilities at variable rates;
- financial assets and liabilities at fixed rates whose maturity is within one year.

After factoring in rate hedges, the Group's exposure to the rate risk is mainly linked to the non-swapped fractions of senior debt (€17.8m) and to GSM equipment procurement debt (€8.4 m).

**9.26.5 Equity risk**

*The company invests surplus cash only in money market instruments and is therefore not exposed to the equity risk.*

**9.26.6 Risk relating to mobile telephony licences**

*Under the licences granted to the Group's companies, these have agreed to comply with certain obligations, to make major investments in various networks in order to be able to offer new products and services and to pay certain specific fees. If the Group does not comply with the commitments accepted, the licences may be withdrawn, which in some cases could oblige the Group to pay compensation to the State or to other parties.*

*The Group's main licences are telecoms licences L.33, L.34, the GSM licence (for all DOM districts), the 3G-UMTS licence (for all DOM districts except Mayotte) and the BLR or Wimax licence (for Reunion Island, Martinique and Guadeloupe). The Group's commitments are set out in ARCEP decisions.*

*For the GSM licences (Decisions No. 05-0681 of 19 July 2005 and No. 06-0842 of 25 July 2006), the Group is inter alia obliged to guarantee a minimum coverage of 90% of the population in the DOM districts. The Group satisfies all its obligations with a coverage ratio of about 90% of the population as soon as it inaugurated the GSM mobile telephony networks in each of its territories*

*For the 3G licence (Decision N°-08-0519 of 6 May 2008), the Group has agreed to deploy its third-generation (3G) terrestrial radioelectric network to achieve coverage of 70% by May 2013. On 31 December 2012, the Group already covered more than 60% of the population in all its territories and more than 70% in the Antilles. In view of ongoing deployment, the threshold of 70% will be crossed in each administrative district before May 2013.*

*Lastly, when taking over the assets of XTS in 2007, the Group assumed the obligations under the BLR licences awarded to WLL Océan Indien and WLL Antilles-Guyane. These licences provide for coverage of the Wimax network amounting to 37% of the population in Martinique, 42% of Reunion Island and 44% in Guadeloupe. Although the Group is currently one of the only national operators to offer a Wimax internet access subscription to private customers, coverage has not yet reached the levels stipulated in the licences.*

*On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, an official notice that their BLR networks are only partly deployed in the three administrative districts (départements) of Martinique, Guadeloupe and Reunion Island and ordering them to complete the coverage of their networks no later than 31 January 2013.*

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*In 2012, the Group carried out the deployments necessary to meet all coverage obligations ordered by ARCEP.*

**9.26.7 Capital management**

The Group's main objective is to maintain a good equity risk rating and sound capital ratios in order to facilitate its business and to maximise shareholder value.

The Group manages its capital based on a ratio, equal to net debt divided by the sum of equity and net debt.

In view of the level of free cash flow, the Group's policy is to maintain this ratio between 50% and 80% (save in the event of a suitable opportunity).

In net debt, the Group includes interest-bearing loans and borrowings, cash and cash equivalent, except abandoned activities.

Equity includes the Group's share in capital and the unrealised gains and losses recognised directly under equity.

**9.27 Financial instruments**

	Book value		Book value	
	2012	2011	2012	2011
<b>Financial assets</b>				
Non-current financial assets . . . . .	1,568	1,319	1,568	1,319
Tax receivables . . . . .	9	12	9	12
Accounts receivable from clients . . . . .	28,265	24,387	28,265	24,387
Other current assets . . . . .	6,599	8,471	6,599	8,471
Cash & cash equivalents . . . . .	27,696	21,232	27,696	21,232
<b>Total financial assets</b> . . . . .	<b><u>64,137</u></b>	<b><u>55,421</u></b>	<b><u>64,137</u></b>	<b><u>55,421</u></b>
<b>Financial liabilities</b>				
Non-current financial debts . . . . .	77,730	87,155	77,730	87,155
Short-term financial debt . . . . .	16,810	15,256	16,810	15,256
Amount due to suppliers . . . . .	48,276	37,795	48,276	37,795
Other short-term financial liabilities . . . . .	25,317	25,042	25,317	25,042
Tax due . . . . .	5,489	2,661	5,489	2,661
<b>Total financial liabilities</b> . . . . .	<b><u>173,622</u></b>	<b><u>167,909</u></b>	<b><u>173,622</u></b>	<b><u>167,909</u></b>

The fair value of a contract is the price that would have been agreed between parties free to enter into a contract opening at arm's length. On the date of the transaction, this generally corresponds to the transaction price. The fair value must subsequently be based upon observable market data giving the most reliable indication of the fair value of a financial instrument.

The fair value of borrowings is determined by discounting the contractual flows at market interest rates.

The fair value of trade payables and trade receivables corresponds to the book value shown in the balance sheet as the effect of discounting future cash flows is not significant.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial instruments break down as follows by category:

<u>31-Dec-2012</u>	<u>Book value</u>	<u>Fair value by profit</u>	<u>Fair value by equity capital</u>	<u>Assets held for resale</u>	<u>Loans and receivables</u>	<u>Debts at amortised cost</u>
<b>Financial assets</b>						
Non-current financial assets . . . .	1,568		42		1,526	
Tax receivables . . . . .	9				9	
Accounts receivable from clients	28,265				28,265	
Other current assets . . . . .	6,599				6,599	
Cash & cash equivalents . . . . .	27,696	27,696				
<b>Total financial assets . . . . .</b>	<b><u>64,137</u></b>	<b><u>27,696</u></b>	<b><u>42</u></b>	<b><u>0</u></b>	<b><u>36,399</u></b>	<b><u>0</u></b>
<b>Financial liabilities</b>						
Non-current financial debts . . . .	77,730					77,730
Short-term financial debt . . . . .	16,810		1,503			15,307
Amount due to suppliers . . . . .	48,276					48,276
Other short-term financial liabilities . . . . .	25,317					25,317
Tax due . . . . .	5,489					5,489
<b>Total financial liabilities . . . . .</b>	<b><u>173,622</u></b>	<b><u>0</u></b>	<b><u>1,503</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>172,119</u></b>
<u>31-Dec-2011</u>	<u>Book value</u>	<u>Fair value by profit</u>	<u>Fair value by equity capital</u>	<u>Assets held for resale</u>	<u>Loans and receivables</u>	<u>Debts at amortised cost</u>
<b>Financial assets</b>						
Non-current financial assets . . . .	1,319		42		1,277	
Tax receivables . . . . .	12				12	
Accounts receivable from clients	24,387				24,387	
Other current assets . . . . .	8,471				8,471	
Cash & cash equivalents . . . . .	21,232	21,232				
<b>Total financial assets . . . . .</b>	<b><u>55,421</u></b>	<b><u>21,232</u></b>	<b><u>42</u></b>	<b><u>0</u></b>	<b><u>34,147</u></b>	<b><u>0</u></b>
<b>Financial liabilities</b>						
Non-current financial debts . . . .	87,155					87,155
Short-term financial debt . . . . .	15,256		887			14,369
Amount due to suppliers . . . . .	37,795					37,795
Other short-term financial liabilities . . . . .	25,042					25,042
Tax due . . . . .	2,661					2,661
<b>Total financial liabilities . . . . .</b>	<b><u>167,909</u></b>	<b><u>0</u></b>	<b><u>887</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>167,022</u></b>

Other current assets and non-current financial debts valued at fair value by result are considered to be level 2 items. Their valuation requires valuation techniques based on observable market data.

Non-current financial assets valued at fair value by equity are considered to be level 3 items. Their valuation requires valuation techniques based on non-observable market data..

**9.28 Statutory auditor's fees**

Pursuant to Decree No. 2008-1487 of 30 December 2008, complementing Article R. 233-14 §17 of the French Commercial Code, the following table shows the amount of fees of the Group's statutory auditors recognised in the consolidated profit & loss account for the year, distinguishing between fees billed for the legal audit of the consolidated financial statements and fees billed for other advice and services

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

directly linked to the legal audit of the consolidated financial statements. The fees mentioned for subsidiaries are connected with fully consolidated subsidiaries.

	AUDITORS							
	CONSTANTIN ASSOCIES				ERNST & YOUNG			
	AMOUNT (VAT excl.)		% of total		AMOUNT (VAT excl.)		% of total	
31-Dec-2012 <sup>(a)</sup>	2012	2011	2012	2011	2012	2011	2012	2011
<b>AUDIT</b>								
Statutory auditors, certification, review of accounts <sup>(b)</sup>								
<i>Issuer</i> <sup>(1)</sup> . . . . .	25,000	32,500	12%	12%	10,000	22,300	5%	9%
<i>Subsidiaries</i> . . . . .	87,820	86,500	41%	33%	78,500	87,700	36%	34%
Other procedures and services directly linked to the duties of the Statutory Auditors <sup>(c)</sup>								
<i>Issuer</i> <sup>(1)</sup> . . . . .	5,000		2%	0%		32,017	5%	12%
<i>Subsidiaries</i> . . . . .			0%	0%			0%	0%
<b>SUB-TOTAL</b> . . . . .	<b>117,820</b>	<b>119,000</b>	<b>54%</b>	<b>46%</b>	<b>98,544</b>	<b>142,017</b>	<b>46%</b>	
Other services provided by the networks to fully consolidated subsidiaries <sup>(d)</sup>								
<i>Legal, fiscal, social</i> <i>Other (mention if &gt;10% of audit</i> <i>fees)</i> . . . . .								
<b>SUB-TOTAL</b> . . . . .	—	—	0%	0%	—	—	0%	0%
<b>TOTAL</b> . . . . .	<b>117,820</b>	<b>119,000</b>	<b>54%</b>	<b>46%</b>	<b>98,544</b>	<b>142,017</b>	<b>46%</b>	<b>54%</b>

- (a) For the period under review, services provided for the financial year and recognised in the profit & loss account.
- (b) Including services of independent experts or members of the statutory auditor's network called upon for audit purposes.
- (c) This heading covers services provided directly to the issuer or its subsidiaries by:
- the statutory auditor in compliance with Article 10 of the Code of Ethical Conduct,
  - the statutory auditor in compliance with Article 10 of the Code of Ethical Conduct,
  - a member of the network in compliance with Articles 23 and 24 of the Code of Ethical Conduct.
- (d) Services other than audit services provided in compliance with Article 24 of the Code of Ethical Conduct by members of the network of the issuer's subsidiaries whose accounts were being audited.
- (1) The issuer is here used to mean the parent company

**9.29 Events after closure**

**9.29.1 Acquisition of Kertel.com's activity in the overseas administrative districts**

On 5 February 2013, Outremer Telecom SAS bought a fixed telephony business (preselection and prepaid cards) operated by Kertel.com in the overseas administrative districts.

With annual sales of about €3 million, this activity was bought for €0.9 million.

**Groupe Outremer Telecom**  
**Consolidated accounts (Continued)**

**9—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Although small, this acquisition strengthens the Group's competitive position and share in the fixed telephony market, which has ceased to grow in recent years:

- In the Prepaid Cards segment, the Group is the undisputed leader in all 5 administrative districts with a market share of over 75%, foreshadowing weaker competition;
- In the Preselection segment, the customer base has been bolstered by almost 2,000 business and private customers, whom the B2C and B2B sales teams can offer additional mobile telephony and broadband internet services.

Given significant synergies with existing activities, this acquisition, despite steadily declining revenues, can be expected to improve the Group's annual ROAA by more than €0.5 m.

*9.29.2 Change in mobile voice call termination rates*

*The work done with ARCEP on mobile call termination rates applicable from 1 January to 31 December 2013 culminated in the adoption, on 27 November 2012, of pricing Decision 2012-1502, lowering the cost of our outgoing traffic to SRR and Orange Caraïbes from 2.5 to 1 euro cent per minute (excluding VAT).*

*The gap between the call termination rates of SRR and Orange Caraïbes and those of their parent company in Mainland France was not justified by costs and is unacceptable in terms of competition and could not continue in 2013.*

Aware of the increase in unlimited offers in the overseas administrative districts at very attractive rates and queried about the very high call rates from Mainland France to our administrative districts, ARCEP argued that this single rate cap of 1 cent per minute in the ZAG and ZOI zones would foster economic conditions *"stimulating unlimited offers for overseas mobile calls and for calls from fixed to mobile telephones. Moreover, reduction of the gap in mobile call termination rates between overseas calls and calls in Mainland France (which would be only 0.2 euro cents per minute) can be expected to encourage inclusion of calls to overseas mobile phones in packages in Mainland France."*

The following rates were introduced on 1 January 2013:

		<u>2012 (€cts/min)</u>	<u>2013 (€cts/min)</u>
<b>Antilles Guyana</b>	<b>Orange Caraïbe</b> . . . . .	2.5	1.0
	<b>Digicel</b> . . . . .	2.5	1.0
	<b>Outremer Telecom</b> . . . . .	2.8	1.0
	<b>SRR</b> . . . . .	2.5	1.0
<b>Indian Ocean</b>	<b>Orange Réunion</b> . . . . .	2.8	1.0
	<b>Outremer Telecom</b> . . . . .	2.8	1.0

*9.29.3 Discontinuance of CanalConnect brand licence*

After 4 years, the Group has decided to terminate its brand licence contract with Canal Overseas, a subsidiary of Canal+, which allowed it inter alia to market its internet offers to Canal Overseas customers under the CanalConnect brandname.

The commercial contribution of this brand licence was not enough to justify the fee and various obligations imposed by Canal+.

Termination of this brand licence on 26 February 2013 is expected to result in significant savings without affecting the Group's commercial performance.

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

**Groupe Outremer Telecom**  
Year ended December 31, 2012

**Statutory auditors' report  
on the consolidated financial statements**



**CONSTANTIN ASSOCIES**

*Member of Deloitte Touche Tohmatsu Limited*  
185, avenue Charles-de-Gaulle  
92524 Neuilly-sur-Seine Cedex  
S.A. au capital de € 831.330

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG et Autres**

1/2, place des Saisons  
92400 Courbevoie—Paris-La Défense 1  
S.A.S. à capital variable

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**Groupe Outremer Telecom**

Year ended December 31, 2012

**Statutory auditors' report  
on the consolidated financial statements**

To the Chairman of the Executive Board,

In our capacity as statutory auditors of Groupe Outremer Telecom and in accordance with your request, we hereby report to you on the audit of the accompanying consolidated financial statements of Groupe Outremer Telecom, for the year ended December 31, 2012.

The preparation of these consolidated financial statements is the responsibility of your executive board. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets, liabilities and financial position of the consolidated group at December 31, 2012 and the results of its operations for the year ended December 31, 2012, in accordance with the IFRS as adopted by the European Union.

This report has been prepared solely for your attention and may not be used, circulated or quoted for any other purpose. If you would like this report to be distributed to a third party for a purpose other than that for which it is intended, you will need to request our prior approval in writing. We will then determine the terms and conditions for its distribution. We assume or take no responsibility towards the third party to whom the report has been distributed or made available.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action being brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Neuilly-sur-Seine et Paris-La-Défense, April 18, 2013

The statutory auditors

*French original signed by*

CONSTANTIN ASSOCIES  
*Member of Deloitte Touche Tohmatsu*

Jean-Paul Seguret

ERNST & YOUNG et Autres

Jeremy Thurbin

outremertelecom 

## **Groupe Outremer Telecom**

A *Société anonyme* (limited company) with a Management board  
Share capital: €2,756,000  
Registered office: 109, rue du Faubourg Saint-Honoré, 75008 Paris  
Paris Trade and Companies Register 479 197 287

### **Consolidated financial statements to 31 December 2011**

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**Groupe Outremer Telecom**  
**Consolidated financial statements**  
**1. CONSOLIDATED BALANCE SHEET**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
			<b>Restated</b>
Goodwill . . . . .	9.2	41,634	41,634
Other intangible fixe assets . . . . .	9.3	30,742	24,438
Tangible fixed assets . . . . .	9.4	69,306	64,110
Non-current financial assets . . . . .	9.5	1,319	1,259
Deferred taxes . . . . .	9.6	2,728	9,651
<b>Total non-current assets . . . . .</b>		<b>145,729</b>	<b>141,092</b>
Stocks . . . . .	9.7	3,499	2,719
Accounts receivable from clients . . . . .	9.8	24,387	26,412
Tax receivables . . . . .		12	31
Other current assets . . . . .	9.9	8,471	6,338
Cash & cash equivalents . . . . .	9.1	21,232	38,379
<b>Total current assets . . . . .</b>		<b>57,601</b>	<b>73,880</b>
<b>TOTAL ASSETS . . . . .</b>		<b>203,330</b>	<b>214,971</b>
<u>(in EUR 000)</u>	<u>Note</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
			<b>Restated</b>
Capital . . . . .	9.11	2,756	2,756
Share premium . . . . .		30,724	108,721
Consolidated reserves . . . . .		(30,660)	(35,162)
Conversion reserve . . . . .		161	41
Profit for the financial year . . . . .		19,803	13,966
<b>Equity capital—Group share . . . . .</b>		<b>22,784</b>	<b>90,322</b>
Minority interests . . . . .		377	398
<b>Total equity capital . . . . .</b>		<b>23,161</b>	<b>90,720</b>
Loans and debts . . . . .	9.12	87,155	24,735
Employee benefits . . . . .	9.13	1,865	1,640
Provisions . . . . .	9.14	4,115	3,448
Deferred tax . . . . .	9.6	979	1,108
Other non-current liabilities . . . . .	9.15	2,610	3,218
<b>Total non-current liabilities . . . . .</b>		<b>96,724</b>	<b>34,150</b>
Loans and debts . . . . .	9.12	15,256	25,190
Provisions . . . . .	9.14	2,691	1,866
Due from suppliers and related accounts . . . . .		37,795	40,621
Other current liabilities . . . . .	9.16	25,042	22,373
Tax due . . . . .		2,661	52
<b>Total current liabilities . . . . .</b>		<b>83,445</b>	<b>90,102</b>
<b>TOTAL LIABILITIES . . . . .</b>		<b>203,330</b>	<b>214,971</b>

*The tax on value added by businesses (CVAE) is recognised according to a different method, explained in Note 8.21.*

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**  
**2. CONSOLIDATED PROFIT & LOSS ACCOUNT**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
			<u>Restated</u>
<b>Turnover</b> . . . . .		<b>194,318</b>	<b>188,125</b>
External purchases . . . . .	9.18	(103,723)	(104,024)
Employee costs . . . . .	9.19	(27,727)	(28,976)
Duties and taxes . . . . .		(2,155)	(2,450)
Provisions . . . . .		(1,734)	569
Other operating expenses . . . . .	9.20	(2,874)	(8,248)
Other operating income . . . . .	9.21	2,314	4,312
<b>Operating profit before depreciation and acquisition costs</b> . . . . .		<b>58,419</b>	<b>48,171</b>
Acquisition costs . . . . .		(292)	
<b>Operating profit before depreciation</b> . . . . .		<b>58,127</b>	<b>48,171</b>
Depreciation and amortisation . . . . .		(24,672)	(25,655)
<b>Operating profit</b> . . . . .		<b>33,455</b>	<b>22,517</b>
Net borrowing costs . . . . .	9.22	(3,458)	(2,282)
Other financial income . . . . .	9.22	1,444	379
Other financial charges . . . . .	9.22	(957)	(626)
<b>Pre-tax profit</b> . . . . .		<b>30,484</b>	<b>19,988</b>
Income tax . . . . .	9.23	(10,646)	(5,792)
<b>Net profit for the financial year</b> . . . . .		<b>19,838</b>	<b>14,196</b>
Net profit—Group share . . . . .		19,803	13,966
Net profit—Minority interests . . . . .		35	229

*The tax on value added by businesses (CVAE) is recognised according to a different method, explained in Note 8.21.*

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**3. OVERALL PROFIT**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31/12/2011</u>	<u>31/12/2010</u> <u>Restated</u>	<u>30/06/2011</u>
<b>Net profit for the financial year</b> . . . . .		<b><u>19,838</u></b>	<b><u>14,196</u></b>	<b><u>9,935</u></b>
Other elements of the overall profit . . . . .				
Change in fair-value on hedging derivatives . . . . .		(470)		
Conversion differences . . . . .		120	101	
Total . . . . .		<u>(350)</u>	<u>101</u>	<u>—</u>
<b>Total profit for the financial year</b> . . . . .		<b><u>19,488</u></b>	<b><u>14,297</u></b>	<b><u>9,935</u></b>
Of which Group share . . . . .		19,453	14,067	10,506
Of which minority interest share . . . . .		35	229	4

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**  
**4. CHANGE IN EQUITY**

(in EUR 000)	Capital	Share premium	Conversion reserves	Consolidated reserves
<b>At 1<sup>st</sup> January 2010 Restated</b> . . . . .	<b>2,756</b>	<b>108,721</b>	<b>(60)</b>	<b>(29,733)</b>
Conversion differences . . . . .	—	—	101	—
<b>Profits and losses shown directly under equity capital</b> . . . . .	<b>—</b>	<b>—</b>	<b>101</b>	<b>—</b>
Profit for the financial year . . . . .	—	—	—	—
<b>Total income and expenses shown</b> . . . . .	<b>—</b>	<b>—</b>	<b>101</b>	<b>—</b>
Share-based payment . . . . .	—	—	—	200
Neutralisation of own shares held . . . . .	—	—	—	344
Allocation of profit to reserves . . . . .	—	—	—	(5,973)
Effect of changes in consolidation structure . . . . .	—	—	—	—
Dividend distribution . . . . .	—	—	—	—
<b>As at 31 December 2010 restated</b> . . . . .	<b>2,756</b>	<b>108,721</b>	<b>41</b>	<b>(35,162)</b>
Change in fair-value on hedging derivatives . . . . .	—	—	—	(470)
Conversion differences . . . . .	—	—	120	—
<b>Profits and losses shown directly under equity capital</b> . . . . .	<b>—</b>	<b>—</b>	<b>120</b>	<b>(470)</b>
Profit for the year . . . . .	—	—	—	—
<b>Total income and expenses shown</b> . . . . .	<b>—</b>	<b>—</b>	<b>120</b>	<b>(470)</b>
Payment in shares . . . . .	—	—	—	561
Neutralisation of own shares held . . . . .	—	—	—	(74)
Allocation of profit to reserves . . . . .	—	—	—	13,966
Dividend distribution . . . . .	—	(77,997)	—	(9,481)
<b>As at 31 December 2011</b> . . . . .	<b>2,756</b>	<b>30,724</b>	<b>161</b>	<b>(30,660)</b>

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**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**  
**5. CASH FLOW STATEMENT**

<u>(in EUR 000)</u>	<u>Note</u>	<u>31/12/2011</u>	<u>31/12/2010 Restated</u>	<u>30/06/2011</u>
Total consolidated net profit . . . . .		19,838	14,196	10,510
Elimination of effects of:				
—Unrealised profits (losses) on financial instruments . . .		(758)	(24)	(443)
—Net allocations to depreciation and provisions . . . . .		25,820	26,036	12,257
—Other income and expenses . . . . .		561	200	327
—Profits/losses on sales . . . . .		299	524	114
—Tax income . . . . .	9.23	10,646	5,792	,3562
—Interest charge . . . . .		3,710	2,312	877
Effect of changes in stocks . . . . .		(780)	310	(766)
Effect of change in customer receivables and others debtors . . . . .		(62)	8,255	774
Effect of change in supplier debts and other creditors . . .		(6,342)	(4,579)	(3,054)
<b>Cash flows from operating activities before tax and interest . . . . .</b>		<b>52,932</b>	<b>53,020</b>	<b>24,158</b>
Tax paid . . . . .		(978)	(1,137)	90
Interest paid . . . . .		(3,101)	(2,508)	(731)
Interest received . . . . .			12	
<b>Cash flows from operating activities . . . . .</b>		<b>48,853</b>	<b>49,387</b>	<b>23,517</b>
Effects of changes in consolidated structure . . . . .		—	—	—
Acquisitions of tangible and intangible fixed assets . . . . .		(20,789)	(14,149)	(6,328)
Investment subsidies received . . . . .		1,174	220	—
Change in loans and advances granted . . . . .		(74)	(12)	(34)
Disposals of tangible and intangible fixed assets . . . . .		30	179	—
Other investment operations . . . . .		(102)	—	—
<b>Cash flows from investment activities . . . . .</b>		<b>(19,761)</b>	<b>(13,762)</b>	<b>(6,362)</b>
Bond issues . . . . .		89,252	569	55
Bond redemptions . . . . .		(49,065)	– 23,216	– 2,980
Dividends paid to minority shareholders . . . . .		(56)	(99)	(56)
Dividends paid to Group shareholders . . . . .		(87,478)	—	– 7,313
Sale (acquisition) of own shares (net) . . . . .		(74)	—	(74)
<b>Cash flows from financial activities . . . . .</b>		<b>(47,421)</b>	<b>(22,746)</b>	<b>(10,368)</b>
<b>Change in net cash flow . . . . .</b>		<b>(18,329)</b>	<b>12,879</b>	<b>6,787</b>
Opening cash flow . . . . .		37,751	24,857	37,751
Effect of changes in interest rates . . . . .		45	14	– 0.85
<b>Cash flow at year end</b>	<b>9.10</b>	<b>19,467</b>	<b>37,751</b>	<b>44,538</b>

*The tax on value added by businesses (CVAE) is recognised according to a different method, explained in Note 8.21.*

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

## **6. PRESENTATION OF THE GROUP**

Founded in 1986, Groupe Outremer Telecom has become the leading alternative telecommunications operator in the French overseas regions (Martinique, Guadeloupe, Guiana, Reunion Island and Mayotte) capable of offering a complete range of integrated fixed and mobile telephony and internet access services for consumers and businesses alike.

Groupe Outremer Telecom has built up an independent telecommunications network under its main brand, Only.

The Group plans to enhance the convergence of its services, to expand its business clientele and to continue providing innovative and competitive services.

## **7. HIGHLIGHTS**

### **7.1 APPOINTMENT OF MR MATTHIEU COCQ AS CHIEF STRATEGY AND DEVELOPMENT OFFICER**

Further to a resolution adopted on 18 February 2011, the Board of Directors appointed Mr Matthieu Cocq as Chief Strategy and Development Officer.

A graduate from the Ecole Polytechnique (1999) and Columbia Business School (2006), Matthieu Cocq has more than 12 years of experience in the telecoms and media industry. From 1999 to 2004, he launched many broadband products on behalf of telecoms operators and access providers (AOL Time Warner).

In 2006, he joined the private equity fund Apax Partners as a telecoms and media investment manager with special responsibility for the stake in Outremer Telecom.

Matthieu Cocq took up his new functions on 1 March 2011.

### **7.2 CHANGE IN THE COMPANY'S CONTROL**

On 28 July 2011, OMT Invest acquired a block of 11,078,500 shares in our Company, held by the venture capital fund Apax France VI, Altamir Amboise and JMH SARL, for a unit price of €12, representing 52.26% of the Company's capital and voting rights (the "Block"). After the acquisition of this Block and the acquisition of 283,736 shares in our Company by means of a contribution in kind completed on 5 August 2011 for a unit price of €12, OMT Invest held 11,362,236 Groupe Outremer Telecom shares, representing as many voting rights, i.e. 53.60% of the capital and voting rights of the Company on the opening date of the public offering.

OMT Invest subsequently invited our shareholders, during a period of 15 trading days, i.e. from 9 through 29 September 2011, to repurchase their shares for €12 per share until the day before the ex-dividend date for the Exceptional Payout of €8.15 per share, effective from the ex-dividend date for the Exceptional Payout

On 19 September, the General Meeting of Shareholders resolved to pay an exceptional dividend from reserves of €3.85 per share, i.e. a total amount of €80.2 million (the "Exceptional Dividend") recognised on 21 September 2011 and paid on 26 September 2011.

Further to this transaction, OMT Invest acquired 8,458,455 shares in total. Consequently, it held 19,820,691 shares, representing as many voting rights, i.e. 93.49% of the capital and voting rights.

Pursuant to Article L. 233-7 of the French Commercial Code, OMT Invest declared, in a letters dated 4 October 2011 and sent to the AMF and to Groupe Outremer Telecom, that, on 30 September 2011, it had crossed the legal threshold of 90% of the capital and voting rights of Groupe Outremer Telecom. The AMF published this declaration on 5 October 2011.

For the record, our Company held 377,758 treasury shares (i.e. 1.78% of the capital and voting rights). In view of this treasury stock, the shares not contributed by minority shareholders to the Offering totalled 1,001,551, i.e. 4.72% of the capital and voting rights of the Company.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**7. HIGHLIGHTS (Continued)**

As this figure is less than 5% of the Company's capital or voting rights OMT Invest has decided to apply to the AMF for a squeeze-out of the shares not contributed to the Offering, at a price matching the ex-dividend Offering price, i.e. €8.15 per Groupe Outremer Telecom share (net of all costs).

The squeeze-out was carried out on 5 December 2011. As a result, the Company was withdrawn on the same day from Euronext Paris and became a subsidiary of OMT Invest.

**7.3 CHANGE OF STRUCTURE AND GOVERNANCE METHOD**

During the General Meeting of 19 September 2011, the shareholders voted to change the Company's Board and management structure to a Management Board and a Supervisory Board governed by Articles L225-57 et seq. of the French Commercial Code.

This resolution particularly resulted in the following:

- dismissal of all members of the Board of Directors,
- appointment of a new management team,
- transfer of all delegations and authorisations vested in the Board of Directors to the Management Board,
- amendment of the Articles of Association.

**7.4 COMPLETE ASSET AND LIABILITY TRANSFERS OF SPI, DATACOM AND OUTREMER MOBILE FINANCEMENT Océan Indien.**

Our Group continued to simplify its organisation by transferring all assets and liabilities of SPI, Datacom and Outremer Mobile Financement Ocean Indien.

The assets and liabilities of SPI were transferred to our Company, and those of Datacom and Outremer Mobile Financement Ocean Indien were transferred to our subsidiary Outremer Telecom SAS.

All these complete asset and liability transfers were carried out with retroactive effect from 1 January 2011.

**7.5 IMPLEMENTATION OF NEW BANK CREDIT FACILITIES AND REPAYMENT OF EXISTING BANK LOANS**

After Axa private Equity acquired majority control on 28 July 2011, Groupe Outremer Telecom, SPI and Outremer Telecom signed with their financial partners BNP Paribas, Natixis, Société Générale, BPCE IOM and BRED Banque Populaire, a new credit agreement providing in particular for the arrangement of financing lines totalling €92.7 million.

The purpose of these facilities is, first, to finance, in the amount of €80.2 million, the Exceptional Dividend approved by the General Meeting of 19 September 2011 and, secondly, in the amount of €12.5 million, repayment of the existing bank loan and payment of fees on the implementation of the new credit agreement.

The Group immediately drew down €12.5 million from these new facilities. On the value date of 29 July 2011, it proceeded with the voluntary early repayment of the entire bank debt of €35.2 million recognised under liabilities in the balance sheet of Outremer Telecom SAS.

These new credit lines must be gradually repaid over a period of 7 years, generating interest indexed to the Euribor plus a margin of 3.25% to 2.2%, depending upon the performance of the Group's Net Debt and EBITDA.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**7. HIGHLIGHTS (Continued)**

**7.6 SIGNATURE OF A RIDER TO THE EQUIPMENT CONTRACT SIGNED WITH ZTE FRANCE**

As part of their new mobile equipment supply agreements, Outremer Télécom SAS and ZTE Corporation have agreed to implement a new renewable credit facility of maximum €20 million, which may be drawn down over a period of 3 years.

This facility was drawn down in 2011 in two partial tranches. Outstandings totalled €6,468,000 on 31 December.

**7.7 SIGNATURE OF AN EQUIPMENT AGREEMENT WITH ALCATEL LUCENT FRANCE, FINANCED BY ELECTRO-BANQUE**

On 8 July 2011, Outremer Telecom SAS signed an equipment supply and installation contract with Alcatel-Lucent France in order to deploy a microwave-links transmission network in the administrative districts (départements) of Mayotte, Guadeloupe, Martinique and Guyana, and on Reunion Island.

Under this agreement, Outremer Telecom is entitled to a payment facility of €2.8 million financed by Electro-Banque.

The actual availability of this payment facility was approved on 8 July 2011 to allow gradual utilisation as and when equipment is delivered in the second semester.

**7.8 OBTAINMENT OF A 3G LICENCE IN MAYOTTE**

On 14 June 2011, ARCEP (Decision No. 2011-0731) authorised Outremer Telecom SAS to use 3G frequencies on the Island of Mayotte for its mobile telephony business.

This authorisation enabled the group to deploy a UMTS network in Mayotte in order to offer broadband mobile services with significantly better quality and connection speed.

**7.9 PROCEDURES LAUNCHED BY ARCEP AGAINST HOLDERS OF WIMAX/BLR LICENCES**

On 20 July 2011, ARCEP informed all operators with BLR/Wimax authorisations that it planned to launch formal investigation procedures to verify compliance of BLR/Wimax licence holders with their obligations.

In recent years, the group has supplied the Authority every six months with information about the coverage of its networks, together with a list of sites opened, and has reminded ARCEP of the need to adapt coverage ratio analysis criteria to the particular geographical situation of the overseas administrative districts (DOM).

The group is moreover one of the few national and local Wimax operators offering private and business clients subscriptions to Wimax internet access services. The group has several hundreds of clients in its territories.

On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, official notice that their BLR networks were only partly deployed in the administrative districts (départements) of Martinique, Guadeloupe and Reunion Island, and ordered these companies to complete coverage of their networks no later than 31 January 2013.

In its decision, ARCEP specified that WLL Antilles-Guyane and WLL Réunion may perform their obligations by deploying their own sites equipped with base stations by putting its frequencies at the disposal of third operators or by using network or frequency pooling agreements with other local wireless loop network operators.

On 31 December 2011, the net value of the WIMAX/BLR licences recognised under assets on the group's balance sheet was €1.7 million.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**7. HIGHLIGHTS (Continued)**

**7.10 CHANGE IN TAX TREATMENT OF COMPANIES ESTABLISHED IN OVERSEAS ADMINISTRATIVE DISTRICTS (DOMs)**

The Budget Act for 2012, adopted in December 2011, provides for certain changes in the calculation of corporation tax, particularly in the DOMs.

The article 4 stipulates the cancellation, effective from 31 December 2011, of the one-third rebate available to companies established in the DOMs on the fraction of their taxable income generated in eligible sectors.

The Group, previously entitled to this rebate on a significant proportion of its taxable income, adopted on 31 December 2011 the general statutory tax rate for calculating its corporation tax and the valuation of deferred tax liabilities.

**8. MAIN ACCOUNTING METHODS**

**8.1 DECLARATION OF CONFORMITY**

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the international IAS-IFRS accounting standards, the consolidated financial statements of the Group published for the financial year ended 31 December 2011 were prepared according to the international accounting standards applicable on 31 December 2011 as approved by the European Union.

The financial statements are presented in thousands of euros and were approved by the Board of Directors during the Board meeting of 12 March 2012.

• **Standards, interpretations and amendments in standards whose application became compulsory on 1 January 2011**

The accounting principles used to prepare the annual consolidated financial statements comply with the IFRS standards and interpretations as adopted by European Union on 31 December 2001, which are available at the following website:

[http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

The accounting standards used for the annual consolidated financial statements to 31 December 2011 were the same as those used to prepare the annual consolidated financial statements to 31 December 2010, as set out in the consolidated financial statements published on this date, except the following standards, whose application is compulsory from 1 January 2011:

- IAS 24 revised, “Related party disclosures”;
- Amendments to IAS32 “Financial instruments presentation—Classification of rights issues” applicable to financial years started on or after 1 February 2010;
- IFRIC 19 “Extinguishing financial liabilities with equity instruments” Amendment applicable to financial years started on or after 1 July 2010;
- Amendments to IFRIC 14 IAS 19—“The limit on a defined benefits asset, minimum funding requirements and their—Advance of a minimum obligation”;
- IFRS 2010 annual improvements process.

These amendments and interpretations did not affect the Group’s accounts on 31 December 2011.

• **Standards, interpretations and amendments of standards already published by the IASB and endorsed by the European Union but not yet mandatory on 31 December 2011. The Group did not apply these standards and interpretations optionally in advance.**

- Amendments to IFRS 7 “Financial instruments: disclosures”;
- Amendment to IAS 12 “Income taxes—Deferred taxes: recovery of book value of assets”;

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

The impact on the financial statements of texts published by the IASB on 31 December 2011 but not yet compulsory is being analysed. The Group does not expect a significant impact upon the accounts.

- **Standards, interpretations and amendments already published by the IASB but yet endorsed by the European Union**
  - Amendments to IAS 1 “Presentation of financial statements”;
  - IAS 28 revised “Investments in associates and joint ventures”;
  - Amendments to IFRS 7 “Financial instruments: disclosures—transfer of financial assets”;
  - IFRS 9 Financial Instruments (phase 1: classification and valuation of financial assets) Amendment, and complement—Fair value option for financial liabilities;
  - IFRS 10 “Consolidated financial statements”;
  - IFRS 11 “Joint arrangements”;
  - IFRS 12 “Disclosure of interests in other entities”;
  - IFRS 13 “Fair value measurement”;
  - Amendments to IAS 19 “Employee benefits—Defined benefits plans”.

The impact on the financial statements of texts published by the IASB on 31 December 2011 but not yet in force in the European Union is being analysed. The Group does not expect a significant impact upon the accounts.

**8.2 OPTIONS ADOPTED BY THE GROUP PURSUANT TO IFRS 1**

The Group did not adopt any of the exemptions offered by IFRS 1. In particular, the standard on business combinations, IFRS 3, was applied to all acquisitions prior to 1 January 2005.

As Groupe Outremer Telecom SA (formerly Fintel SAS) was created in October 2004, the acquisition of Outremer Telecom on 23 December 2004 was restated in accordance with IFRS 3 because of the importance of this transaction for the company.

**8.3 PREPARATION PRINCIPLES AND METHODS**

The Group’s consolidated financial statements for the financial year ended 31 December 2011 include Groupe Outremer Telecom SA and its subsidiaries (together referred to as the “Group”) and the Group’s share in affiliates and companies under joint control.

They are based upon historic cost except the following assets and liabilities, which are valued at fair value: derivatives, financial instruments held for trading purposes, financial instruments classified as available for sale.

Preparation of the financial statements according to IFRS rules requires management to exercise judgment and to make estimates and assumptions which have an impact on application of the accounting methods and on the value of assets and liabilities, income and charges. The underlying estimates and assumptions reflect past experience and other factors considered reasonable under the circumstances. They form the basis for the judgment required to determine the book value of assets and liabilities that cannot be obtained directly from other sources. Real values may differ from estimated values.

The underlying estimates and assumptions are continually reviewed. The impact of a change in accounting estimates is recognised during the period of change when it affects only that period and during the period of change and subsequent period if it also affects the latter.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

Estimates and assumptions are notably sensitive to impairment tests for non-current assets and provisions, in particular for dismantlement and retirement allowances, which are primarily based upon income and cash flow estimates.

The accounting methods explained below have been applied at all times to all periods presented in the consolidated financial statements.

The accounting methods have been applied uniformly by the Group's entities.

The following companies are included in the consolidation structure:

	<u>% interest at 31 December 2011</u>	<u>% interest at 31 December 2010</u>	<u>Country</u>	<u>Currency</u>
<b>Companies consolidated on a line by line basis</b>				
Groupe Outremer Telecom SA . . . . .	Parent company	Parent company	France	EUR
City Call Ltd . . . . .	100%	100%	Mauritius	MUR
Colibri SNC . . . . .	100%	100%	France	EUR
Datacom SAS . . . . .	—	100%	France	EUR
Infotel OI SARL . . . . .	51%	51%	France	EUR
Outremer Mobile Financement OI SARL . . . . .	—	100%	France	EUR
Outremer Telecom Ltee . . . . .	100%	100%	Mauritius	MUR
Outremer Telecom SAS . . . . .	100%	100%	France	EUR
Outremer Telecom Océan Indien SAS (ex. Telecom Réunion EURL) . . . . .	100%	100%	France	EUR
SPI SAS . . . . .	—	100%	France	EUR
Telecom Antilles SNC . . . . .	—	100%	France	EUR
Telecom Reunion SNC . . . . .	100%	100%	France	EUR
Teledom 2004 SNC . . . . .	100%	100%	France	EUR
Telecom Caraïbes SNC . . . . .	100%	100%	France	EUR
Rezo SARL . . . . .	100%	—	France	EUR
WLL Antilles-Guyane . . . . .	100%	100%	France	EUR
WLL Réunion SAS . . . . .	100%	100%	France	EUR
Outremer Communication SNC . . . . .	100%	100%	France	EUR
Outremer Communication 2 SNC . . . . .	100%	100%	France	EUR

The companies are consolidated upon the basis of their financial statements, closed on 31 December 2011, except Teledom 2004, which ends its year on 30 September, for which an interim statement was prepared on 31 December 2011.

The Group holds a stake in the capital of certain companies in respect of which it has a firm agreement to buy, free of charge, all shares after a period of five years. These companies were set up under a legal tax exemption mechanism giving the Group indirectly the benefit of subsidies for the capital expenditure in new assets operated for five years by these companies. The companies in question are Teledom 2004, Telecom Antilles, Telecom Réunion, Telecom Caraïbes, SNC Colibri, Outremer Communication 1 and Outremer Communication 2 and Sarl Rezo.

Consequently, the Group controls these companies, which are fully consolidated. Owing to the firm agreement to buy the shares, free of charge, no minority interest is recognised. The economic advantage of the subsidy is recognised under unearned revenue and is taken to profit for the period during which the fixed assets are subsidised under the tax exemption mechanism. This income is shown under other operating income.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

**8.4 CONSOLIDATION PRINCIPLES**

**8.4.1 Subsidiaries**

A subsidiary is an entity controlled by the Group, i.e. when the Group has the power to direct the entity's financial and operational policies directly or indirectly in order to obtain the benefit of its activities.

In determining control, the Group factors in potential voting rights, including any which can be currently exercised and any which would be the result of conversion.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control starts until the date on which control ceases.

**8.4.2 Transactions eliminated in the consolidated financial statements**

Asset and liability balances, unrealised losses and gains, income and charges resulting from intragroup transactions are eliminated during preparation of the consolidated financial statements.

**8.5 FOREIGN CURRENCY**

**8.5.1 Transactions in foreign currency**

Transactions in foreign currency are recognised at the exchange rate applicable on the transaction date.

Monetary assets and liabilities denominated in foreign currency on the cutoff date are converted into euros at the exchange rate applicable on this date. Unrealised exchange gains and losses are recognised under income or charges. Non-monetary assets and liabilities denominated in foreign currency valued at historic cost are converted at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities denominated in foreign currency valued at fair value are converted at the exchange rate applicable on the date when the fair value was determined.

**8.5.2 Financial statements of activities in foreign countries**

The assets and liabilities of activities in foreign countries, including goodwill and the fair value adjustments resulting from consolidation are converted into euros at the exchange rate applicable on the cutoff date. The income and charges of a foreign activity are converted into euros at rates approaching the exchange rates applicable on the transaction dates. Unrealised exchange gains and losses resulting from conversion are recognised under conversion reserves, separately from equity.

The conversion rates used for the Mauritius rupee were as follows:

• Closing rate: . . . . .	0.026283
• Average rate: . . . . .	0.025009
• Opening rate: . . . . .	0.024627

**8.6 INTANGIBLE FIXED ASSETS**

**8.6.1 Goodwill**

All business combinations are recognised according to the acquisition method.

Goodwill is generated by the acquisition of subsidiaries and joint ventures and represents the difference between acquisition cost and the Group's share in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Adjustment of the fair value of assets and liabilities acquired through the combination of businesses recognised initially at provisional values (owing to independent valuations underway or additional analyses to be carried out) are recognised as retrospective adjustments of goodwill if they occur during the 12 months following the acquisition date. Past this time, such adjustments are taken directly to profit or loss unless they reflect error corrections.



**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

Goodwill is valued at cost less cumulative depreciation. Goodwill is allocated to units generating cash and is not amortised but subjected at least once a year to an impairment test according to the method set out in IAS 36.

**8.6.2 Research and development**

Research expenses are booked under charges as and when incurred.

Network development and improvement expenses are taken to fixed assets if the Group can show their technical and commercial feasibility and the availability of sufficient resources to complete such a development.

Expenses thus taken to assets include the cost of materials, direct labour and an appropriate fraction of overhead expenses. Other development expenses are taken to charges when incurred.

Development expenses taken to assets are booked at cost less cumulative amortisations and cumulative depreciation.

**8.6.3 Other intangible fixed assets**

The other intangible fixed assets acquired by the Group are recognised at cost less cumulative amortisation and depreciation.

For the acquisition of the Outremer Telecom group, the Group applied fair value to identifiable intangible fixed assets acquired, mainly licences and frequencies, a customer base and customer contracts, based upon the report of an independent expert.

Operating licences and the attribution of mobile telecommunications network frequencies are recognised at the discounted amount of fees to be paid and are amortised according to the straight-line method from the start-up date of the service until expiry of the operating right.

Connection costs (service access costs) are taken to fixed assets and amortised over their expected utilisation period.

The cost of SIM cards delivered to customers is taken to fixed assets and amortised over their expected utilisation period.

Expenses connected with subscriber bases and trademarks generated internally are recognised under charges when incurred.

**8.6.4 Amortisation**

Amortisation is recognised under charges according to the straight-line method over the estimated useful life of intangible fixed assets.

Other intangible fixed assets are amortised as soon as they are ready to become operational. The estimated periods of useful life are as follows:

- Customer base and customer contracts acquired . . . . . 4 - 5 years
- Licences and frequencies . . . . . utilisation period or length of operating right whichever is shortest
- Software and software suites . . . . . 1 - 3 years
- Development costs activated . . . . . 3 - 11 years
- Service access costs and SIM cards . . . . . 3 years

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

The WiMAX licences acquired on 1 August 2007 when taking over this XTS branch, are amortised over the remainder of the operating right on their acquisition date, i.e. 8 years and one month.

**8.7 TANGIBLE FIXED ASSETS**

**8.7.1 Assets owned by the Group**

A tangible asset is valued according to the cost model, i.e. its gross value less cumulative amortisation and depreciation.

The cost of an asset produced by the Group for itself includes the cost of raw materials, direct labour, an initial estimate, if applicable, of discounted costs connected with the dismantling and removal of the fixed asset and the restoration of the site where it is situated, and an appropriate fraction of production overhead expenses. Borrowing costs incurred during the period in which the fixed assets are constructed are included in the cost of fixed assets when inclusion of costs began on or after the effective date of IAS 23 amended, i.e. 1 January 2009.

When the components of tangible fixed assets have useful lives of different lengths, they are recognised as different tangible fixed assets.

Most of the network was constructed by the Group itself. Direct construction costs are recognised under fixed assets on the balance sheet. Unfinished infrastructures are taken to assets under construction. When an itinerary has been completed, it is amortised over its estimated useful life.

Modems, set top boxes and decoders put at the disposal of customers are taken to fixed assets and amortised over their estimated useful life.

**8.7.2 Leased assets**

Lease agreements transferring to the Group nearly all risks and benefits inherent in the ownership of an asset are treated as lease finance agreements. An asset leased under a lease finance agreement is recognised in an amount equal to its fair value or, if this is lower, the discounted value of the minimum lease payments less cumulative amortisation and depreciation.

It is amortised according to the straight-line period over the useful life or the term of the lease agreement, whichever is shortest.

**8.7.3 Subsequent costs**

The Group includes in the book value of a tangible fixed asset the cost of replacing a component of this tangible fixed asset at the moment when this cost is incurred if it is probable that the future economic advantages connected with this asset will benefit the Group and its costs can be valued reliably. All service and maintenance costs are taken to charges when incurred.

**8.7.4 Depreciation**

Depreciation is recorded under charges according to the straight-line method over the estimated useful life for each person of a tangible fixed asset. Depreciation is based upon acquisition cost, including recognition of residual value.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

Land is not depreciated. The estimated periods of useful life are as follows:

- Constructions . . . . . 5 to 20 years
- Telecommunications equipment . . . . . 4 to 7 years
- General facilities . . . . . 4 to 10 years
- Interconnection boxes . . . . . 2 years
- Office equipment and computer hardware . . . . . 2 to 5 years
- Transport equipment . . . . . 2 to 4 years
- Office furniture . . . . . 3 to 10 years

**8.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS**

The book value of intangible fixed assets with a predetermined useful life and tangible fixed assets are examined at every cutoff date in order to determine whether there is any indicator to show that an asset has lost value. If there is such an indicator, the recoverable value of the asset is estimated.

As regards goodwill, the recoverable value is estimated whenever there is an indicator that the asset has lost value and at least once a year on the annual closing date.

Loss of value is recognised when the book value of an asset or its cash generating unit is higher than its recoverable value. Losses of value are taken to the profit & loss account.

A loss of value recognised in respect of a cash generating unit is charged first to the decrease in book value of any goodwill allocated to the cash generating unit (group of units) and secondly to the decrease in book value of the other assets of the unit (group of units) in proportion to the book value of each asset of the unit (group of units).

For impairment test purposes, goodwill was allocated to cash generating units benefiting from synergies resulting from the combination. These cash generating units are the level at which this is monitored for internal management needs. They are main sectors of activity itemised in the reports, i.e. the Residential, Mobile and Business Activity sectors.

*(i) Calculation of recoverable value*

The recoverable value of intangible and tangible assets is their fair value less sales costs or their value in use, which is highest; To determine the value in use, estimated future cash flows are discounted at a pre-tax rate that reflects the current market valuation of the time value of money and the specific risks of the asset. The recoverable value of an asset which does not generate largely independent cash inflow is determined for the cash generating unit to which the asset belongs.

*(ii) Writeback of loss of value*

Loss of value on goodwill cannot be written back subsequently.

Loss of value recognised for an amortisable intangible or tangible asset is written back when the estimates used to determine the recoverable value have changed.

In this case, the book value of an asset, plus the loss of value written back, may not exceed the book value determined, net of amortisation and depreciation, if no loss of value had been recognised.

**8.9 ACCOUNTING OF INVESTMENTS IN THE EQUIPMENT MANUFACTURER ZTE**

The Group's network investments at its equipment manufacturer ZTE are financed with a vendor financing arrangement. The signature of this contract results in recognition of an asset and a financial

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

debt in the financial statements without generating a cash flow. Pursuant to IAS 7, transactions without compensation are not shown in the cash flow table.

**8.10 FINANCIAL ASSETS**

Financial assets include non-consolidated equity interests, deposits, guarantees, receivables, debt instruments, investment securities, derivatives, cash and cash equivalents.

**8.10.1 Valuation and recognition of financial assets**

When recognised initially on the settlement date, financial assets are valued at fair value plus trading costs except for financial assets measured at fair value through profit or loss.

On the acquisition date, the Group determines the classification of the financial asset in one of the four accounting categories provided for in IAS 39.

*(i) Held to maturity investments*

These assets are exclusively assets with fixed income and maturities, acquired with the intention and the capacity to keep them until maturity. After their initial recognition at fair value, they are valued and recognised at cost amortised according to the effective interest rate method. No asset was booked in this category on 31 December 2011.

*(ii) Loans and receivables*

This category includes receivables from related entities, other loans and receivables and trade receivables.

Trade receivables are valued initially at fair value, generally corresponding to their nominal value, unless the discount effect is significant.

In the event that delayed payment or default, loans and receivables are subjected to an impairment test and if the discounted recoverable value is less than the net book value, a loss of value is recognised under operating income.

*(iii) Available-for-sale financial assets*

These mainly include the Group's interests in the capital of non-consolidated companies.

Available-for-sale financial assets are valued in the balance sheet at fair value and changes in value are recognised directly under equity except when an impairment test results in recognition of an unrealised capital loss compared with the historic acquisition cost and is considered a significant or prolonged loss. In this last case, the loss of value is recognised under income. Any writebacks of value are recognised under income but only for debt instruments (receivables and rate bonds).

Amounts recognised under equity are written back to income when available-for-sale financial assets are sold. Fair value corresponds to the market price for listed securities or to an estimated value in use for unlisted securities, determined according to financial criteria best suited to the specific situation of each security. For equity securities not quoted in an active market; whose fair cannot be measured reliably, the Group finally uses historic cost less any depreciation.

*(iv) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include assets held for trading purposes which the Group intends to sell in the near future or which belong to a portfolio managed and monitored at fair value. Derivatives belong by default to this category. Changes in value are recognised through profit or loss.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

**8.10.2 Other equity securities**

The interests held by the Group in companies in which the Group does not have control or a significant influence are classified as available for sale and valued at fair value. Any resulting profit or loss is taken directly to equity except the amount of losses of value. When such interests are divested, cumulative profits or losses recognised earlier directly under equity are taken to income.

**8.10.3 Deposits and guarantees**

Deposits and guarantees are recognised at amortised cost calculated by means of the effective interest rate.

**8.10.4 Trade receivables and other debtors**

Trade receivables and other debtors are valued at nominal value less depreciation to factor in actual recovery possibilities.

The implementation, during the past financial year, of new monitoring tools made it possible to improve analysis of receivables and to estimate actual recovery possibilities more accurately according to their age.

**8.10.5 Transferable investment securities**

Transferable investment securities correspond to short-term investments with a maturity of more than 3 months on the acquisition date or with a significant risk of change in value. These investments, managed in order to obtain a higher yield than benchmark targets, are recorded as “assets held for trading purposes” and are measured at fair value. Realised profits and losses are recognised in the profit & loss account.

**8.10.6 Cash and cash equivalents**

Pursuant to IAS 7, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments with a maturity of less than three months on the acquisition date and that are subject to an insignificant risk of changes in value. Bank overdrafts redeemable on demand, which are an integral part of the Group’s cash management, are a component of cash and cash equivalent for cash flow purposes.

**8.11 INVENTORIES**

Inventories are valued at cost or net sales value, whichever is lower. The net sales value is the sales price estimated in the normal course of business less estimated costs necessary to complete the sale.

The purchase cost consists of the purchase price plus shipping costs.

For laptops supplied to customers as part of commercial offers, the probable net sales value also factors in future income expected from new subscriptions connected with the sale of equipment.

**8.12 DEFERRED TAX ASSETS**

Determination of the possibility of recovering a deferred tax asset calls for evaluation on the part of management insofar as it is primarily based upon estimated future taxable income within each sphere of taxation (see the method used to recognise deferred tax assets described in note 9.6).

Management notably:

- estimates future taxable income upon the basis of the assumptions in its business plan;
- estimates probable changes in temporary differences in the carrying value of tax assets and liabilities.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

**8.13 INTEREST-BEARING LOANS**

Interest-bearing loans are initially recognised at fair value less the amount of transaction costs. After initial entry, they are recognised at amortised cost. The difference between cost and repayment value is recognised in the profit & loss account over the duration of the loans, according to the effective interest rate method.

**8.14 OTHER DERIVATIVES**

The Group uses derivatives to hedge exposure to interest rate risks resulting from financial and investment activities. In line with its cash management policy, the Group does not hold or issue derivatives for transaction purposes. However, the Group has not opted for hedge treatment.

Derivates are valued at fair value. The profit or loss resulting from revaluation at fair value is immediately recognised as follows: the fraction of the hedge considered ineffective under income and the fraction considered effective under equity.

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to cancel the swap on the closing date, taking into account the present level of interest rates and the counterparty risk.

**8.15 EMPLOYEE BENEFITS**

The Group recognises and values employee benefits according to IAS 19. Employee benefits include benefits subsequent to employment and long-term benefits.

Other long-term benefits mainly include bonuses paid for service years. Commitments for bonuses to be paid for service years are recognised in the form of provisions.

Pursuant to IFRS 2, the Group recognises the fair value of options and share-based payments granted to employees under employee charges during the period in which the rights were acquired.

**8.15.1 Defined contributions schemes**

Contributions to be paid into a defined contributions scheme are recognised under charges when incurred. In addition to the legally compulsory pension scheme applicable in France, the Group subscribes to a complementary defined contributions scheme.

**8.15.2 Defined benefits schemes**

The Group values pension commitments to benefits subsequent to employment and to long-term benefits by estimating the amount of future benefits acquired by employees in exchange for services provided during the current period and past periods. This amount is discounted to determine present value. The discount rate is equal to the rate, on the closing date, based upon first category obligations whose maturity date is close to the one of the Group's commitments. The calculations are made by an actuary using the projected credit units method.

The Group has decided to apply the corridor method (IAS 19 paragraph 95) for recognising actuarial gains and losses. Consequently, for benefits subsequent to employment, only actuarial gains and losses situated outside a corridor of plus or minus 10% of the present value of the defined benefits obligation on the closing date of the previous financial year are recognised in the profit & loss account over the average residual employment of employees entitled to benefits under the scheme. Actuarial gains and losses situated within this corridor are never recognised.

Actuarial gains and losses connected with valuation of other long-term benefits are immediately recognised under income.

The increase in the commitment due to accretion is recognised under financial charges.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

**8.15.3 Share-based payment plan**

The company's General Shareholders' Meeting has decided to grant existing or newly created shares within the limit of 4% of the company's share capital on the Grant Date and has authorised the Board of Directors to grant these shares in one or more tranches.

On 14 December 2009, the company's Board of Directors resolved to grant a second tranche of 150,000 shares, i.e. 0.71% of the share capital.

On 20 December 2010, the company's Board of Directors resolved to grant a third tranche of 117,000 shares, i.e. 0.55% of the share capital.

On 15 December 2011, the Management Board resolved to grant another 5,000 shares, i.e. 0.02% of the share capital.

In all three cases, the final number of shares granted depends upon performance criteria. Thus, for half of them, the final number of shares granted depends upon the level of sales reached after the grant period, while the remaining 50% the final number depends upon the level of EBITDA reached after this same period.

The grant periods of the three plans expire on the dates of the General Meetings called to vote on the financial years closed on 31 December 2011, 2012 and 2013, respectively.

Pursuant to IFRS2, share-based payments to employees are included in their overall remuneration package. The fair value of services provided by employees in return for such shares is therefore recognised under personnel charges during the grant period. This fair value is estimated based upon the fair value of the shares on the grant date. The above grant conditions factor in adjustment of the number of shares included in the valuation of the overall amount of each plan. These amounts are as follows: €35,000 for 2011, €753,000 for the 2010 plan, €460,000 for the 2009 plan.

Personnel charges in 2010 for the 2009 and 2010 plans amounted to €189,000 and €11,000, respectively. Personnel charges in 2011 for the 2009 and 2010 plans amounted to €156,000 and €405,000, respectively

**8.16 PROVISIONS**

A provision is recognised in the balance sheet when the Group has a current legal or implicit obligation resulting from a past event and when disbursement of resources representing economic advantages will probably be necessary to extinguish the obligation.

When the time value effect is significant, the amount of the provision is determined by discounting expected future cash flows at a pre-tax rate reflecting current measurement of the time value of money by the market and, when appropriate, the specific risks of the liability in question.

The Group is obliged to dismantle installed equipment and to restore the sites leased by it. In line with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the provision was valued at the best estimate available, which will make it possible to extinguish the obligation recognised to offset the increase in the initial cost of the underlying fixed asset. The provision is discounted by applying a rate reflecting the passage of time, based upon the yield of a risk-free bond. The underlying fixed asset is valued according to the cost method. This cost may be adjusted in the case of a change in the amount of the provision, estimated at each cut-off date.

**8.17 TRADE PAYABLES AND OTHER SUPPLIERS**

Trade payables and other suppliers are valued at fair value during initial recognition and subsequently at amortised cost.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

**8.18 OTHER LIABILITIES**

Other liabilities mainly include:

- tax and social security liabilities;
- deferred income, mainly corresponding to monthly fixed fees and investment subsidies obtained through tax-exemption transactions.

**8.19 INCOME**

**8.19.1 Equipment sales and maintenance**

Income from the sale of goods such as laptops, terminals and accessories is recognised in the profit & loss account when the significant risks and advantages inherent in ownership of goods have been transferred to the buyer. Income from maintenance is recognised in the profit & loss account according to the straight-line method over the duration of the contract.

No income is recognised when there is a significant uncertainty as to (i) whether the compensation due can be collected, (ii) costs incurred or to be incurred in connection with the service or (iii) goods may be returned if the purchase is cancelled and the Group remains involved in managing the goods.

**8.19.2 Services**

Sales from communication services is recognised as and when such services are provided to the customer.

Revenue from the sale of prepaid telephone cards is recognised as and when the cards are used.

Income from internet access subscriptions and telephone package subscriptions is recognised according to the straight-line method over the duration of the corresponding service.

Sales from switched services is recognised as and when traffic is routed.

**8.19.3 Joint offers**

The company provides complex contractual services or transactions with many different components. The amount received or to be collected for offers with identified separable components is allocated according to the fair value of each component. When the components of such transactions cannot be identified or analysed as separable from a main offer, they are considered linked and the associated revenue is recognised in its entirety over the term of the contract.

The main accounting methods for consumer-oriented mobile telephone offers consisting of several types of communication packages, generally associated with the sale of a mobile terminal, are as follows (i) income from telephone packages is recognised according to the straight-line method over the duration of the corresponding service, (ii) the cost of acquiring customers, mainly the cost of mobile phones sold and associated subsidies is recognised when incurred (iii) SIM cards put at the disposal of customers are taken to intangible assets and amortised over their estimated working life.

**8.19.4 Service access costs**

Service access costs or preselection costs billed as part of ADSL or Fixed offers on contract termination are taken to income when their collection is probable.

**8.19.5 Promotional offers and loyalty programmes**

Le chiffre d'affaires est présenté net des remises accordées. Dans le cadre d'offres commerciales pour des contrats comprenant un engagement de durée de la part des clients, le Groupe octroie la gratuité de certaines prestations pendant une période contractuelle donnée. Dans ces circonstances, lorsque ces



**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

gratuités sont conditionnées à un engagement contractuel, le revenu total du contrat est étalé sur la totalité de la durée de l'engagement contractuel.

The Group's customer loyalty programme is entitled Only4U. Under this programme, customers get advantages or points in proportion to amounts billed. These points have a limited life and can be exchanged for products marketed by the Group or for discounts on such products and, since September 2006, against advantages offered by partners (airplane tickets, etc.). Pursuant to IFRIC 13, the Group records part of services billed under unearned revenue at the fair value of its obligations, as and when the customer earns these rights. Fair value is determined according to the company's price catalogue and factors in the average historic redemption rate on the date when such points are earned.

**8.19.6 Other operational income**

Other operational income mainly includes the fraction written back to income of subsidies received as part of tax exemption schemes, gains on asset disposals and income from abnormal or unusual events, such as income awarded in significant claims disputes.

**8.20 CHARGES**

**8.20.1 Customer acquisition cost**

Customer acquisition costs (commercial costs, advertising costs and brand building costs) are recognised under charges during the financial year in which they are incurred.

**8.20.2 Payments under ordinary rental contracts**

Payments under ordinary rental contracts are recognised under charges according to the straight-line method over the term of the rental contract.

**8.20.3 Payments under finance leases**

Minimum payments under a finance lease are divided between a financial charge and debt amortisation. The financial charge is allocated to each period covered by the lease in order to obtain a constant periodic interest rate applicable to the outstanding balance of the debt.

**8.20.4 Net cost of debt**

The net cost of debt includes interest due on borrowings, calculated according to the effective interest rate method, and interest receivable on investments.

The interest expense included in payments made under a finance lease is recognised according to the effective interest rate method.

**8.20.5 Corporation tax**

Corporation tax (charge or income) includes the tax charge (income) due and the deferred tax charge (income). The tax is booked under income except when relating to items recognised directly under equity, in which case it is taken to equity.

The tax due is (i) the estimated amount of tax due on the taxable profit for the period, based upon the tax rate adopted or quasi-adopted on the closing date and (ii) any adjustment in the amount of tax due for previous periods.

Deferred taxation is determined according to the balance sheet approach for all time differences between the book value of assets and liabilities and their tax base. Valuation of deferred tax assets and liabilities depends upon the way in which the Group expects to recover or pay the book value of assets and liabilities, based upon tax rates adopted or quasi-adopted on the closing date.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

For activities in the DROM, the Group enjoyed a rebate on taxable income until 31 December 2010 (see paragraph 7.10). The cancellation of this tax rebate resulted in an adjustment in 2011 of the deferred tax liabilities on activities that were profitable.

A deferred tax asset is only recognised insofar as the Group will probably have taxable future profits to which this asset can be charged.

Lastly, as there has been a tax consolidation structure since 1 January 2005, of which Groupe Outremer Telecom SA is the parent, deferred taxes were determined as though the consolidated Group represented only one entity for tax purposes except for two foreign entities.

The Budget Act for 2010, passed on 30 December 2009, abolished application of business tax to French tax entities with effect from 2010, replacing it with the Contribution Economique Territoriale (CET—territorial economic contribution), which includes two new levies:

- Cotisation Foncière des Entreprises (CFE—business land contribution) based upon the current business tax;
- Cotisation sur la Valeur Ajoutée des Entreprises (CVAE—contribution over value added by businesses), based upon the value added by each separate company.

The Group recognises business tax under operating charges.

Pending clarification by the accounting authorities of the treatment of CVAE (tax on value added by businesses), the Group opted to consider the nature of the CVAE contribution similar to business tax. Lacking a recommendation and after examining the practices of many French groups, the Group has decided to restate the CVAE in accordance with IAS12.

The Group holds that value added is a net amount of income and charges and the intermediate level of income used systematically as a basis, under French tax rules, for determining the amount of CVAE due.

The Group holds that the items determining the level of its pre-tax profit are used in calculating the CVAE and that it is therefore appropriate to apply the same accounting treatment to corporation tax and to the CVAE.

This change in CVAE accounting method has prompted the Group, pursuant to IAS 8, to present comparative restated figures and to explain the impact of this correction in a note to the financial statements (see Note 8.21).

**8.20.6 Other operating charges**

Other operating charges mainly include impairment of trade receivables, losses on asset disposals and charges resulting from abnormal or unusual events such as significant claims disputes.

**8.21 COMPARABILITY OF FINANCIAL YEARS**

As part of efforts to optimise the financial information, the Group corrected the accounting of the CVAE on 31 December 2011 (see Note 8.20.5).

Pursuant to IAS 12, qualification of the CVAE as an income tax resulted in the recognition, effective from 1 January 2010, of deferred taxes for the time differences existing as at this date.

The net book value on 1 January 2010 of assets and liabilities subject to the CVAE amounted to €59 million and was used to calculate this deferred taxation. Deferred tax liabilities in connection with the CVAE came to €0.9 million on 1 January 2010. As the CVAE is a tax that may be deducted from the corporation tax, for the deferred tax liability generated by the CVAE the Group recognised a deferred tax asset of €0.3 million for corporation tax purposes. The net impact of the CVAE on the Group's equity on 1 January 2010 was therefore €(0.6 million). Effective from the 2010 financial year, the aggregate amount of current and deferred CVAE liabilities is shown under income taxes.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

Below follows a breakdown of the impact which the corrected recognition of the CVAE had on the financial statements of 31 December 2010.

(in EUR 000)	31/12/2010 Published	Presentation of CVAE as an income tax	31/12/2010 Restated
Goodwill . . . . .	41,634		41,634
Other intangible fixed assets . . . . .	24,438		24,438
Tangible fixed assets . . . . .	64,110		64,110
Non-current financial assets . . . . .	1,259		1,259
Deferred tax . . . . .	9,394	257	9,651
<b>Total non-current assets . . . . .</b>	<b>140,835</b>	<b>257</b>	<b>141,092</b>
Stocks . . . . .	2,719		2,719
Accounts receivable from clients . . . . .	26,412		26,412
Tax receivables . . . . .	31		31
Other current assets . . . . .	6,338		6,338
Cash & cash equivalents . . . . .	38,379		38,379
<b>Total current assets . . . . .</b>	<b>73,880</b>	<b>—</b>	<b>73,880</b>
<b>TOTAL ASSETS . . . . .</b>	<b>214,714</b>	<b>257</b>	<b>214,971</b>

(in EUR 000)	31/12/2010 Published	Presentation of CVAE as an income tax	31/12/2010 Restated
Capital . . . . .	2,756		2,756
Share premium . . . . .	108,721		108,721
Consolidated reserves . . . . .	(34,573)	(589)	(35,162)
Conversion reserve . . . . .	41		41
Profit of the financial year . . . . .	13,889	77	13,966
<b>Equity capital—Group share . . . . .</b>	<b>90,834</b>	<b>(512)</b>	<b>90,322</b>
Minority interests . . . . .	398		398
<b>Total equity capital . . . . .</b>	<b>91,232</b>	<b>(512)</b>	<b>90,720</b>
Loan and debts . . . . .	24,735		24,735
Employee benefits . . . . .	1,640		1,640
Provisions . . . . .	3,448		3,448
Deferred tax . . . . .	339	769	1,108
Other non-current liabilities . . . . .	3,218		3,218
<b>Total non-current liabilities . . . . .</b>	<b>33,381</b>	<b>769</b>	<b>34,150</b>
Loan and debts . . . . .	25,190		25,190
Provisions . . . . .	1,866		1,866
Due from suppliers and related accounts . . . . .	40,621		40,621
Other current liabilities . . . . .	22,400	(27)	22,373
Tax due . . . . .	25	27	52
<b>Total current liabilities . . . . .</b>	<b>90,102</b>	<b>—</b>	<b>90,102</b>
<b>TOTAL LIABILITIES . . . . .</b>	<b>214,714</b>	<b>257</b>	<b>214,971</b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**8. MAIN ACCOUNTING METHODS (Continued)**

(in EUR 000)	31/12/2010 Published	Presentation of CVAE as an income tax	31/12/2010 Restated
<b>Turnover</b> . . . . .	<b>188,125</b>		<b>188,125</b>
<b>Operating profit</b> . . . . .	<b>21,508</b>	<b>1,009</b>	<b>22,517</b>
<b>Pre-tax profit</b> . . . . .	<b>18,978</b>	<b>1,009</b>	<b>19,987</b>
Income tax . . . . .	(4,860)	(932)	(5,792)
<b>Net profit for the financial year</b> . . . . .	<b>14,119</b>	<b>77</b>	<b>14,196</b>
Net profit—group share . . . . .	13,889	77	13,966
Net profit—minority interests . . . . .	229		229

(in EUR 000)	31/12/2010 Published	Presentation of CVAE as an income tax	31/12/2010 Restated
<b>Cash flows from operating activities before tax and interest</b>	<b>52,039</b>	<b>982</b>	<b>53,020</b>
Tax paid . . . . .	(155)	(982)	(1,137)
Interest paid . . . . .	(2,508)		(2,508)
Interest received . . . . .	12		12
<b>Cash flows from operating activities</b> . . . . .	<b>49,387</b>	<b>—</b>	<b>49,387</b>
<b>Cash flows from investment activities</b> . . . . .	<b>(13,762)</b>	<b>—</b>	<b>(13,762)</b>
<b>Cash flow from financial activities</b> . . . . .	<b>(22,746)</b>	<b>—</b>	<b>(22,746)</b>
	<b>12,879</b>	<b>—</b>	<b>12,879</b>
Opening cash flow . . . . .	24,857		24,857
Effect of changes in interest rates . . . . .	15		15
<b>Cash flow at year end</b> . . . . .	<b>37,751</b>	<b>—</b>	<b>37,751</b>

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9.1 ACQUISITIONS, DISPOSALS AND CHANGES IN THE CONSOLIDATION STRUCTURE DURING THE FINANCIAL YEAR**

Telecom Antilles SNC formed as part of a tax exemption mechanism expiring in 2011, was liquidated on 31 December 2011. (see section 8.4).

SARL Rezo was set up in 2011 as part of a legal tax exemption mechanism (see section 8.4).

**9.2 GOODWILL**

Goodwill did not change in 2011 and was allocated to the following cash generating units:

(in EUR 000)	31/12/2011	31/12/2010
Residential . . . . .	21,499	21,499
Mobile . . . . .	11,700	11,700
Corporate activity . . . . .	8,435	8,435
<b>Goodwill</b> . . . . .	<b>41,634</b>	<b>41,634</b>

Goodwill is tested annually for loss of value. No impairment was recognised during 2011.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

These assets are valued according to the discounted projected cash flows of these assets, determined within the framework of the business plans. The main parameters used in 2011 to calculate these projected flows were as follows:

<u>Cash-generating unity</u>	<u>Term of plans</u>	<u>Discount rate</u>	<u>Growth rate in excess of term of plans</u>
Residential . . . . .	5 years	12.05%	0.50%
Mobile . . . . .	5 years	12.05%	0.50%
Corporate activity . . . . .	5 years	12.05%	0.50%

The discount rate of 12.05% is obtained by taking a capital cost of 14.7% and a pre-tax cost of debt of 6%. In 2010, the discount rate was 10.1%, found by taking a capital cost of 10.9% and a cost of debt of 6%.

The growth rates applied to the period after the business plans are those normally adopted by the markets of the activities in question.

An 8-point increase in the cost of capital, to 22.7%, would result in impairment of goodwill recognised on the units.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.3 INTANGIBLE FIXED ASSETS**

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	IRU	Telecom access fees	Leasehold right	Winmax license	Network development costs	Fixed assets under construction	Other	Total other intangible fixed assets
<b>Gross value at</b>								
<b>1<sup>st</sup> January 2010</b>	<b>11,440</b>	<b>5,259</b>	<b>5,253</b>	<b>3,759</b>	<b>13,184</b>	<b>649</b>	<b>31,110</b>	<b>70,654</b>
Purchases	1,045	1,665	424	—	139	1,572	554	5,399
Disposals, scrappages	—	(1,359)	(415)	—	—	—	—	(1,774)
Effect of mergers	—	—	—	—	—	—	—	—
Conversion differences	—	—	—	—	—	—	3	3
Reclassifications	—	—	—	—	633	(1,195)	(896)	(1,458)
<b>Gross value at</b>								
<b>31<sup>st</sup> December 2010</b>	<b>12,485</b>	<b>5,565</b>	<b>5,262</b>	<b>3,759</b>	<b>13,956</b>	<b>1,026</b>	<b>30,771</b>	<b>72,824</b>
Purchases	4,832	1,801	110	—	322	5,150	42	12,257
Disposals, scrappages	—	(882)	(140)	—	—	(6)	(1,565)	(2,593)
Effect of mergers	—	—	—	—	—	—	—	—
Conversion differences	—	—	—	—	—	—	4	4
Reclassifications	519	13	—	—	915	(1,545)	98	—
<b>Gross value at</b>								
<b>31<sup>st</sup> December 2011</b>	<b>17,836</b>	<b>6,497</b>	<b>5,232</b>	<b>3,759</b>	<b>15,193</b>	<b>4,625</b>	<b>29,350</b>	<b>82,492</b>
<b>Amortization and depreciation</b>								
<b>at 1<sup>st</sup> January 2010</b>	<b>(1,025)</b>	<b>(2,806)</b>	<b>(2,078)</b>	<b>(1,124)</b>	<b>(10,407)</b>	<b>—</b>	<b>(27,261)</b>	<b>(44,701)</b>
Charges	(769)	(1,645)	(602)	(465)	(1,249)	—	(1,071)	(5,801)
Write-backs on disposals, scrappages	—	1,359	—	—	—	—	—	1,359
Changes in group structure	—	—	—	—	—	—	—	—
Conversion differences	—	—	—	—	—	—	(1)	(1)
Reclassifications	—	—	—	—	—	—	758	758
<b>Amortization and depreciation</b>								
<b>at 31 December 2010</b>	<b>(1,794)</b>	<b>(3,092)</b>	<b>(2,680)</b>	<b>(1,589)</b>	<b>(11,656)</b>	<b>—</b>	<b>(27,575)</b>	<b>(48,386)</b>
Charges	(878)	(1,675)	(379)	(465)	(1,227)	—	(1,184)	(5,809)
Write-backs on disposals, scrappages	—	882	—	—	—	—	1,565	2,447
Changes in group structure	—	—	—	—	—	—	—	—
Conversion differences	—	—	—	—	—	—	(2)	(2)
Reclassifications	—	—	—	—	—	—	—	—
<b>Amortization and depreciation</b>								
<b>at 31<sup>st</sup> December 2011</b>	<b>(2,672)</b>	<b>(3,885)</b>	<b>(3,059)</b>	<b>(2,054)</b>	<b>(12,883)</b>	<b>—</b>	<b>(27,197)</b>	<b>(51,750)</b>
<b>Net value at 1<sup>st</sup> January 2010</b>	<b>10,415</b>	<b>2,453</b>	<b>3,175</b>	<b>2,635</b>	<b>2,777</b>	<b>649</b>	<b>3,849</b>	<b>25,953</b>
<b>Net value at</b>								
<b>31<sup>st</sup> December 2010</b>	<b>10,691</b>	<b>2,473</b>	<b>2,582</b>	<b>2,170</b>	<b>2,300</b>	<b>1,026</b>	<b>3,196</b>	<b>24,438</b>
<b>Net value at</b>								
<b>31<sup>st</sup> December 2011</b>	<b>15,164</b>	<b>2,612</b>	<b>2,173</b>	<b>1,705</b>	<b>2,310</b>	<b>4,625</b>	<b>2,153</b>	<b>30,742</b>

The Wimax licence acquired in August 2007 is commercialised but within certain limits to allow the Group to complete the tests necessary for its large-scale implementation.

Since its acquisition by the Group, Wimax licence has been amortised according to the straight-line method over its residual term, i.e. until September 2015.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.4 TANGIBLE FIXED ASSETS**

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	Land and buildings	Plant & Equipment	Other tangible fixed assets	Fixed assets under construction	Advances and instalments on fixed assets	Other tangible fixed assets
<b>Gross value at 1<sup>st</sup> January 2010 . . .</b>	<b>1,119</b>	<b>86,651</b>	<b>44,018</b>	<b>7,847</b>	<b>108</b>	<b>139,743</b>
Purchases . . . . .	—	302	2,863	3,732	764	7,661
Disposals, scrappages . . . . .	—	(426)	(2,334)	(1,255)	(108)	(4,122)
Conversion differences . . . . .	—	—	—	—	—	—
Effect of mergers . . . . .	—	—	36	—	—	36
Reclassifications . . . . .	—	3,713	3,043	(6,434)	—	322
<b>Gross value at 31<sup>st</sup> December 2010</b>	<b>1,119</b>	<b>90,240</b>	<b>47,627</b>	<b>3,890</b>	<b>764</b>	<b>143,640</b>
Purchases . . . . .	—	6,325	1,337	16,070	—	23,732
Disposals, scrappages . . . . .	—	(25)	(1,312)	—	(88)	(1,425)
Effect of mergers . . . . .	—	—	—	—	—	—
Conversion differences . . . . .	—	—	72	—	—	72
Reclassifications . . . . .	—	9,100	1,868	(10,408)	—	560
<b>Gross value at 31<sup>st</sup> December 2011</b>	<b>1,119</b>	<b>105,640</b>	<b>49,592</b>	<b>9,552</b>	<b>676</b>	<b>166,579</b>
<b>Amortization and depreciation at 1<sup>st</sup> January 2010 . . . . .</b>	<b>(446)</b>	<b>(33,590)</b>	<b>(28,128)</b>	<b>—</b>	<b>—</b>	<b>(62,164)</b>
Charges . . . . .	(32)	(12,330)	(7,492)	—	—	(19,854)
Write-backs on disposals, scrappages . . . . .	—	393	2,104	—	—	2,497
Effect of mergers . . . . .	—	—	—	—	—	—
Conversion differences . . . . .	—	—	(8)	—	—	(8)
Reclassifications . . . . .	—	—	—	—	—	—
<b>Amortization and depreciation at 31<sup>st</sup> December 2010 . . . . .</b>	<b>(478)</b>	<b>(45,526)</b>	<b>(33,524)</b>	<b>—</b>	<b>—</b>	<b>(79,530)</b>
Charges . . . . .	(33)	(12,571)	(6,339)	—	—	(18,942)
Write-backs on disposals, scrappages . . . . .	—	6	1,226	—	—	1,232
Effect of mergers . . . . .	—	—	—	—	—	—
Conversion differences . . . . .	—	—	(33)	—	—	(33)
Reclassifications . . . . .	—	—	—	—	—	—
<b>Amortization and depreciation at 31<sup>st</sup> December 2011 . . . . .</b>	<b>(511)</b>	<b>(58,091)</b>	<b>(38,670)</b>	<b>—</b>	<b>—</b>	<b>(97,273)</b>
<b>Net value at 31<sup>st</sup> December 2010 . .</b>	<b>641</b>	<b>44,714</b>	<b>14,104</b>	<b>3,890</b>	<b>764</b>	<b>64,110</b>
<b>Net value at 31<sup>st</sup> December 2011 . .</b>	<b>608</b>	<b>47,549</b>	<b>10,922</b>	<b>9,552</b>	<b>676</b>	<b>69,306</b>

Dismantlement assets helped increase technical facilities by €423,000 (€98,000 in 31 December 2010).

Tangible fixed assets include leased facilities with a net value of €233,000 (€26,000 in 31 December 2010).

**9.5 NON-CURRENT FINANCIAL ASSETS**

Non-current financial assets breaks down as follows:

(in EUR 000)	31/12/2011	31/12/2010
Deposits, guarantees and other receivables . . . . .	1,287	1,227
Other long-term shareholdings . . . . .	32	32
<b>Non-current financial assets . . . . .</b>	<b>1,319</b>	<b>1,259</b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.6 DEFERRED TAXES**

The balance sheet position by source of time differences was as follows:

(in EUR 000)	31/12/2011	31/12/2010 Restated	Increase/ decrease
Clientele . . . . .	—	—	—
Other fixed assets . . . . .	(236)	(419)	183
Provision for pensions . . . . .	620	597	23
Other provisions . . . . .	2,409	6,129	(3,720)
Financial instruments . . . . .	342	310	32
Prepaid expenses and income . . . . .	(492)	151	(643)
Loss carry-forwards . . . . .	210	2,616	(2,406)
Other timing differences . . . . .	(1,104)	(841)	(263)
<b>Total deferred tax . . . . .</b>	<b>1,749</b>	<b>8,543</b>	<b>(6,794)</b>

**Of which**

Deferred tax assets . . . . .	2,728	9,651	(6,923)
Deferred tax liabilities . . . . .	(979)	(1,108)	129

In view of the Group's earnings prospects, deferred tax assets have been recognised for allowable loss carry-forwards.

**9.7 INVENTORIES**

Inventories were made up of the following items:

(in EUR 000)	31/12/2011			31/12/2010		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Computer hardware . . . . .	181	(110)	70	232	(151)	81
Other (mobiles, pre-paid cards) . . . . .	4,427	(999)	3,429	3,604	(966)	2,638
<b>Stocks . . . . .</b>	<b>4,608</b>	<b>(1,109)</b>	<b>3,499</b>	<b>3,836</b>	<b>(1,117)</b>	<b>2,719</b>

The company recognised a net depreciation writeback of €8,000 in 2011, compared with a net depreciation writeback of €453,000 in 2010.

**9.8 TRADE RECEIVABLES**

Trade receivables breaks down as follows:

Depreciation

(in EUR 000)	31/12/2011	31/12/2010
Accounts receivable from clients . . . . .	45,377	53,203
Depreciation . . . . .	(20,990)	— 26,791
<b>Total . . . . .</b>	<b>24,387</b>	<b>26,412</b>



**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On 31 December 2011, trade receivables were depreciated by €20,990,000. The changes in the depreciation of trade receivables breaks down as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
<b>At beginning</b> . . . . .	<b>(26,791)</b>	<b>(34,969)</b>
Charges . . . . .	(4,356)	(7,323)
Depreciation . . . . .	10,181	15,523
Other movements . . . . .	(24)	(22)
<b>At year-end</b> . . . . .	<b>(20,990)</b>	<b>(26,791)</b>

	<u>31/12/2011</u>						
	<u>Total</u>	<u>Unmatured</u>	<u>Due in less than 1 month</u>	<u>Due in 1 to 3 months</u>	<u>Due in 3 to 6 months</u>	<u>Due in 6 to 12 months</u>	<u>Due after 12 months</u>
Gross receivables at 31 December 2011 (incl. tax) . . . . .	45,377	15,892	2,220	2,525	1,373	1,622	21,745
Provisions at 31 December 2011 (incl. tax) . . . . .	(20,990)	—	(320)	(787)	(534)	(239)	(19,110)
<b>Net balance at 31 December 2011</b> . . . . .	<b>24,387</b>	<b>15,892</b>	<b>1,900</b>	<b>1,738</b>	<b>839</b>	<b>1,383</b>	<b>2,635</b>
<b>Net balance at 31 December 2010</b> . . . . .	<b>26,412</b>	<b>14,637</b>	<b>2,190</b>	<b>2,568</b>	<b>1,232</b>	<b>1,427</b>	<b>4,357</b>

**9.9 OTHER CURRENT ASSETS**

Other current assets breaks down as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Social security . . . . .	2	1
Tax . . . . .	1,941	1,271
Prepaid expenses . . . . .	2,664	2,361
Other current assets . . . . .	4,056	2,814
Depreciation . . . . .	(192)	(110)
<b>Other current assets</b> . . . . .	<b>8,471</b>	<b>6,338</b>

**9.10 CASH AND CASH EQUIVALENTS**

Cash in hand and cash equivalents breaks down as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Liquid funds . . . . .	4,765	26,615
Marketable securities . . . . .	16,467	11,764
<b>Cash &amp; Cash equivalents</b> . . . . .	<b>21,232</b>	<b>38,379</b>
Bank balances part of cash flow . . . . .	(1,765)	(628)
<b>Cash flow appearing in the cash flow statement</b> . . . . .	<b>19,467</b>	<b>37,751</b>

Investment securities consist mainly of shares in mutual funds..

**9.11 CAPITAL**

The company's share capital on 31 December 2011 was €2,756,000, divided into 21,200,000 ordinary shares of €0.13, all entirely subscribed and paid up.

On 31 December 2011 the Group held 377,758 shares of treasury stock.

The company's capital did not change in 2010 and in 2011.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.12 BORROWINGS AND FINANCIAL DEBTS**

Borrowings and financial debts breaks down as follows:

(in EUR 000)	31/12/2011			31/12/2010		
	Total amount	Current	Non-current	Total amount	Current restated	Non-current
Senior debts and investment credits . . . .	89,282	9,271	80,011	35,165	15,782	19,383
Lease finance loans . . . . .	627	105	522	415	23	392
Debts from purchase of GSM equipment . .	8,080	2,155	5,925	7,374	7,374	—
Royalty debts payable on frequencies . . .	819	213	606	1,021	202	819
Bank balances . . . . .	1,766	1,766	—	628	628	—
Short-term accrued unmatured interest . .	477	477	—	180	180	—
FOREX and interest-rate derivatives . . . .	876	876	—	1,000	1,000	—
Guarantees and other debts . . . . .	484	393	91	4,141	—	4,141
<b>Total . . . . .</b>	<b>102,411</b>	<b>15,256</b>	<b>87,155</b>	<b>49,925</b>	<b>25,190</b>	<b>24,735</b>

The Group meets all these financial ratios and therefore presents its debts according to their contractual repayment schedule.

**9.12.1 Repayment schedule of the entire financial debt on 31 December**

The maturities of the non-discounted debt repayments are as follows:

(in EUR 000)	31/12/2011	31/12/2010
Due in less than one year . . . . .	15,256	25,190
Due in 1 - 5 years . . . . .	51,639	24,419
Due after 5 years . . . . .	35,516	316
<b>Total financial debt . . . . .</b>	<b>102,411</b>	<b>49,925</b>

**9.12.2 Breakdown of financial debt**

For the financial year ended 31 December 2011, financial debts break down as follows:

(in EUR 000)	Currency	Rate	Balance sheet value	Contractual maturity
BNP loan . . . . .	EUR	Euribor + 3.25%	89,282	2018
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	5,695	2014
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor + 3.186%	773	2013
Due to equipment supplier Alcatel . . . . .	EUR	Euribor + 1.5%	1,513	2014
Due to equipment supplier IBM . . . . .	EUR	6.12%	99	2014
Lease finance loans . . . . .	EUR		627	2014
Royalty debt payable on frequencies . . . . .	EUR		819	2015
Current account balances with banks . . . . .	EUR		1,766	
Accrued interests . . . . .			477	
Interest-rate derivatives . . . . .			876	
Guarantee and other debts . . . . .			484	
<b>Total . . . . .</b>			<b>102,411</b>	

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the financial year ended 31 December 2010, financial debts break down as follows:

(in EUR 000)	Currency	Rate	Balance sheet value	Contractual maturity
2008 loan—A . . . . .	EUR	Euribor +1.00%	12,342	2012
2008 loan—B . . . . .	EUR	Euribor +1.00%	12,800	2012
2008 loan—D . . . . .	EUR	Euribor +1.00%	10,000	2012
Lease finance loans . . . . .	EUR		415	
Due to GSM equipment supplier ZTE . . . . .	EUR	Euribor 6M + 1.5%	7,374	2011
Royalty debt payable on frequencies . . . . .	EUR		1,021	2015
Current account balances with banks . . . . .	EUR		628	
Accrued interest . . . . .			180	
FOREX and interest-rate derivatives . . . . .			1,000	
Guarantees and other debts . . . . .			4,164	
<b>Total . . . . .</b>			<b><u>49,925</u></b>	

The fair value of borrowings at variable rates is considered close to that of amortised cost.

**9.13 EMPLOYEE BENEFITS**

Employee benefits break down as follows:

	31/12/2011	31/12/2010
Post-employment benefits . . . . .	1,176	1,014
Long-term benefits . . . . .	689	626
<b>Employee benefits . . . . .</b>	<b><u>1,865</u></b>	<b><u>1,640</u></b>

• **Benefits after employment:**

The discounted value of the Group's obligation in terms of retirement benefits changed as follows:

(in EUR 000)	Discounted value of the obligation (DBO)
<b>As at 1<sup>st</sup> January 2010 . . . . .</b>	<b><u>934</u></b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	146
Interest charge . . . . .	46
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	(330)
Effects of changes in scheme . . . . .	(52)
Conversion effects . . . . .	6
<b>As at 31 December 2010 . . . . .</b>	<b><u>750</u></b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	132
Interest charge . . . . .	37
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	10
Effects of changes in scheme . . . . .	—
Conversion effects . . . . .	—
<b>As at 31 December 2011 . . . . .</b>	<b><u>929</u></b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Reconciliation of the discounted value of the Group's retirement allowances liabilities and the provision for employee benefits shows the following:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Discounted value of the commitment in respect of end career compensation . . . . .	929	750
Cost of past services not recognised . . . . .	46	47
Actuarial gains and losses not recognised . . . . .	201	217
Other		
<b>Provision for employee benefits . . . . .</b>	<b><u>1,176</u></b>	<b><u>1,014</u></b>

• **Long-term benefits**

Uses noted in 2007 prompted the Group to recognise a seniority bonus.

The discounted value of the Group's obligation in terms of retirement benefits changed as follows in 2010 and 2011:

<u>(in EUR 000)</u>	<u>Discounted value of the obligation (DBO)</u>
<b>As at 1<sup>st</sup> January 2010 . . . . .</b>	<b><u>731</u></b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	151
Interest charge . . . . .	39
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	(295)
<b>As at 31 December 2010 . . . . .</b>	<b><u>626</u></b>
Cost of past services . . . . .	—
Cost of services rendered . . . . .	138
Interest charge . . . . .	36
Benefits paid . . . . .	—
Actuarial gains and losses . . . . .	(111)
<b>As at 31 December 2011 . . . . .</b>	<b><u>689</u></b>

Reconciliation of the discounted value of the Group's liabilities and the provision for long-term benefits shows the following:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Discounted value of the commitment in respect of end career compensation . . . . .	689	626
Cost of past services not recognised . . . . .	—	—
Actuarial gains and losses not recognised . . . . .	—	—
<b>Provision for employee benefits . . . . .</b>	<b><u>689</u></b>	<b><u>626</u></b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

• **Actuarial assumptions**

The main actuarial assumptions are as follows:

	<u>31/12/2011</u>	<u>31/12/2010</u>
Discount rate . . . . .	5.3%	5.0%
Salary discount rate . . . . .	1.5% à 2.5%	1.5% à 2%

**9.14 PROVISIONS**

Provisions changed as follows:

(in EUR 000)	<u>31/12/2010</u>	<u>Charges</u>	<u>Effect of discounting</u>	<u>Write-backs</u>		<u>Conversion differences</u>	<u>Autres</u>	<u>31/12/2011</u>
				<u>Used</u>	<u>Not used</u>			
Provision for disputes . . . . .	1,866	1,434	—	(309)	(300)	—	—	2,691
Provision for dismantling . . . . .	3,448	—	133	—	(25)	—	559	4,115
<b>Total provisions . . . . .</b>	<b><u>5,314</u></b>	<b><u>1,434</u></b>	<b><u>133</u></b>	<b><u>(309)</u></b>	<b><u>(325)</u></b>	<b><u>—</u></b>	<b><u>559</u></b>	<b><u>6,806</u></b>

The increase in dismantlement provisions is offset by an increase in tangible fixed assets. The accretion effect is recognised under financial charges.

Provisions break down as follows between current and non-current provisions:

(in EUR 000)	<u>31/12/2011</u>		<u>31/12/2010</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for disputes . . . . .	2,691	—	1,866	—
Provision for dismantling . . . . .	—	4,115	—	3,448
<b>Total provisions . . . . .</b>	<b><u>2,691</u></b>	<b><u>4,115</u></b>	<b><u>1,866</u></b>	<b><u>3,448</u></b>

**9.15 OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities correspond to the fraction of tax exemption subsidies received which is older than one year.

**9.16 OTHER CURRENT LIABILITIES**

Other current liabilities break down as follows:

(in EUR 000)	<u>31/12/2011</u>			<u>31/12/2010</u>		
	<u>Other creditors</u>	<u>Prepaid income</u>	<u>Total</u>	<u>Other creditors</u>	<u>Prepaid income</u>	<u>Total</u>
Social security . . . . .	4,990	—	4,990	6,215	—	6,215
Tax . . . . .	1,707	—	1,707	1,613	—	1,613
Current account credit balances . . . . .	111	—	111	111	—	111
Tax exemption subsidies . . . . .	—	1,580	1,580	—	2,042	2,042
Lump sums received in advance . . . . .	—	9,067	9,067	—	8,700	8,700
Revenues from loyalty programmes . . . . .	—	2,159	2,159	—	1,898	1,898
Other . . . . .	5,394	34	5,428	1,760	33	1,793
<b>Other current liabilities . . . . .</b>	<b><u>12,202</u></b>	<b><u>12,840</u></b>	<b><u>25,042</u></b>	<b><u>9,700</u></b>	<b><u>12,673</u></b>	<b><u>22,373</u></b>

Deferred income from loyalty programs corresponds, at fair value, to the rights to advantages earned by customers for past consumption. The advantage granted averages 0.7% the main sale.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.17 DERIVATIVES**

**9.17.1 Interest-rate instruments**

The Group refinances itself primarily at variable rates, exposing itself to changes in its future interest expense.

The Group therefore uses derivatives to eliminate or limit these risks. The rate derivatives used by the Group provide an economic hedge but are not covered by hedge documentation in accordance with IAS 39. Consequently, changes in the fair value of these instruments are recognised under other income and charges as follows: the fraction of the hedge considered effective under gross income and the fraction considered ineffective under net income.

The derivatives used are rate swaps.

**9.17.2 Rate derivatives for trading purposes**

The rate derivatives held for trading purposes break down is as follows:

(In EUR 000)	Notional rate at 31 December 2011				Fair value
	< 1 year	1 - 5 years	> 5 years	Total	31/12/2011
<i>Interest-rate option</i>					
CAP . . . . .	—	15,000	—	15,000	20
Collar . . . . .	—	12,500	—	12,500	(283)
<i>Rate swaps</i>					
Payer fixed/receiver variable . . . . .	—	35,000	—	35,000	(593)
<b>Derivative instruments held for transaction purposes . . . . .</b>	<b>—</b>	<b>62,500</b>	<b>—</b>	<b>62,500</b>	<b>(856)</b>
(In EUR 000)	Notional rate at 31 December 2010				Fair value
	< 1 year	1 - 5 years	> 5 years	Total	31/12/2010
<i>Interest-rate option</i>					
Collar					
<i>Rate swaps</i>					
Payer fixed/receiver variable . . . . .	—	30,000	—	30,000	(996)
<b>Derivative instruments held for transaction purposes . . . . .</b>	<b>—</b>	<b>30,000</b>	<b>—</b>	<b>30,000</b>	<b>(996)</b>

The change in the fair value of the derivatives is recognised as follows: non-effective fraction under net financial income, effective fraction under equity.

For the financial year ended 31 December 2011, the impact of this change is reflected in a financial charge of €183,000 and a decrease in equity of €717,000.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.18 EXTERNAL CHARGES**

External charges break down is as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Purchases consumed . . . . .	17,501	15,013
Rents and rental charges . . . . .	10,101	9,417
Payments to intermediaries and fees . . . . .	3,219	3,388
Telecom costs . . . . .	53,499	56,625
Other external purchases . . . . .	19,403	19,581
<b>External purchases . . . . .</b>	<b><u>103,723</u></b>	<b><u>104,024</u></b>

\* Commercial leases for offices, shops and warehouses and automatically renewable leases under the laws for regulations and private citizens for the rental of technical sites.

**9.19 PERSONNEL CHARGES**

Personnel charges break down is as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Salaries . . . . .	(20,110)	(21,211)
Social Security costs . . . . .	(5,885)	(6,276)
Other . . . . .	(1,732)	(1,488)
<b>Total employee costs . . . . .</b>	<b><u>(27,727)</u></b>	<b><u>(28,976)</u></b>

In respect of share-based payments (see section 8.15.3), other personnel charges include a charge of €561,000 for 2011 vs. €200,000 for 2010.

Other charges also include employee profit sharing for an amount of €600,000.

The Group had 911 employees on 31 December 2011, up from 879 on 31 December 2010.

**9.20 OTHER OPERATING CHARGES**

Other operating charges break down as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Depreciation of accounts receivable from customers . . . . .	(4,438)	(6,548)
Other expenses . . . . .	1,564	(1,701)
<b>Other operating expenses . . . . .</b>	<b><u>(2,874)</u></b>	<b><u>(8,248)</u></b>

Other operating charges consist mainly of appropriations reversals or provisions for risk and depreciation of customers.

**9.21 OTHER OPERATING INCOME**

Other operating income breaks down as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Subsidies received for tax exemption transferred to income for year . . . . .	2,250	2,107
Other income . . . . .	64	2,205
<b>Other operating income . . . . .</b>	<b><u>2,314</u></b>	<b><u>4,312</u></b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.22 NET COST OF DEBT AND OTHER FINANCIAL INCOME AND CHARGES**

(in EUR 000)	31/12/2011			31/12/2010		
	Income	Charges	Net	Income	Charges	Net
Interest on senior debt . . . . .	—	(1,561)	(1,561)	—	(1,165)	(1,165)
Interest on lease finance loans . . . . .	—	3	3	—	(3)	(3)
Interest on debts to GSM equipment suppliers . . . . .	—	(364)	(364)	—	(212)	(212)
Interest on trade debts . . . . .	—	(26)	(26)	—	(113)	(113)
Interest on SWAP . . . . .	—	(1,221)	(1,221)	—	(673)	(673)
Interest on royalty debt payable on frequencies . . . . .	—	(94)	(94)	—	(106)	(106)
Other income/expenses . . . . .	—	(445)	(445)	13	(52)	(39)
Income from disposal of marketable securities . . . . .	250	—	250	29	—	29
<b>Net borrowing costs . . . . .</b>	<b>250</b>	<b>(3,708)</b>	<b>(3,458)</b>	<b>42</b>	<b>(2,324)</b>	<b>(2,282)</b>
Discounting charges . . . . .		(145)	(145)		(132)	(132)
Other income and expenses . . . . .	758	(408)	350	42	(42)	0
Change in fair value of derivatives . . . . .	403	—	403	24	—	24
Foreign exchange results . . . . .	283	(404)	(121)	312	(452)	(139)
<b>Other financial income and expenses . . . . .</b>	<b>1,444</b>	<b>(957)</b>	<b>487</b>	<b>379</b>	<b>(626)</b>	<b>(247)</b>
<b>Change in fair value of derivative instruments on hybrid debts . . . . .</b>			<b>—</b>			<b>—</b>

**9.23 CORPORATION TAX**

Corporation tax for the year reflects application of the effective rate at the end of the financial year to pre-tax profit on 31 December 2011. In France, deferred taxes are based upon current tax rates, i.e. 34.43% for 2011 and subsequent years.

(in EUR 000)	31/12/2011	31 décembre 2010
Current tax charge/income . . . . .	(3,606)	(1,044)
Deferred tax charge/income . . . . .	(7,040)	(4,749)
<b>Total tax income . . . . .</b>	<b>(10,646)</b>	<b>(5,792)</b>



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**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The theoretical tax rate based upon the statutory tax rate in France and the effective tax rate are reconciled as follows:

<u>(in EUR 000)</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
Net profit for the period . . . . .	19,838	14,196
Tax rebate		
Tax charge/income for the period . . . . .	<u>(10,646)</u>	<u>(5,792)</u>
<b>Consolidated pre-tax profit . . . . .</b>	<b>30,484</b>	<b>19,987</b>
<i>Theoretical tax rate . . . . .</i>	<i>34.43%</i>	<i>34.43%</i>
Theoretical tax charge/income . . . . .	<u>(10,496)</u>	<u>(6,882)</u>
Effect of change in deferred tax rate . . . . .	369	—
Differences in tax rate . . . . .	80	71
Own shares held . . . . .	(54)	(340)
Tax allowance—overseas region . . . . .	77	1,882
Other tax due . . . . .	(784)	(596)
Other tax due . . . . .	<u>162</u>	<u>73</u>
<b>Effective tax charge/income . . . . .</b>	<b><u>(10,646)</u></b>	<b><u>(5,792)</u></b>
<b>Effective tax rate . . . . .</b>	<b>34.92%</b>	<b>28.98%</b>

The recognition of the CVAE as an income tax increased tax liabilities on 31 December 2011 by €784,000.

**9.24 CONTRACTUAL COMMITMENTS**

**9.24.1 Commitments granted under rental contracts**

Amounts payable under rental contracts break down as follows:

<u>(in EUR 000)</u>	<u>Outstanding at 31 December 2011</u>			
	<u>Total</u>	<u>&lt; 1 year</u>	<u>due in 1 - 5 years</u>	<u>&gt; 5 years</u>
Rentals . . . . .	<u>30,582</u>	<u>8,508</u>	<u>17,833</u>	<u>4,241</u>
<u>(in EUR 000)</u>	<u>Outstanding at 31 December 2010</u>			
	<u>Total</u>	<u>&lt; 1 year</u>	<u>due in 1 - 5 years</u>	<u>&gt; 5 years</u>
Rentals . . . . .	<u>30,828</u>	<u>7,583</u>	<u>19,597</u>	<u>3,648</u>

**9.24.2 Guarantees granted for borrowings undertaken by Groupe Outremer Telecom SA and Outremer Telecom**

Outremer Telecom SAS continues to build a denser network and to migrate its networks to 3.5 G. As part of this drive, it has signed a contract for the supply of telecommunications equipment and associated services with ZTE Corporation (“ZTE”).

Under this agreement, in 2009, ZTE granted Outremer Telecom SAS a payment facility over a period of 3 years. The remainder of this financing amounted to €7.4 million on 31 December 2011.

To guarantee payment of all sums owed under this vendor financing arrangement, ZTE is entitled to:

- a pledge on the equipment supplied,
- a joint guarantee of the commitments accepted by the subsidiary Outremer Telecom SAS, issued by Groupe Outremer Telecom SA, and

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**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- a commitment by Outremer Telecom SAS to deposit, in an escrow account, the revenue from marketing prepaid cards and from billing roaming services for mobile telephone networks in Guadeloupe and Guyana.

**9.25 RELATED PARTIES**

**9.25.1 Transactions with senior managers**

Transactions with senior managers (company representatives, officers and members of the Board of Directors) in 2010 and Management Board and Supervisory Board in 2011) break down as follows:

**Principal officers**

	<u>31/12/2011</u>	<u>31/12/2010</u>
Short-term benefits . . . . .	2,594	949
Post-employment benefits . . . . .	164	136
Other long-term benefits . . . . .	103	21
End of contract compensation . . . . .	11	
Payment in shares . . . . .	<u>368</u>	<u>148</u>
<b>Total employee costs</b> . . . . .	<b><u>3,240</u></b>	<b><u>1,254</u></b>
Fees . . . . .	—	—
Rentals . . . . .	<u>21</u>	<u>190</u>
<b>Total other expenses</b> . . . . .	<b><u>21</u></b>	<b><u>190</u></b>

The Group changed its governance structure during the year, thereby increasing the number of people who are related parties. Moreover,, the above remunerations are annual even though the governance structure was changed during the year. Lastly, the table factors in the annual remunerations of people considered managers before and after the change in governance structure.

**9.25.2 Other related parties**

Transactions with the parent company, Groupe Outremer Telecom SA, break down as follows:

**Other related parties**

	<u>31/12/2011</u>	<u>31/12/2010</u>
<b>Expenses</b>		
Parent company: services . . . . .	<u>0</u>	<u>8</u>
<b>Total expenses booked</b> . . . . .	<b><u>0</u></b>	<b><u>8</u></b>

**9.26 RISK MANAGEMENT**

**9.26.1 Liquidity risk**

On 28 July 2011, the Group signed a 7-year credit agreement with a total value of €92.7 million, entirely drawn down in the second half.

Under this financing agreement, the Group must comply with the following financial ratios:

- i—Leverage ratio (consolidated debt/consolidated EBITDA) which may not exceed a threshold decreasing from 2.00 on 31 December 2011 to 1.10 on 30 June 2018.
- ii—Hedge ratio (consolidated EBITDA/consolidated financial charges), which must remain above a threshold set at 4.00 on 31 December 2011 and 4.50 for subsequent half-yearly periods.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

iii—The coverage ratio for debt service (free cash flows/debt service), which must remain above a threshold set at 1.35 during each half-yearly test.

iv—The Group must also comply with annual investment caps, whose level changes according to consolidated EBITDA.

Similarly, vendor credits granted by the equipment manufacturers ZTE and Alcatel Lucent, amounting on 31 December 2011 to respectively €6.5 and €1.5 million, are also tied to comply with financial ratios that are relatively comparable with those in the credit agreement although under less stringent conditions.

On 31 December 2011, the Group complied with all financial ratios to which it was committed and had a significant cash position of more than €20 million.

**9.26.2 Currency risk**

The Group's exposure to the currency risk in connection with its commercial activities is relatively low and does not call for hedges.

The following table shows the Group's net positions, by currency, on 31 December 2011 and 31 December 2010:

Equivalent value (in EUR 000)	31-Dec-11		31-Dec-2010	
	US dollar	Mauritian rupee	US dollar	Mauritian rupee
Assets . . . . .	255	2,217	152	1,925
Liabilities . . . . .	(725)	(538)	(541)	(504)
<b>Net position before management</b> . . . . .	<b>(470)</b>	<b>1,679</b>	<b>(389)</b>	<b>1,421</b>
Off-balance sheet position . . . . .	—	—	—	—
<b>Net position after management</b> . . . . .	<b>(470)</b>	<b>1,679</b>	<b>(389)</b>	<b>1,421</b>

**9.26.3 Credit risk**

The financial instruments capable of exposing Outremer Télécom to the credit risk are primarily cash in hands and trade receivables.

Outremer Télécom believes that concentration of the trade receivables credit risk is extremely low because of the large number of customers, their diversity (residential and professional), their positioning in a range of different economic sectors and their geographical dispersal. Moreover, the maximum credit risk connected with these financial assets is equal to the net book value committed.

**9.26.4 Rate risk**

The Group's incurs debt mainly at variable rates. The Group manages exposure to the rate risk by means of different financial instruments, mainly fixed rate borrowing swaps and interest rate option purchases (tunnel purchases).

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Sensitivity of financial assets and liabilities to rate risks**

Sensitivity “S” is shown in the table below, which displays, on 31 December 2011, with maturities of up to one year, from one to five years and more than five years, debt outstanding and financial assets before and after application of off balance sheet instruments.

	Due in less than one year	Due within 1- 5 years	Due after 5 years	Total
Financial liabilities . . . . .	(137,721)	(2,485)	—	(140,206)
Financial assets . . . . .	45,619	—	—	45,619
<b>Net position before management</b>	<b>(92,102)</b>	<b>(2,485)</b>	<b>—</b>	<b>(94,587)</b>
Off-balance sheet . . . . .	62,500	—	—	62,500
<b>Net position after management</b>	<b>(29,602)</b>	<b>(2,485)</b>	<b>—</b>	<b>(32,087)</b>

This table was prepared according to the AMF recommendation All variable rate assets and debts are shown in the column of up to one year unless their real maturities are longer.

S = Net position to be renewed in less than one year after management X 1% change in the short term rate X Average duration of short term rate (impact through to the end of the next financial year)

S = Net position to renew after management	X 1% variation of short-term rate	X average duration (one year) left until the end of the next financial year	= impact
(30,628)	1.0%	1	(306)

After factoring the effect of rate hedges, the impact of a 1% increase in interest rates would be €306,000. The ratio between this amount and the total amount of financial charges during the past year (€3,708,000) is 8.25%. This ratio indicates the impact, upon the Group’s financial charges, of changes in rates affecting:

- financial assets and liabilities at variable rates;
- financial assets and liabilities at fixed rates whose maturity is within one year.

After factoring in rate hedges, the Group’s exposure to the rate risk is mainly linked to the non-swapped fractions of senior debt (€26.7 m) and to GSM equipment procurement debt (€8m).

**9.26.5 Equity risk**

The company invests surplus cash only in money market instruments and is therefore not exposed to the equity risk.

**9.26.6 Risk relating to mobile telephony licences**

Under the licences granted to the Group’s companies, these have agreed to comply with certain obligations, to make major investments in various networks in order to be able to offer new products and services and to pay certain specific fees. If the Group does not comply with the commitments accepted, the licences may be withdrawn, which in some cases could oblige the Group to pay compensation to the State or to other parties.

The Group’s main licences are telecoms licences L.33, L.34, the GSM licence (for all DOM districts), the 3G-UMTS licence (for all DOM districts except Mayotte) and the BLR or Wimax licence (for Reunion Island, Martinique and Guadeloupe). The Group’s commitments are set out in ARCEP decisions.

For the GSM licences (Decisions No. 05-0681 of 19 July 2005 and No. 06-0842 of 25 July 2006), the Group is inter alia obliged to guarantee a minimum coverage of 90% of the population in the DOM

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

districts. The Group satisfies all its obligations with a coverage ratio of about 90% of the population as soon as it inaugurated the GSM mobile telephony networks in each of its territories

For the 3G licence, further to a decision adopted on 6 May 2008 (No. 08-0519), the Group has agreed to deploy its public third-generation (3G) terrestrial radio access network to achieve a coverage ratio of 70% in 2013. The Group has begun to deploy its 3G networks at the end of 2008, already covers more than 50% of the population in each of these administrative districts (départements).

Lastly, when taking over the assets of XTS in 2007, the Group assumed the obligations under the BLR licences awarded to WLL Océan Indien and WLL Antilles-Guyane. These licences provide for coverage of the Wimax network amounting to 37% of the population in Martinique, 42% of Reunion Island and 44% in Guadeloupe. Although the Group is currently one of the only national operators to offer a Wimax internet access subscription to private customers, coverage has not yet reached the levels stipulated in the licences.

On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, an official notice that their BLR networks are only partly deployed in the three administrative districts (départements) of Martinique, Guadeloupe and Reunion Island and ordering them to complete the coverage of their networks no later than 31 January 2013.

In its decision, ARCEP notes that WLL Antilles-Guyane and WLL Réunion may perform their obligations by deploying their own sites equipped with base stations by putting its frequencies at the disposal of third operators or by using network or frequency pooling agreements with other local wireless loop network operators.

On 31 December 2011, the net value of the WIMAX/BLR licences recognised under assets on the group's balance sheet was €1.7 million.

**9.26.7 Capital management**

The Group's main objective is to maintain a good equity risk rating and sound capital ratios in order to facilitate its business and to maximise shareholder value.

The Group manages its capital based on a ratio, equal to net debt divided by the sum of equity and net debt.

The Group's policy—except for exceptional acquisitions—is to keep this ratio between 20% and 50%. In net debt, the Group includes interest-bearing loans and borrowings, cash and cash equivalent, except abandoned activities.

Equity includes the Group's share in capital and the unrealised gains and losses recognised directly under equity.

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.27 FINANCIAL INSTRUMENTS**

	Book value		Fair value	
	2011	2010	2011	2010
<b>Financial assets</b>				
Non-current financial assets . . . . .	1,319	1,259	1,319	1,259
Tax receivables . . . . .	12	31	12	31
Accounts receivable from clients . . . . .	24,387	26,412	24,387	26,412
Other current assets . . . . .	8,471	6,338	8,471	6,338
Cash & cash equivalents . . . . .	21,232	38,379	21,232	38,379
<b>Total financial assets . . . . .</b>	<b>55,421</b>	<b>72,419</b>	<b>55,421</b>	<b>72,419</b>
<b>Financial liabilities</b>				
Non-current financial debts . . . . .	87,155	24,735	87,155	24,735
Short-term financial debt . . . . .	15,256	25,190	15,256	25,190
Amount due to suppliers . . . . .	37,795	40,621	37,795	40,621
Other short-term financial liabilities . . . . .	25,042	22,373	25,042	22,373
Tax due . . . . .	2,661	52	2,661	52
<b>Total financial liabilities . . . . .</b>	<b>167,909</b>	<b>112,971</b>	<b>167,909</b>	<b>112,971</b>

The fair value of a contract is the price that would have been agreed between parties free to enter into a contract opening at arm's length. On the date of the transaction, this generally corresponds to the transaction price. The fair value must subsequently be based upon observable market data giving the most reliable indication of the fair value of a financial instrument.

The fair value of borrowings is determined by discounting the contractual flows at market interest rates.

The fair value of trade payables and trade receivables corresponds to the book value shown in the balance sheet as the effect of discounting future cash flows is not significant.

Financial instruments break down is as follows by category:

31-Dec-2011	Book value	Fair value by profit	Fair value by equity capital	Assets held for resale	Loans and receivables	Debts at amortised cost
<b>Financial assets</b>						
Non-current financial assets . . . . .	1,319		42		1,277	
Tax receivables . . . . .	12				12	
Accounts receivable from clients . . . . .	24,387				24,387	
Other current assets . . . . .	8,471				8,471	
Cash & cash equivalents . . . . .	21,232	21,232				
<b>Total financial assets . . . . .</b>	<b>55,421</b>	<b>21,232</b>	<b>42</b>	<b>0</b>	<b>31,147</b>	<b>0</b>
<b>Financial liabilities</b>						
Non-current financial debts . . . . .	87,155					87,155
Short-term financial debt . . . . .	15,256		887			14,369
Amount due to suppliers . . . . .	37,795					37,795
Other short-term financial liabilities . . . . .	25,042					25,042
Tax due . . . . .	2,661					2,661
<b>Total financial liabilities . . . . .</b>	<b>167,909</b>	<b>0</b>	<b>887</b>	<b>0</b>	<b>0</b>	<b>167,022</b>

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

31-Dec-2010	Book value	Fair value by profit	Fair value by equity capital	Assets held for resale	Loans and receivables	Debts at amortised cost
<b>Financial assets</b>						
Non-current financial assets . . . .	1,259		42		1,216	
Tax receivables . . . . .	31				31	
Accounts receivable from clients	26,412				26,412	
Other current assets . . . . .	6,338				6 338	
Cash & cash equivalents . . . . .	38,379	38,379		—		
<b>Total financial assets . . . . .</b>	<b>72,419</b>	<b>38,379</b>	<b>42</b>	<b>0</b>	<b>33,998</b>	<b>0</b>
<b>Financial liabilities</b>						
Non-current financial debts . . . .	24,735					24,735
Short-term financial debt . . . . .	25,190					25,190
Amount due to suppliers . . . . .	40,621					40,621
Other short-term financial liabilities . . . . .	22,400					22,400
Tax due . . . . .	25					25
<b>Total financial liabilities . . . . .</b>	<b>112,971</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112,971</b>

Other current assets and non-current financial debts valued at fair value by result are considered to be level 2 items. Their valuation requires valuation techniques based on observable market data.

Non-current financial assets valued at fair value by equity are considered to be level 3 items. Their valuation requires valuation techniques based on non-observable market data..

**9.28 STATUTORY AUDITOR'S FEES**

Pursuant to Decree No. 2008-1487 of 30 December 2008, complementing Article R. 233-14 §17 of the French Commercial Code, the following table shows the amount of fees of the Group's statutory auditors recognised in the consolidated profit & loss account for the year, distinguishing between fees billed for the legal audit of the consolidated financial statements and fees billed for other advice and services

**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

directly linked to the legal audit of the consolidated financial statements. The fees mentioned for subsidiaries are concerning those which are fully consolidated subsidiaries.

	CONSTANTIN ASSOCIES				ERNST & YOUNG			
	AMOUNT		% of total		AMOUNT		% of total	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>AUDIT</b>								
Statutory auditors, certification, review of accounts <sup>(b)</sup>								
<i>Issuer</i> <sup>(1)</sup> . . . . .	32,500	33,500	12%	9%	22,300	25,000	9%	7%
<i>Subsidiaries</i> . . . . .	86,500	90,000	33%	24%	87,700	89,000	34%	24%
Other procedures and services directly linked to the duties of the Statutory Auditors <sup>(c)</sup>								
<i>Issuer</i> <sup>(1)</sup> . . . . .					32,017	33,557	12%	9%
<i>Subsidiaries</i> . . . . .								
<b>SUB-TOTAL</b> . . . . .	<b>119,000</b>	<b>123,500</b>	<b>46%</b>	<b>33%</b>	<b>142,017</b>	<b>147,557</b>	<b>54%</b>	<b>40%</b>
Other services provided by the networks to fully consolidated subsidiaries <sup>(d)</sup>								
<i>Legal, fiscal, social</i>								
<i>Other (mention if &gt;10% of audit fees)</i> . . . . .		100,000	0%	27%				
<b>SUB-TOTAL</b> . . . . .	<b>—</b>	<b>100,000</b>	<b>0%</b>	<b>27%</b>	<b>—</b>	<b>—</b>		
<b>TOTAL</b> . . . . .	<b>119,000</b>	<b>223,500</b>	<b>46%</b>	<b>60%</b>	<b>142,017</b>	<b>147,557</b>	<b>54%</b>	<b>40%</b>

**9.29 EVENTS AFTER CLOSURE**

**9.29.1 Aggressive new offers**

Whereas 2011 focused mainly on consolidation of existing offers, 2012 will be dedicated to the replacement of our range.

The Company's expertise in markets and technologies has prompted us to start launching even more aggressive offers.

This is the background to the 19 January 2012 launch of our new Next offer in Reunion Island, which will shortly be extended to the other DOM districts.

**9.29.2 Change in SMS call termination rates**

Pursuant to Decision No. 2010-0892 of the *Autorité de régulation des communications électroniques et des postes*, SMS call termination rates are as follows in 2012:

<u>€cts ex-VAT</u>	<u>January 2012</u>	<u>July 2012</u>
<b>Operators in Antilles and Guyana</b> . . . . .	<u>2.0</u>	<u>2.0</u>
<b>Operators on Reunion Island and Mayotte</b> . . . . .	<u>2.0</u>	<u>1.0</u>



**Groupe Outremer Telecom**  
**Consolidated financial statements (Continued)**

**9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9.29.3 Change in mobile voice call termination rates**

Pursuant to Decision No. 2010-1149 of the *Autorité de régulation des communications électroniques et des postes*, overseas mobile telephone operators modified their mobile voice call termination rates on 1 January 2012.

The rates applied since 1 January 2012 are as follows:

		<u>2012</u> <u>(euro cents/mn)</u>
<b>French West Indies</b>	Orange Caraïbe . . . . .	2.5
	<b>French Guyana</b>	
	Digicel . . . . .	2.5
	Outremer Telecom . . . . .	2.8
	SRR . . . . .	2.5
<b>Indian Ocean</b>	Orange Réunion . . . . .	2.5
	Outremer Telecom . . . . .	2.5

**9.29.4 Competition Authority fines SRR for €2 million**

In June 2009, our Company, together with Orange Réunion, applied to the Competition Authority against SRR for anti-competitive practices. In September 2009, the Competition Authority ordered protection measures, despite which SRR continued its practices.

The practice for which SRR is criticised is the application, for almost all its offers, of a distinction between the rates of calls for its own network and for those of other operators. This pricing strategy makes calls between SRR subscribers attractive (club effect) and degrades the image of its competitors

In a decision pronounced on 24 January 2012, the Competition Authority, holding that SRR had deliberately ignored the injunction in order to maintain its market position, ordered SRR to pay a fine of €2 million.

The case is not yet closed and continues on the merits. The Competition Authority may order another fine in the months ahead to sanction the impact of SRR's anti-competitive practices on the economy and consumers.

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the group's management report.*

*This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

**Groupe Outremer Telecom**  
Year ended December 31, 2011

**Statutory auditors' report  
on the consolidated financial statements**

**CONSTANTIN ASSOCIES**  
**Member of Deloitte Touche Tohmatsu**  
185, avenue Charles-de-Gaulle  
92524 Neuilly-sur-Seine Cedex  
S.A. au capital de € 831.330

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG et Autres**  
1/2, place des Saisons  
92400 Courbevoie—Paris-La Défense 1  
S.A.S. à capital variable

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**Groupe Outremer Telecom**  
**Year ended December 31, 2011**

**Statutory auditors' report**  
**on the consolidated financial statements**

To the Shareholders

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of Groupe Outremer Telecom;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the executive board. Our role is to express an opinion on these financial statements, based on our audit.

**I. Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the above opinion, we draw your attention to note 8.21 to the consolidated financial statements, which describes the change in accounting method regarding the classification of the business added value contribution (CVAE), recorded under taxes in the income statement for the year ended December 31, 2010 and under corporate income tax for the year ended December 31, 2011.

**II. Justification of assessments**

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you that our assessments were made in relation to the application of the appropriate accounting principles, to the reasonable nature of the significant estimates used and to the overall presentation of the financial statements, particularly in

regard to the items described in notes 9.3) “Intangible assets”, 9.6) “Deferred taxes,” 9.7) “Inventories” and 9.8) “Trade receivables.”

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### **III. Specific verification**

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements

Neuilly-sur-Seine et Paris-La Défense, March 23, 2012

The statutory auditors  
*French original signed by*

**CONSTANTIN ASSOCIES**  
*Member of Deloitte Touche Tohmatsu*

**ERNST & YOUNG et Autres**

Jean Paul Seguret

François Villard

Deloitte Bedrijfsrevisoren /  
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# Coditel Brabant SPRL

**Statutory auditor's report  
for the year ended  
31 July 2011**

The original text of this report is in French

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Berkenlaan 8b, B-1831 Diegem  
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

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## **Coditel Brabant SPRL**

### **Statutory auditor's report for the year ended 31 July 2011 to the shareholders' meeting**

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments.

#### **Unqualified audit opinion on the financial statements**

We have audited the financial statements of Coditel Brabant SPRL for the period of 7 months ended 31 July 2011, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 140.858 (000) EUR and a loss for the year of 567 (000) EUR.

Management of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company'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 company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, management and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 July 2011 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
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Member of Deloitte Touche Tohmatsu Limited

## **Additional comments**

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of management.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.

Diegem, 1 October 2011

## **The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Reviseurs  
d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by William Blomme

## MANAGEMENT REPORT

### Presented by the Board of Managers

Ladies and Gentlemen,

As prescribed by law and by the Company's articles of association, we hereby present you our management report on the fulfilment of our mandate during the year ending 31 July 2011.

#### **1. Approval of the annual accounts**

We hereby submit for your approval of the annual accounts for the financial year ended 31 July 2011.

#### **2. Results—Allocation**

The financial year has been closed with a loss of EUR 567.263,10.

#### **3. Comments on the annual accounts**

We noticed a decrease in the number of the subscribers of DTV during the current year. Internet subscribers grew until 45.415 subscribers. Concerning the phone activity, 43.592 subscribers have already subscribed to our services. These increases of subscribers contributed to the increase of the net turnover.

#### **4. Technological developments and research**

Coditel has continued its extensive program of modernization of the network: fiber optic scope is much closer to the final customer, the network bandwidth is increased up to 860 MHz and the return path is increased significantly. These works, as well as significant investments in network headend, allowed developing a pay TV service, a fixed line service offer, and improved internet traffic management.

#### **5. No important events have occurred since the year end.**

#### **6. Social relationships**

Our company applies the sectoral agreement norms. Committee for the prevention and protection work has continued, with a sustained attention to improve working conditions and accident prevention. The Board of Managers wishes to express appreciation to the member to the staff for their cooperation and dedication with which they discharged their duties.

#### **7. Coditel has no subsidiaries and does not use financial instruments other than those listed.**

#### **8. Risk**

The current economic climate and pressure on purchasing power may also slow sales of products offered by Coditel. Coditel is negotiating with representatives of certain TV channels and certain Copyrights and related rights companies; some negotiations have not been completed yet and could be at risk at the level of the Company. The regulation currently in force (IBPT, Vlaamse Regulator voor de Media) is also likely to evolve in the future which could have negative impacts on the Company

In addition, the Company is in discussions with certain municipalities under certain agreements. Some litigation with customers and suppliers may also have adverse impact on the Company. Some risks have been provided based on the best estimation made by the Board of Managers.

#### **9. Justification of the continuity of accountancy rules Art 96 § 6**

Taking account of the increase of the turnover for several years as well as the good prospects for the future, the Board decided to establish the annual accounts ending 31 July 2011 following to the going-concern principle.

We hereby ask you to grant full discharge to the managers as well as the auditors with respect to their mandate during the financial year ended July 31, 2011

Brussels, on 30 September 2011

Pascal Dormal

Wim De Naeyer



## XX. Accounting policies

In accordance with the existing legal provisions, the Board of Directors 2 April 1999 completed and coordinated the following accounting policies that were established during the meetings of the Board of 20 April 1978, 2 April 1979, 26 February 1985, 21 April 1986, 31 March 1988, 29 March 1991, 26 March 1993, 17 March 1995 and 17 October 1997:

### *Formation expenses (sec. I)*

Costs related to a capital increase are expensed in the period in which they are incurred.

### *Tangible fixed assets (sec. III)*

Tangible fixed assets are recognised as assets at their acquisition cost or at actual cost or contribution value.

1) As from 1993 till 1996, depreciations were based on the straight-line method.

A) For the division "Technicobel"

- Intangible fixed assets are amortised on a straight-line basis at a rate of 20%.
- Equipment and office furniture are depreciated on a straight-line basis at a rate of 10%, except for office machines that are depreciated at 20%

B) For the headquarter "Agglomération Bruxelloise"

Straight-line depreciation method is applied taking into account the own characteristics of television distribution business that operates under authorizations that are limited in time.

Exceptions to this general rule:

- Optical fiber network: straight-line depreciation at a rate of 5%
- Any monitoring equipment: straight-line depreciation at 5%, except for opto-electronic equipment: straight-line basis at 1/7<sup>th</sup>
- Vehicles of management: straight-line basis at 20%
- Buildings: depreciation on a double-declining balance method at a rate of  $3\% \times 2 = 6\%$
- Material, laboratory equipment, computers, office machines: depreciation on a double-declining balance method at a rate of  $20\% \times 2 = 40\%$

2) As from 1997 (for all sites)

Depreciation is applied as follows:

<b>Fixed asset category</b>	<b>Method</b>	<b>Rate 1997</b>	<b>Rate 1998=&gt;2005</b>	<b>Rate 2006</b>
BUILDINGS (ADM. or OPERATING) . . . . .	double-declining balance	$3\% \times 2 = 6\%$	$3\% \times 2 = 6\%$	$3\% \times 2 = 6\%$
NETWORK HEAD EQUIPMENT				
• Land development . . . . .	• double-declining balance	$3\% \times 2 = 6\%$	$3\% \times 2 = 6\%$	$3\% \times 2 = 6\%$
• Masts and pylons . . . . .	• straight-line	5%	5%	5%
• Antennas, electric network equipment, radio beam, satellite stations . . . . .	• straight-line	10%	10%	10%
DISTRIBUTION NETWORK				
Cables . . . . .	• straight-line	5%	10%	10%
Electronic equipments . . . . .	• straight-line	10%	10%	10%
Connections . . . . .	• straight-line	10%	10%	10%
Right of way . . . . .	• straight-line	5%	5%	5%
Research costs . . . . .	• straight-line	5%	5%	5%
Customer management software . . . . .	• straight-line		10%	20%
MONITORING EQUIPMENT				
Opto-electronic equipment . . . . .	• straight-line	16.67%	16.67%	16.67%
Other . . . . .	• straight-line	5%	5%	5%
HIGH SPEED DATA (since 2000)				
Modem cables . . . . .	• straight-line		20%	33.33%

<b>Fixed asset category</b>	<b>Method</b>	<b>Rate 1997</b>	<b>Rate 1998=&gt;2005</b>	<b>Rate 2006</b>
Connections . . . . .	• straight-line		33.33%	33.33%
PHONES				
EMTA modem cables . . . . .	• straight-line			33.33%
Connections . . . . .	• straight-line			33.33%
VOIP migration . . . . .	• straight-line			33.33%
Digital receivers . . . . .	• straight-line			33.33%
OPTICAL FIBERS				
FO cables, pending tubes & linked benefits . . . . .	• straight-line	5%	10%	10%
Electronics . . . . .	• straight-line	10%	10%	10%
INVESTMENT AND LAB EQUIPMENT . . . . .	• straight-line	20%	20%	20%
VERTEX (DRAWING) . . . . .	double-declining balance	20% × 2 = 40%	20% × 2 = 40%	20% × 2 = 40%
OFFICE FURNITURE AND EQUIPMENT (furniture, phone, fax, micro-computer hardware, miscellaneous software, office machinery, advertising) . . . . .	• straight-line	20%	20%	20%
VEHICLES & ACCESSORIES				
• Utility vehicles . . . . .	• double-declining balance	20% × 2 = 40%	20% × 2 = 40%	20% × 2 = 40%
• Other vehicles . . . . .	• straight-line	20%	20%	20%
ACCOMODATIONS . . . . .	• straight-line	20%	20%	11.11%

Historically, fixed production was allocated to the following segments: main lines, distribution lines, Internet connections, DTV connections and customer management software; and followed the depreciation rules of these segments.

In 2007, the company reclassified the produced fixed assets under “Intangible fixed assets” amortised on a straight-line basis over 3 years.

The impact of this decision was an increase of EUR 1,125,400.31 in depreciations for the year 2007.

*Financial fixed assets (sec. IV)*

1) Equity investments and other portfolio investments

At recognition, investments and shares are recognised as assets at their acquisition cost, contribution cost or subscription price, excluding ancillary costs and considering any amounts still to be released. These amounts are adjusted following the recommendations of the “Commission des Normes Comptables” (Accounting Standards Commission) regarding the recognition of subscription rights.

At the end of each reporting period, an individual measurement of each security is made to reflect as much as possible the situation, the profitability or the prospects of the related company.

For quoted securities, stock price will be retained if it is sufficiently representative.

For other securities, a valuation method is chosen, taking into account the nature and characteristics of the security. This method is based on values generally used for such measurements (net asset, profit, dividend...) or on the weighted average value of several of these valuations, potentially adjusted to reflect the impact of unrealised gains or losses.

The as such retained valuation method is applied consistently from period to period, unless a change in circumstances prohibits its further use. In this case, if this change has a significant impact, disclosure is made in the notes.

If this valuation reveals a prolonged impairment compared to the carrying amount, the investments will be subject to an impairment loss equal to the prolonged part of the impairment.

A reversal of impairment loss is made if a sustainable gain is observed on investments previously impaired.

The company’s policy prohibits revaluation in excess of the acquisition cost, contribution cost or subscription price, notwithstanding the gains resulting from the valuation of certain investments.

2) Receivables

Receivables are recorded at their nominal amount.

If they are denominated in foreign currencies, receivables are recorded at their exchange value in EUROS at acquisition. At year end, they are measured based on closing rate of the period.

The principles for (reversals of) impairments are similar to those of investments and shares.

*Receivables for more than a year and receivables for one year at most (sec. V and VII)*

Receivables are recorded at their nominal amount.

An impairment loss is recognised if the estimate, at the balance sheet date, of the redemption value is below carrying amount.

*Inventories and contracts in progress (sec. VI)*

1) Inventories

Inventories are measured at the lower of the weighted average cost or net realisable value.

2) Contracts in progress

These orders are measured at actual cost.

*Current investments (sec. VIII)*

Investment securities are recognised as assets at their acquisition cost or subscription price, excluding ancillary costs.

At the balance sheet date, they are measured at their last stock price and subject to impairment if the estimated value is below carrying amount.

The principle in the section on “Financial assets” applies for the recognition of subscription rights.

Other financial investments are subject to impairment if the realisable amount at the balance sheet date is below carrying amount.

A reversal of impairment losses is recognised to the extent of its initial value if the realizable value exceeds the carrying amount.

*Cash at bank and in hand (sec. IX)*

Cash denominated in foreign currencies is adjusted to the closing rate of the period and differences are recognised in the income statement.

*Amounts payable within one year and more than a year (sec. VIII and IX)*

These debts are recognised at their nominal value.

*Transitory accounts (sec. X assets and liabilities)*

1) Deferred income (sec. X liabilities)

Subscribers pay in advance yearly, semi-annually or quarterly. As there might be overlapping subscriptions over successive periods, the part of deferred income will be proportional to the number of months of the following period.

2) Deferred charges (sec. X assets)

Municipal payments are calculated on the basis of 4% of revenue. Hence, “deferred charges” will be equal to 4% of “deferred income”.

*Rights and commitments*

Off-balance sheet rights and commitments are mentioned by category in the notes, for their nominal amount in the contract or, if not available, for an estimated value; rights and commitments that might not be quantified are also disclosed in the notes.

Rights and commitments denominated in foreign currencies are recognised at the closing rate of the day and readjusted at the closing rate of the period at each balance sheet date.

**ANNUAL ACCOUNTS IN EUROS (2 decimals)**

Name: Coditel Brabant

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Legal form: Private company with limited liability

Address: Rue des Deux Eglises Nr: 26 Box: \_\_\_\_\_

Postal code: 1000 Municipality: Brussels

Country: Belgium

Register of legal persons—commercial court: \_\_\_\_\_ Brussels

Website\*: HTTP://WWW.NUMERICABLE.BE

Company number BE 0403.107.452

DATE 22/12/2011 of deposit of the memorandum of association OR of the most recent document mentioning the date of publication of the memorandum of association and of the act amending the articles of association.

ANNUAL ACCOUNTS approved by the general meeting of \_\_\_\_\_ 02/11/2011  
regarding the period from \_\_\_\_\_ 01/01/2011 to 31/07/2011  
Preceding period from \_\_\_\_\_ 01/01/2010 to 31/12/2010

The amounts for the preceding period are / XXXXX\*\* identical to the ones previously published.

COMPLETE LIST with name, surnames, profession, address (street, number, postal code and municipality) and position within the company, of the DIRECTORS, BUSINESS MANAGERS AND AUDITORS

<i>PASCAL DORMAL</i>	<i>RINGLAAN 69, 3080 Tervuren, Belgium</i>	<i>Manager</i> <i>20/10/2006 -</i>
<i>WIM DE NAEYER</i>	<i>JB DE KEYSERSTRAAT 87, 1970</i> <i>Wezembeek-Oppem, Belgium</i>	<i>Manager</i> <i>14/10/2008 -</i>
<i>DELOITTE</i> <i>BEDRIJFSREVISOREN BV</i> <i>Nr.: BE 0429.053.863</i> <i>Membership nr.: B00025</i>	<i>BERKENLAAN 8/B, 1831 Diegem,</i> <i>Belgium</i>	<i>Auditor</i> <i>01/07/2010 - 30/06/2013</i>

Represented by:

*WILLIAM BLOMME*  
*Membership nr.: 01167*

Are attached to these annual accounts:

Total number of pages deposited: 33 Numbers of sections of the standard form not deposited because they serve no useful purpose: 5.1, 5.2.3, 5.2.4, 5.3.4, 5.3.6, 5.4.2, 5.5.2, 5.13, 5.16, 5.17.2, 7, 8, 9

*Signature*  
*(name and position)*

*Signature*  
*(name and position)*

\* Optional information.

\*\* Strike out what is not applicable.

## DECLARATION REGARDING A COMPLIMENTARY REVIEW OR CORRECTION ASSIGNMENT

The managing board declares that no audit or correction assignment has been given to a person who was not authorised to do so by law, pursuant to art. 34 and 37 of the law of 22th April 1999 concerning accounting and tax professions.

The annual accounts **XXX** / **were not**\* audited or corrected by an external accountant or by a company auditor who is not the statutory auditor.

If affirmative, mention hereafter: name, surnames, profession, address of each external accountant or company auditor and his membership number with his Institute as well as the nature of his assignment:

- A. Bookkeeping of the enterprise\*\*,
- B. Preparing the annual accounts\*\*,
- C. Auditing the annual accounts and/or
- D. Correcting the annual accounts.

If the tasks mentioned under A. or B. are executed by certified accountants or certified bookkeepers—tax specialists, you can mention hereafter: name, surnames, profession, address of each certified accountant or certified bookkeeper—tax specialist and the nature of his assignment.

<u>Name, surnames, profession and address</u>	<u>Number</u>	<u>Nature of the assignment (A, B, C and/or D)</u>
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\* Strike out what is not applicable.

\*\* Optional information.

## BALANCE SHEET AFTER APPROPRIATION

	Discl.	Codes	Period	Preceding period
<b>ASSETS</b>				
<b>FIXED ASSETS</b> . . . . .		20/28	127.474.904,90	168.538.556,33
<b>Formation expenses</b> . . . . .	5.1	20		
<b>Intangible fixed assets</b> . . . . .	5.2	21	1.486.273,54	1.479.500,39
<b>Tangible fixed assets</b> . . . . .	5.3	22/27	19.076.545,96	19.776.826,54
Land and buildings . . . . .		22	211.573,27	217.040,34
Plant, machinery and equipment . . . . .		23	13.661.524,23	13.894.246,02
Furniture and vehicles . . . . .		24	136.636,46	159.908,11
Leasing and similar rights . . . . .		25		
Other tangible fixed assets . . . . .		26	5.066.812,00	5.505.632,07
Assets under construction and advance payments . . . . .		27		
<b>Financial fixed assets</b> . . . . .	5.4/5.5.1	28	106.912.085,40	147.282.229,40
Affiliated enterprises . . . . .	5.14	280/1	106.842.832,00	147.212.976,00
Participating interests . . . . .		280	106.842.832,00	124.761.500,00
Amounts receivable . . . . .		281		22.451.476,00
Other enterprises linked by participating interests . . . . .	5.14	282/3		
Participating interests . . . . .		282		
Amounts receivable . . . . .		283		
Other financial assets . . . . .		284/8	69.253,40	69.253,40
Shares . . . . .		284		
Amounts receivable and cash guarantees . . . . .		285/8	69.253,40	69.253,40
<b>CURRENT ASSETS</b> . . . . .		29/58	13.383.508,54	24.747.737,62
<b>Amounts receivable after more than one year</b> . . . . .		29		
Trade debtors . . . . .		290		
Other amounts receivable . . . . .		291		
<b>Stocks and contracts in progress</b> . . . . .		3	436.740,11	206.795,59
Stocks . . . . .		30/36	426.773,74	168.650,25
Raw materials and consumables . . . . .		30/31	426.773,74	168.650,25
Work in progress . . . . .		32		
Finished goods . . . . .		33		
Goods purchased for resale . . . . .		34		
Immovable property intended for sale . . . . .		35		
Advance payments . . . . .		36		
Contracts in progress . . . . .		37	9.966,37	38.145,34
<b>Amounts receivable within one year</b> . . . . .		40/41	9.862.509,36	22.342.958,69
Trade debtors . . . . .		40	9.715.981,48	9.093.584,11
Other amounts receivable . . . . .		41	146.527,88	13.249.374,58
<b>Current investments</b> . . . . .	5.5.1/5.6	50/53	2.044.735,08	971.471,02
Own shares . . . . .		50		
Other investments . . . . .		51/53	2.044.735,08	971.471,02
<b>Cash at bank and in hand</b> . . . . .		54/58	797.914,74	1.121.015,40
<b>Deferred charges and accrued income</b> . . . . .	5.6	490/1	241.609,25	105.496,92
<b>TOTAL ASSETS</b> . . . . .		20/58	<u>140.858.413,44</u>	<u>193.286.293,95</u>

**BALANCE SHEET AFTER APPROPRIATION (Continued)**

	Discl.	Codes	Period	Preceding period
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY (+)/(-)</b> . . . . .		10/15	689.620,65	26.889.230,44
<b>Capital</b> . . . . .	5.7	10	4.445.009,77	600.000,00
Issued capital . . . . .		100	4.445.009,77	600.000,00
Uncalled capital . . . . .		101		
<b>Share premium account</b> . . . . .		11		
<b>Revaluation surpluses</b> . . . . .		12		
<b>Reserves</b> . . . . .		13	193.197,29	5.431.635,11
Legal reserve . . . . .		130	2.382,37	60.000,00
Reserves not available . . . . .		131	3.764,92	94.819,27
In respect of own shares held . . . . .		1310		
Other . . . . .		1311	3.764,92	94.819,27
Untaxed reserves . . . . .		132		565.967,42
Available reserves . . . . .		133	187.050,00	4.710.848,42
<b>Accumulated profits (losses) (+)/(-)</b> . . . . .		14	- 3.948.586,41	20.857.595,33
<b>Investment grants</b> . . . . .		15		
<b>Advance to associates on the sharing out of the assets</b> . . . . .		19		
<b>PROVISIONS AND DEFERRED TAXES</b> . . . . .		16	1.734.184,63	2.113.408,85
<b>Provisions for liabilities and charges</b> . . . . .		160/5	1.700.161,40	1.822.502,31
Pensions and similar obligations . . . . .		160	939.071,80	1.061.412,71
Taxation . . . . .		161		
Major repairs and maintenance . . . . .		162		
Other liabilities and charges . . . . .	5.8	163/5	761.089,60	761.089,60
<b>Deferred taxes</b> . . . . .		168	34.023,23	290.906,54
<b>AMOUNTS PAYABLE</b> . . . . .		17/49	138.434.608,16	164.283.654,66
<b>Amounts payable after more than one year</b> . . . . .	5.9	17	106.842.800,00	110.915.766,83
Financial debts . . . . .		170/4	106.842.800,00	110.915.766,83
Subordinated loans . . . . .		170		
Unsubordinated debentures . . . . .		171		
Leasing and other similar obligations . . . . .		172		
Credit institutions . . . . .		173		100.030.717,13
Other loans . . . . .		174	106.842.800,00	10.885.049,70
Trade debts . . . . .		175		
Suppliers . . . . .		1750		
Bills of exchange payable . . . . .		1751		
Advances received on contracts in progress . . . . .		176		
Other amounts payable . . . . .		178/9		
<b>Amounts payable within one year</b> . . . . .		42/48	25.208.257,35	46.267.276,90
Current portion of amounts payable after more than one year falling due within one year . . . . .	5.9	42		
Financial debts . . . . .		43	1.246.055,62	16.595.723,84
Credit institutions . . . . .		430/8	31,14	12.063.535,00
Other loans . . . . .		439	1.246.024,48	4.532.188,84
Trade debts . . . . .		44	20.663.320,90	15.603.257,50
Suppliers . . . . .		440/4	20.663.320,90	15.603.257,50
Bills of exchange payable . . . . .		441		
Advances received on contracts in progress . . . . .		46	3.600,00	3.600,00
Taxes, remuneration and social security . . . . .	5.9	45	1.320.786,46	1.901.157,44
Taxes . . . . .		450/3	850.521,30	1.259.210,55
Remuneration and social security . . . . .		454/9	470.265,16	641.946,89
Other amounts payable . . . . .		47/48	1.974.494,37	12.163.538,12
<b>Accruals and deferred income</b> . . . . .	5.9	492/3	6.383.550,81	7.100.610,93
<b>TOTAL LIABILITIES</b> . . . . .		10/49	<u>140.858.413,44</u>	<u>193.286.293,95</u>

## INCOME STATEMENT

	Discl.	Codes	Period	Preceding period
<b>Operating income</b> . . . . .		70/74	28.809.379,45	48.530.903,66
Turnover . . . . .	5.10	70	27.628.412,23	46.413.724,34
Stocks of finished goods and work and contracts in progress: increase (decrease) (+)/(-) . . . . .		71		
Own work capitalised . . . . .		72	583.331,00	999.996,00
Other operating income . . . . .	5.10	74	597.636,22	1.117.183,32
<b>Operating charges (+)/(-)</b> . . . . .		60/64	17.744.690,11	33.418.185,37
Raw materials, consumables . . . . .		60	2.405,67	34.801,12
Purchases . . . . .		600/8	232.350,19	78.055,61
Stocks: decrease (increase) (+)/(-) . . . . .		609	- 229.944,52	- 43.254,49
Services and other goods . . . . .		61	10.448.655,08	18.890.821,76
Remuneration, social security costs and pensions (+)/(-) . . . . .	5.10	62	2.406.752,06	4.061.554,79
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets . . . . .		630	4.714.376,82	9.225.602,63
Amounts written off stocks, contracts in progress and trade debtors: Appropriations (write- backs) (+)/(-) . . . . .		631/4	- 126.086,47	330.761,68
Provisions for liabilities and charges: Appropriations (uses and write-backs) (+)/(-) .	5.10	635/7	- 122.340,91	- 267.358,90
Other operating charges . . . . .	5.10	640/8	420.927,86	1.142.002,29
Operating charges carried to assets as restructuring costs(-) . . . . .		649		
<b>Operating profit (loss) (+)/(-)</b> . . . . .		9901	11.064.689,34	15.112.718,29
<b>Financial income</b> . . . . .		75	621.629,52	1.138.712,04
Income from financial fixed assets . . . . .		750	592.382,49	1.115.546,19
Income from current assets . . . . .		751	29.195,96	23.147,77
Other financial income . . . . .	5.11	752/9	51,07	18,08
<b>Financial charges (+)/(-)</b> . . . . .	5.11	65	11.525.086,73	8.247.133,62
Debt charges . . . . .		650	4.430.169,57	6.009.002,41
Amounts written off current assets except stocks, contracts in progress and trade debtors: appropriations (write-backs) (+)/(-) . . . . .		651		
Other financial charges (+)/(-) . . . . .		652/9	7.094.917,16	2.238.131,21
<b>Gain (loss) on ordinary activities before   taxes (+)/(-)</b> . . . . .		9902	<u>161.232,13</u>	<u>8.004.296,71</u>



**INCOME STATEMENT (Continued)**

	Discl.	Codes	Period	Preceding period
<b>Extraordinary income</b> . . . . .		76		9.730.870,14
Write-back of depreciation and of amounts written off intangible and tangible fixed assets . . . . .		760		380,77
Write-back of amounts written down financial fixed assets . . . . .		761		
Write-back of provisions for extraordinary liabilities and charges . . . . .		762		
Capital gains on disposal of fixed assets . . . . .		763		
Other extraordinary income . . . . .	5.11	764/9		9.730.489,37
<b>Extraordinary charges (+)/(-)</b> . . . . .		66	763.080,91	
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets . . . . .		660		
Amounts written off financial fixed assets . . . . .		661		
Provisions for extraordinary liabilities and charges:				
appropriations (uses) (+)/(-) . . . . .		662		
Capital losses on disposal of fixed assets . . . . .		663		
Other extraordinary charges . . . . .	5.11	664/8	763.080,91	
Extraordinary charges carried to assets as restructuring costs (-) . . . . .		669		
<b>Gain (loss) for the period before taxes (+)/(-)</b> . . . . .		9903	- 601.848,78	17.735.166,85
<b>Transfer from deferred taxes</b> . . . . .		780		94.008,00
<b>Transfer to deferred taxes</b> . . . . .		680		
<b>Income taxes (+)/(-)</b> . . . . .	5.12	67/77	- 34.585,68	2.902.901,80
Income taxes . . . . .		670/3		2.902.901,80
Adjustment of income taxes and write-back of tax provisions . . . . .		77	34.585,68	
<b>Gain (loss) of the period (+)/(-)</b> . . . . .		9904	- 567.263,10	14.926.273,05
<b>Transfer from untaxed reserves</b> . . . . .		789		182.485,00
<b>Transfer to untaxed reserves</b> . . . . .		689		
<b>Gain (loss) of the period available for     appropriation (+)/(-)</b> . . . . .		9905	- 567.263,10	15.108.758,05

## APPROPRIATION ACCOUNT

	Codes	Period	Preceding period
<b>Profit (loss) to be appropriated (+)/(-)</b> . . . . .	9906	20.290.332,23	20.857.595,33
Gain (loss) of the period available for appropriation (+)/(-) . . . . .	(9905)	- 567.263,10	15.108.758,05
Profit (loss) brought forward (+)/(-) . . . . .	14P	20.857.595,33	5.748.837,28
<b>Withdrawals from capital and reserves</b> . . . . .	791/2		
from capital and share premium account . . . . .	791		
from reserves . . . . .	792		
<b>Transfer to capital and reserves</b> . . . . .	691/2		
to capital and share premium account . . . . .	691		
to legal reserve . . . . .	6920		
to other reserves . . . . .	6921		
<b>Profit (loss) to be carried forward (+)/(-)</b> . . . . .	(14)	- 3.948.586,41	20.857.595,33
<b>Owners' contribution in respect of losses</b> . . . . .	794		
<b>Profit to be distributed</b> . . . . .	694/6		
Dividends . . . . .	694		
Directors' or managers' entitlements . . . . .	695		
Other beneficiaries . . . . .	696		

**STATEMENT OF INTANGIBLE FIXED ASSETS**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>RESEARCH AND DEVELOPMENT COSTS</b>			
<b>Acquisition value at the end of the period</b> . . . . .	8051P	xxxxxxxxxxxxxxxx	7.752.192,02
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8021	583.331,00	
Sales and disposals . . . . .	8031		
Transfers from one heading to another (+)/(-) . . . . .	8041		
<b>Acquisition value at the end of the period</b> . . . . .	8051	8.335.523,02	
<b>Depreciations and amounts written down at the end of the period</b> . . . . .			
	8121P	xxxxxxxxxxxxxxxx	6.272.691,63
<b>Movements during the period</b>			
Recorded . . . . .	8071	576.557,85	
Written back . . . . .	8081		
Acquisitions from third parties . . . . .	8091		
Cancelled owing to sales and disposals . . . . .	8101		
Transferred from one heading to another (+)/(-) . . . . .	8111		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8121	<u>6.849.249,48</u>	
<b>NET BOOK VALUE AT THE END OF THE PERIOD</b> . . . . .	210	<u><u>1.486.273,54</u></u>	

**STATEMENT OF INTANGIBLE FIXED ASSETS (Continued)**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>CONCESSIONS, PATENTS, LICENCES, KNOW-HOW, BRANDS AND SIMILAR RIGHTS</b>			
<b>Acquisition value at the end of the period . . . . .</b>	8052P	xxxxxxxxxxxxxxxx	8.807,60
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8022		
Sales and disposals . . . . .	8032		
Transfers from one heading to another (+)/(-) . . . . .	8042		
<b>Acquisition value at the end of the period . . . . .</b>	8052	8.807,60	
<b>Depreciations and amounts written down at the end of the period . . . . .</b>			
	8122P	xxxxxxxxxxxxxxxx	8.807,60
<b>Movements during the period</b>			
Recorded . . . . .	8072		
Written back . . . . .	8082		
Acquisitions from third parties . . . . .	8092		
Cancelled owing to sales and disposals . . . . .	8102		
Transferred from one heading to another (+)/(-) . . . . .	8112		
<b>Depreciations and amounts written down at the end of the period . . . . .</b>	8122	8.807,60	
<b>NET BOOK VALUE AT THE END OF THE PERIOD . . . . .</b>	211	<u><u>                    </u></u>	

## STATEMENT OF TANGIBLE FIXED ASSETS

	Codes	Period	Preceding period
<b>LAND AND BUILDINGS</b>			
<b>Acquisition value at the end of the period</b> . . . . .	8191P	xxxxxxxxxxxxxxxx	663.348,28
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8161		
Sales and disposals . . . . .	8171		
Transfers from one heading to another (+)/(-) . . . . .	8181		
<b>Acquisition value at the end of the period</b> . . . . .	8191	663.348,28	
<b>Revaluation surpluses at the end of the period</b> . . . . .	8251P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8211		
Acquisitions from third parties . . . . .	8221		
Cancelled . . . . .	8231		
Transferred from one heading to another (+)/(-) . . . . .	8241		
<b>Revaluation surpluses at the end of the period</b> . . . . .	8251		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8321P	xxxxxxxxxxxxxxxx	446.307,94
<b>Movements during the period</b>			
Recorded . . . . .	8271	5.467,07	
Written back . . . . .	8281		
Acquisitions from third parties . . . . .	8291		
Cancelled owing to sales and disposals . . . . .	8301		
Transferred from one heading to another (+)/(-) . . . . .	8311		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8321	451.775,01	
<b>NET BOOK VALUE AT THE END OF THE PERIOD</b> . . .	(22)	211.573,27	

**STATEMENT OF TANGIBLE FIXED ASSETS (Continued)**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>PLANT, MACHINERY AND EQUIPMENT</b>			
<b>Acquisition value at the end of the period . . . . .</b>	8192P	xxxxxxxxxxxxxxxx	141.009.985,91
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8162	1.933.129,11	
Sales and disposals . . . . .	8172	9.000,00	
Transfers from one heading to another (+)/(-) . . . . .	8182		
<b>Acquisition value at the end of the period . . . . .</b>	8192	142.934.115,02	
<b>Revaluation surpluses at the end of the period . . . . .</b>	8252P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8212		
Acquisitions from third parties . . . . .	8222		
Cancelled . . . . .	8232		
Transferred from one heading to another (+)/(-) . . . . .	8242		
<b>Revaluation surpluses at the end of the period . . . . .</b>	8252		
<b>Depreciations and amounts written down at the end of the period . . . . .</b>	8322P	xxxxxxxxxxxxxxxx	127.115.739,89
<b>Movements during the period</b>			
Recorded . . . . .	8272	2.165.850,90	
Written back . . . . .	8282		
Acquisitions from third parties . . . . .	8292		
Cancelled owing to sales and disposals . . . . .	8302	9.000,00	
Transferred from one heading to another (+)/(-) . . . . .	8312		
<b>Depreciations and amounts written down at the end of the period . . . . .</b>	8322	129.272.590,79	
<b>NET BOOK VALUE AT THE END OF THE PERIOD . . . . .</b>	(23)	<u>13.661.524,23</u>	

**STATEMENT OF TANGIBLE FIXED ASSETS (Continued)**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>FURNITURE AND VEHICLES</b>			
<b>Acquisition value at the end of the period</b> . . . . .	8193P	xxxxxxxxxxxxxxxx	1.381.083,03
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8163	6.888,55	
Sales and disposals . . . . .	8173		
Transfers from one heading to another (+)/(-) . . . . .	8183		
<b>Acquisition value at the end of the period</b> . . . . .	8193	1.387.971,58	
<b>Revaluation surpluses at the end of the period</b> . . . . .	8253P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8213		
Acquisitions from third parties . . . . .	8223		
Cancelled . . . . .	8233		
Transferred from one heading to another (+)/(-) . . . . .	8243		
<b>Revaluation surpluses at the end of the period</b> . . . . .	8253		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8323P	xxxxxxxxxxxxxxxx	1.221.174,92
<b>Movements during the period</b>			
Recorded . . . . .	8273	30.160,20	
Written back . . . . .	8283		
Acquisitions from third parties . . . . .	8293		
Cancelled owing to sales and disposals . . . . .	8303		
Transferred from one heading to another (+)/(-) . . . . .	8313		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8323	1.251.335,12	
<b>NET BOOK VALUE AT THE END OF THE PERIOD</b> . . . . .	(24)	<u>136.636,46</u>	

**STATEMENT OF TANGIBLE FIXED ASSETS (Continued)**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>OTHER TANGIBLE FIXED ASSETS</b>			
<b>Acquisition value at the end of the period</b> . . . . .	8195P	xxxxxxxxxxxxxxxx	21.244.243,96
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets . . . . .	8165	1.501.211,05	
Sales and disposals . . . . .	8175	40.280,00	
Transfers from one heading to another (+)/(-) . . . . .	8185		
<b>Acquisition value at the end of the period</b> . . . . .	8195	22.705.175,01	
<b>Revaluation surpluses at the end of the period</b> . . . . .	8255P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8215		
Acquisitions from third parties . . . . .	8225		
Cancelled . . . . .	8235		
Transferred from one heading to another (+)/(-) . . . . .	8245		
<b>Revaluation surpluses at the end of the period</b> . . . . .	8255		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8325P	xxxxxxxxxxxxxxxx	15.738.611,89
<b>Movements during the period</b>			
Recorded . . . . .	8275	1.936.340,80	
Written back . . . . .	8285		
Acquisitions from third parties . . . . .	8295		
Cancelled owing to sales and disposals . . . . .	8305	36.589,68	
Transferred from one heading to another (+)/(-) . . . . .	8315		
<b>Depreciations and amounts written down at the end of the period</b> . . . . .	8325	<u>17.638.363,01</u>	
<b>NET BOOK VALUE AT THE END OF THE PERIOD</b> . . . . .	(26)	<u>5.066.812,00</u>	



**STATEMENT OF FINANCIAL FIXED ASSETS**

	Codes	Period	Preceding period
<b>AFFILIATED ENTERPRISES—PARTICIPATING INTERESTS AND SHARES</b>			
<b>Acquisition value at the end of the period . . . . .</b>	8391P	xxxxxxxxxxxxxxxx	124.761.500,00
<b>Movements during the period</b>			
Acquisitions . . . . .	8361	106.842.832,00	
Sales and disposals . . . . .	8371		
Transfers from one heading to another (+)/(-) . . .	8381	- 124.761.500,00	
<b>Acquisition value at the end of the period . . . . .</b>	8391	106.842.832,00	
<b>Revaluation surpluses at the end of the period . . .</b>	8451P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8411		
Acquisitions from third parties . . . . .	8421		
Cancelled . . . . .	8431		
Transferred from one heading to another (+)/(-) . .	8441		
<b>Revaluation surpluses at the end of the period . . .</b>	8451		
<b>Amounts written down at the end of the period . . .</b>	8521P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8471		
Written back . . . . .	8481		
Acquisitions from third parties . . . . .	8491		
Cancelled owing to sales and disposals . . . . .	8501		
Transferred from one heading to another (+)/(-) . .	8511		
<b>Amounts written down at the end of the period . . .</b>	8521		
<b>Uncalled amounts at the end of the period . . . . .</b>	8551P	xxxxxxxxxxxxxxxx	
<b>Movements during the period (+)/(-) . . . . .</b>	8541		
<b>Uncalled amounts at the end of the period . . . . .</b>	8551		
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	(280)	106.842.832,00	
<b>AFFILIATED ENTERPRISES—AMOUNTS RECEIVABLE</b>			
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	281P	xxxxxxxxxxxxxxxx	22.451.476,00
<b>Movements during the period</b>			
Additions . . . . .	8581		
Repayments . . . . .	8591		
Amounts written down . . . . .	8601		
Amounts written back . . . . .	8611		
Exchange differences (+)/(-) . . . . .	8621		
Other movements (+)/(-) . . . . .	8631	- 22.451.476,00	
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	(281)		
<b>ACCUMULATED AMOUNTS WRITTEN OFF</b>			
<b>AMOUNTS RECEIVABLE AT END OF THE PERIOD . . . . .</b>	8651		

**STATEMENT OF FINANCIAL FIXED ASSETS (Continued)**

	<u>Codes</u>	<u>Period</u>	<u>Preceding period</u>
<b>OTHER ENTERPRISES—PARTICIPATING INTERESTS AND SHARES</b>			
<b>Acquisition value at the end of the period . . . . .</b>	8393P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Acquisitions . . . . .	8363		
Sales and disposals . . . . .	8373		
Transfers from one heading to another (+)/(-) . . .	8383		
<b>Acquisition value at the end of the period . . . . .</b>	8393		
<b>Revaluation surpluses at the end of the period . . .</b>	8453P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8413		
Acquisitions from third parties . . . . .	8423		
Cancelled . . . . .	8433		
Transferred from one heading to another (+)/(-) .	8443		
<b>Revaluation surpluses at the end of the period . . .</b>	8453		
<b>Amounts written down at the end of the period . .</b>	8523P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded . . . . .	8473		
Written back . . . . .	8483		
Acquisitions from third parties . . . . .	8493		
Cancelled owing to sales and disposals . . . . .	8503		
Transferred from one heading to another (+)/(-) .	8513		
<b>Amounts written down at the end of the period . .</b>	8523		
<b>Uncalled amounts at the end of the period . . . . .</b>	8553P	xxxxxxxxxxxxxxxx	
<b>Movements during the period (+)/(-) . . . . .</b>	8543		
<b>Uncalled amounts at the end of the period . . . . .</b>	8553		
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	(284)		
<b>OTHERS ENTERPRISES—AMOUNTS RECEIVABLE</b>			
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	285/8P	xxxxxxxxxxxxxxxx	69.253,40
<b>Movements during the period</b>			
Additions . . . . .	8583		
Repayments . . . . .	8593		
Amounts written down . . . . .	8603		
Amounts written back . . . . .	8613		
Exchange differences (+)/(-) . . . . .	8623		
Other movements (+)/(-) . . . . .	8633		
<b>NET BOOK VALUE AT THE END OF THE PERIOD .</b>	(285/8)	69.253,40	
<b>ACCUMULATED AMOUNTS WRITTEN OFF</b>			
<b>AMOUNTS RECEIVABLE AT END OF THE PERIOD . . . . .</b>	8653		

## PARTICIPATING INTERESTS INFORMATION

### PARTICIPATING INTERESTS AND SHARES

List the enterprises in which the enterprise holds a participating interest, (recorded in the heading 280 and 282 of assets) and the other enterprises in which the enterprise holds rights (recorded in the headings 284 and 51/53 of assets) for an amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for an enterprise governed by Belgian law, the COMPANY IDENTIFICATION NUMBER	Rights held by			Data extracted from the most recent annual accounts			
	directly		subsidiaries	Annual accounts as per	Currency code	Capital and reserve	Net result
	Number	%	%			(+) of (-) (in units)	
CODITEL SARL Foreign company ROUTE D'ARLON 283, 8011 STRASSEN, Luxembourg . . . . .				31/12/2010	EUR	15.069.368,00	-2.718.769,00
REGISTERED SHARES . . . . .	0	100,0	0,0				

**OTHER INVESTMENTS AND DEPOSITS, ALLOCATION DEFERRED CHARGES  
AND ACCRUED INCOME**

	Codes	Period	Preceding period
<b>INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS</b>			
<b>Shares</b> . . . . .	51		
Book value increased with the uncalled amount . . . . .	8681		
Uncalled amount . . . . .	8682		
<b>Fixed income securities</b> . . . . .	52		
Fixed income securities issued by credit institutions . . . . .	8684		
<b>Fixed term accounts with credit institutions</b> . . . . .	53	2.044.735,08	971.471,02
With residual term or notice of withdrawal			
up to one month . . . . .	8686	2.044.735,08	971.471,02
between one month and one year . . . . .	8687		
over one year . . . . .	8688		
<b>Other investments not mentioned above</b> . . . . .	8689		
			<b>Period</b>
<b>DEFERRED CHARGES AND ACCRUED INCOME</b>			
<b>Allocation of heading 490/1 of assets if the amount is significant</b>			
<i>PREPAID EXPENSES</i> . . . . .			241.609,25

## STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

	Codes	Period	Preceding period
<b>STATEMENT OF CAPITAL</b>			
<b>Social capital</b>			
Issued capital at the end of the period . . . . .	100P	xxxxxxxxxxxxxxxx	600.000,00
Issued capital at the end of the period . . . . .	(100)	4.445.009,77	
	Codes	Value	Number of shares
Changes during the period . . . . .		3.845.009,77	367.562
Structure of the capital			
Different categories of shares . . . . .		4.445.009,77	1.367.562
Registered shares . . . . .	8702	xxxxxxxxxxxxxxxx	1.367.562
Shares to bearer and/or dematerialized . . . . .	8703	xxxxxxxxxxxxxxxx	
	Codes	Uncalled amount	Capital called but not paid
<b>Capital not paid</b>			
Uncalled capital . . . . .	(101)		xxxxxxxxxxxxxxxx
Called up capital, unpaid . . . . .	8712	xxxxxxxxxxxxxxxx	
Shareholders having yet to pay up in full . . . . .			
		Codes	Period
<b>Own shares</b>			
Held by the company itself			
Amount of capital held . . . . .		8721	
Corresponding number of shares . . . . .		8722	
Held by the subsidiaries			
Amount of capital held . . . . .		8731	
Corresponding number of shares . . . . .		8732	
<b>Commitments to issue shares</b>			
Owing to the exercise of conversion rights			
Amount of outstanding convertible loans . . . . .		8740	
Amount of capital to be subscribed . . . . .		8741	
Corresponding maximum number of shares to be issued . . . . .		8742	
Owing to the exercise of subscription rights			
Number of outstanding subscription rights . . . . .		8745	
Amount of capital to be subscribed . . . . .		8746	
Corresponding maximum number of shares to be issued . . . . .		8747	
<b>Authorized capital not issued</b> . . . . .		8751	
<b>Shares issued, non representing capital</b>			
Distribution			
Number of shares . . . . .		8761	
Number of voting rights attached thereto . . . . .		8762	
Allocation by shareholder			
Number of shares held by the company itself . . . . .		8771	
Number of shares held by its subsidiaries . . . . .		8781	

### STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AT YEAR-END CLOSING DATE, AS IT APPEARS FROM THE STATEMENTS RECEIVED BY THE ENTERPRISE

*CODITEL HOLDING PLC domiciled 37, rue d'Anvers (Luxembourg) owns Coditel Brabant LLC for 100%. Coditel Brabant LLC holds the same percentage in Coditel LLC domiciled 283, route d'Arlon 8011 Strassen (Luxembourg).*

**PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

	<u>Period</u>
<b>ANALYSIS OF THE HEADING 163/5 OF LIABILITIES IF THE AMOUNT IS SIGNIFICANT</b>	
<i>PROVISION DIGITAL CHANNELS</i> .....	761.090,00

**STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES  
AND DEFERRED INCOME**

	Codes	Period
<b>BREAKDOWN OF AMOUNTS PAYABLE WITH AN ORIGINAL PERIOD TO MATURITY OF MORE THAN ONE YEAR, ACCORDING TO THEIR RESIDUAL TERM</b>		
<b>Current portion of amounts payable after more than one year falling due within one year</b>		
Financial debts . . . . .	8801	
Subordinated loans . . . . .	8811	
Unsubordinated debentures . . . . .	8821	
Leasing and other similar obligations . . . . .	8831	
Credit institutions . . . . .	8841	
Other loans . . . . .	8851	
Trade debts . . . . .	8861	
Suppliers . . . . .	8871	
Bills of exchange payable . . . . .	8881	
Advance payments received on contract in progress . . . . .	8891	
Other amounts payable . . . . .	8901	
<b>Total current portion of amounts payable after more than one year falling due within one year . . . . .</b>	<b>(42)</b>	
<b>Amounts payable with a remaining term of more than one but not more than five years</b>		
Financial debts . . . . .	8802	<i>106.842.800,00</i>
Subordinated loans . . . . .	8812	
Unsubordinated debentures . . . . .	8822	
Leasing and other similar obligations . . . . .	8832	
Credit institutions . . . . .	8842	
Other loans . . . . .	8852	<i>106.842.800,00</i>
Trade debts . . . . .	8862	
Suppliers . . . . .	8872	
Bills of exchange payable . . . . .	8882	
Advance payments received on contracts in progress . . . . .	8892	
Other amounts payable . . . . .	8902	
<b>Total amounts payable with a remaining term of more than one but not more than five years . . . . .</b>	<b>8912</b>	<b><i>106.842.800,00</i></b>
<b>Amounts payable with a remaining term of more than five years</b>		
Financial debts . . . . .	8803	
Subordinated loans . . . . .	8813	
Unsubordinated debentures . . . . .	8823	
Leasing and other similar obligations . . . . .	8833	
Credit institutions . . . . .	8843	
Other loans . . . . .	8853	
Trade debts . . . . .	8863	
Suppliers . . . . .	8873	
Bills of exchange payable . . . . .	8883	
Advance payments received on contracts in progress . . . . .	8893	
Other amounts payable . . . . .	8903	
<b>Total amounts payable with a remaining term of more than five years . . . . .</b>	<b>8913</b>	

**STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES  
AND DEFERRED INCOME (Continued)**

	Codes	Period
<b>GUARANTEED AMOUNTS PAYABLE</b> <i>(included in headings 17 and 42/48 of the liabilities)</i>		
<b>Amounts payable guaranteed by Belgian public authorities</b>		
Financial debts . . . . .	8921	
Subordinated loans . . . . .	8931	
Unsubordinated debentures . . . . .	8941	
Leasing and similar obligations . . . . .	8951	
Credit institutions . . . . .	8961	
Other loans . . . . .	8971	
Trade debts . . . . .	8981	
Suppliers . . . . .	8991	
Bills of exchange payable . . . . .	9001	
Advance payments received on contracts in progress . . . . .	9011	
Remuneration and social security . . . . .	9021	
Other amounts payable . . . . .	9051	
<b>Total amounts payable guaranteed by Belgian public authorities</b> . . . . .	<b>9061</b>	
<b>Amounts payable guaranteed by real securities or irrevocably promised by the enterprise on its own assets</b>		
Financial debts . . . . .	8922	
Subordinated loans . . . . .	8932	
Unsubordinated debentures . . . . .	8942	
Leasing and similar obligations . . . . .	8952	
Credit institutions . . . . .	8962	
Other loans . . . . .	8972	
Trade debts . . . . .	8982	
Suppliers . . . . .	8992	
Bills of exchange payable . . . . .	9002	
Advance payments received on contracts in progress . . . . .	9012	
Taxes, remuneration and social security . . . . .	9022	
Taxes . . . . .	9032	
Remuneration and social security . . . . .	9042	
Other amounts payable . . . . .	9052	
<b>Total amounts payable guaranteed by real securities or irrevocably promised by the enterprise on its own assets</b> . . . . .	<b>9062</b>	
 <b>TAXES, REMUNERATION AND SOCIAL SECURITY</b>		
<b>Taxes</b> <i>(heading 450/3 of the liabilities)</i>		
Outstanding tax debts . . . . .	9072	
Accruing taxes payable . . . . .	9073	850.521,30
Estimated taxes payable . . . . .	450	
<b>Remuneration and social security</b> <i>(heading 454/9 of the liabilities)</i>		
Amounts due to the National Social Security Office . . . . .	9076	
Other amounts payable in respect of remuneration and social security . .	9077	470.265,16
		<b>Period</b>
 <b>ACCRUALS AND DEFERRED INCOME</b>		
<b>Allocation of heading 492/3 of liabilities if the amount is significant</b>		
<i>DEFERRED PROCABLE INCOME</i> . . . . .		5.599.012,96
<i>DEFERRED RENTAL AND OPTICAL FIBER INCOME</i> . . . . .		508.109,22
<i>INSURANCES AND ROYALTIES PAYABLE</i> . . . . .		276.428,63



## OPERATING RESULTS

	Codes	Period	Preceding period
<b>OPERATING INCOME</b>			
<b>Net turnover</b> . . . . .			
Allocation by categories of activity . . . . .			
Allocation into geographical markets . . . . .			
<b>Other operating income</b>			
Operating subsidies and compensatory amounts received from public authorities . . . . .	740		
<b>OPERATING CHARGES</b>			
<b>Employees for whom the enterprise submitted a DIMONA declaration or who are recorded in the general personnel register</b>			
Total number at the closing date . . . . .	9086	66	64
Average number of employees calculated in full-time equivalents . . . . .	9087	63,9	63,2
Number of actual worked hours . . . . .	9088	65.924	109.207
<b>Personnel costs</b>			
Remuneration and direct social benefits . . . . .	620	1.785.279,98	3.027.541,07
Employers' contribution for social security . . . . .	621	478.776,10	806.260,84
Employers' premiums for extra statutory insurance . . . . .	622	38.950,68	53.755,93
Other personnel costs (+)/(-) . . . . .	623	103.745,30	173.655,25
Retirement and survivors' pensions . . . . .	624		341,70
<b>Provisions for pensions and other similar rights</b>			
Appropriations (uses and write-backs) (+)/(-) . . . . .	635	- 122.340,91	- 230.358,90
<b>Amounts written off</b>			
Stocks and contracts in progress			
Recorded . . . . .	9110		
Written back . . . . .	9111		
Trade debts			
Recorded . . . . .	9112	201.276,00	702.405,23
Written back . . . . .	9113	327.362,47	371.643,55
<b>Provisions for liabilities and charges</b>			
Additions . . . . .	9115		
Uses and write-backs . . . . .	9116	122.340,91	267.358,90
<b>Other operating charges</b>			
Taxes related to operation . . . . .	640	28.579,98	44.164,90
Other costs . . . . .	641/8	392.347,88	1.097.837,39
<b>Hired temporary staff and personnel placed at the enterprise's disposal</b>			
Total number at the closing date . . . . .	9096		
Average number calculated in full-time equivalents . . . . .	9097		1,0
Number of actual worked hours . . . . .	9098		88
Costs to the enterprise . . . . .	617		1.899,00

## FINANCIAL AND EXTRAORDINARY RESULTS

	Codes	Period	Preceding period
<b>FINANCIAL RESULTS</b>			
<b>Other financial income</b>			
Subsidies granted by public authorities and recorded as income for the period . . . . .			
Capital subsidies . . . . .	9125		
Interest subsidies . . . . .	9126		
Allocation of other financial income			
<i>PAYMENT DIFFERENCE</i> . . . . .		50,83	18,08
<b>Depreciation of loan issue expenses and reimbursement premiums</b> . . . . .	6501		
<b>Capitalized Interests</b> . . . . .	6503		
<b>Amounts written off current assets</b>			
Recorded . . . . .	6510		
Written back . . . . .	6511		
<b>Other financial charges</b>			
Amount of the discount borne by the enterprise, as a result of negotiating amounts receivable . . . . .	653		
<b>Provisions of a financial nature</b>			
Appropriations . . . . .	6560		
Uses and write-backs . . . . .	6561		
<b>Allocation of other financial charges</b>			
<i>BANK CHARGES (+)/(-)</i> . . . . .		978,16	676,21
<i>SWAP CHARGES (+)/(-)</i> . . . . .		832.073,00	2.237.455,00
<i>DEAL COSTS (+)/(-)</i> . . . . .		6.261.866,00	0,00
			<b>Period</b>
<b>EXTRAORDINARY RESULTS</b>			
<b>Allocation of other extraordinary income</b>			
<b>Allocation of other extraordinary charges</b>			
<i>REFINANCING COSTS</i> . . . . .			763.080,91

## INCOME TAXES AND OTHER TAXES

	Codes	Period
<b>INCOME TAXES</b>		
<b>Income taxes on the result of the period</b> .....	9134	
Income taxes paid and withholding taxes due or paid .....	9135	
Excess of income tax prepayments and withholding taxes paid recorded under assets .....	9136	
Estimated additional taxes .....	9137	
<b>Income taxes on the result of prior periods</b> .....	9138	
Additional income taxes due or paid .....	9139	
Additional income taxes estimated or provided for .....	9140	
<b>In so far as taxes of the period are materially affected by differences between the profit before taxes as stated in annual accounts and the estimated taxable profit</b>		
<i>DISALLOWED EXPENSES (+)/(-)</i> .....		110.833,33
<b>Impact of extraordinary results on the amount of the income taxes relating to the current period</b>		
<b>Status of deferred taxes</b>		
Deferred taxes representing assets .....	9141	
Accumulated tax losses deductible from future taxable profits .....	9142	
Other deferred taxes representing assets .....		
Deferred taxes representing liabilities .....	9144	
Allocation of deferred taxes representing liabilities .....		

	Codes	Period	Preceding period
<b>VALUE ADDED TAXES AND OTHER TAXES BORNE BY THIRD PARTIES</b>			
<b>Value added taxes charged</b>			
To the enterprise (deductible) .....	9145	4.188.424,41	5.071.605,78
By the enterprise .....	9146	7.478.589,66	10.388.570,52
<b>Amounts withheld on behalf of third party</b>			
For payroll withholding taxes .....	9147	516.821,20	871.616,01
For withholding taxes on investment income .....	9148		

**RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES  
LINKED BY PARTICIPATING INTERESTS**

	Codes	Period	Preceding period
<b>AFFILIATED ENTERPRISES</b>			
<b>Financial fixed assets</b>	(280/1)	106.842.832,00	147.212.976,00
Participating interests	(280)	106.842.832,00	124.761.500,00
Subordinated amounts receivable	9271		
Other amounts receivable	9281		22.451.476,00
<b>Amounts receivable from affiliated enterprises</b>	9291		13.147.244,28
Over one year	9301		
Within one year	9311		13.147.244,28
<b>Current investments</b>	9321		
Shares	9331		
Amounts receivable	9341		
<b>Amounts payable</b>	9351	106.842.800,00	25.426.799,31
Over one year	9361	106.842.800,00	10.885.049,70
Within one year	9371		14.541.749,61
<b>Personal and real guarantees</b>			
Provided or irrevocably promised by the enterprise as security for debts or commitments of affiliated enterprises	9381		
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise	9391		
<b>Other significant financial commitments</b>	9401		
<b>Financial results</b>			
Income from financial fixed assets	9421	592.382,49	1.115.546,19
Income from current assets	9431		
Other financial income	9441		
Debt charges	9461	209.893,65	466.503,13
Other financial charges	9471		
<b>Disposal of fixed assets</b>			
Capital gains obtained	9481		
Capital losses suffered	9491		
<b>ENTERPRISES LINKED BY PARTICIPATING INTERESTS</b>			
<b>Financial fixed assets</b>	(282/3)		
Participating interests	(282)		
Subordinated amounts receivable	9272		
Other amounts receivable	9282		
<b>Amounts receivable</b>	9292		
Over one year	9302		
Within one year	9312		
<b>Amounts payable</b>	9352		
Over one year	9362		
Within one year	9372		

Period

**TRANSACTIONS WITH ENTERPRISES LINKED BY PARTICIPATING INTERESTS OUT OF MARKET CONDITIONS**

**Mention of these transactions if they are significant, including the amount of the transactions, the nature of the link, and all information about the transactions which should be necessary to get a better understanding of the situation of the company**

*In the absence of legal criteria that allow to publish transactions with related parties which are not at arm's length, no transaction was published under 5.14*

0,00  
0,00

## FINANCIAL RELATIONSHIPS WITH

	Codes	Period
<b>DIRECTORS, MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS</b>		
<b>Amounts receivable from these persons</b> . . . . .	9500	
Conditions on amounts receivable		
<b>Guarantees provided in their favour</b> . . . . .	9501	
Main conditions of these guarantees		
<b>Other significant commitments undertaken in their favour</b> . . . . .	9502	
Main conditions of the other commitments		
<b>Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person</b>		
To directors and managers . . . . .	9503	
To former directors and former managers . . . . .	9504	
<b>AUDITORS OR PEOPLE THEY ARE LINKED TO</b>		
<b>Auditor's fees</b> . . . . .	9505	412.430,00
<b>Fees for exceptional services or special missions executed in the company by the auditor</b>		
Other attestation missions . . . . .	95061	
Tax consultancy . . . . .	95062	
Other missions external to the audit . . . . .	95063	
<b>Fees for exceptional services or special missions executed in the company by people they are linked to</b>		
Other attestation missions . . . . .	95081	
Tax consultancy . . . . .	95082	14.338,00
Other missions external to the audit . . . . .	95083	330.530,00
<b>Mentions related to article 133, paragraph 6 from the Companies Code</b>		

**INFORMATION RELATING TO CONSOLIDATED ACCOUNTS**

**INFORMATION TO DISCLOSE BY EACH ENTERPRISE THAT IS SUBJECT TO COMPANY LAW  
ON THE CONSOLIDATED ACCOUNTS OF ENTERPRISES**

**The company neither prepares nor publishes consolidated financial statements and a relating  
annual report for one of the following reasons**

The company itself is a subsidiary of an enterprise which does prepare and publish consolidated accounts in which annual accounts of the enterprise are included

If yes, justification of the compliance with all conditions for exemption set out in art. 113, par. 2 and 3 of Company Law

*As article 113 of the Company Code prescribes, the consolidation exemption was voted by the general shareholders meeting of 02/11/2011 for the fiscal year ending 31/07/2011.*

Name, full address of registered office and, for an enterprise governed by Belgian Law, the V. A. T. or national number of the parent company preparing and publishing the consolidated accounts required

*CODITEL HOLDING S.A.  
RUE D'ANVERS 37, , Luxembourg*

## SOCIAL BALANCE SHEET

Number of joint industrial committee: ..... 14901 218

### STATEMENT OF THE PERSONS EMPLOYED

#### EMPLOYEES FOR WHOM THE ENTREPRISE SUBMITTED A DIMONA DECLARATION OR WHO ARE RECORDED IN THE GENERAL PERSONNEL REGISTER

<u>During the current and preceding period</u>	<u>Codes</u>	<u>1. Full-time (period)</u>	<u>2. Part-time (period)</u>	<u>3. Total (T) or Total full-time equivalents (FTE) (period)</u>	<u>3P. Total (T) or Total full-time equivalents (FTE) (preceding period)</u>
Average number of employees . . . . .	100	62,0	3,0	63,9 (FTE)	63,2 (FTE)
Number of hours actually worked . . . . .	101	63.708	2.216	65.924 (T)	109.207 (T)
Personnel costs . . . . .	102	2.342.332,06	64.420,00	2.406.752,06 (T)	4.061.213,09 (T)
Advantages in addition to wages . . . . .	103	xxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxx	(T)	(T)

<u>At the closing date of the period</u>	<u>Codes</u>	<u>1. Full-time</u>	<u>2. Part-time</u>	<u>3. Total full-time equivalents</u>
<b>Number of employees . . . . .</b>	105	62	4	63,9
<b>By nature of the employment contract</b>				
Contract for an indefinite period . . . . .	110	61	4	62,9
Contract for a definite period . . . . .	111	1		1,0
Contract for the execution of a specifically assigned work . . . . .	112			
Replacement contract . . . . .	113			
<b>According to gender and study level</b>				
Men . . . . .	120	39	3	40,3
primary education . . . . .	1200	6		6,0
secondary education . . . . .	1201	15	1	15,7
higher non-university education . . . . .	1202	13	1	13,1
university education . . . . .	1203	5	1	5,5
Women . . . . .	121	23	1	23,6
primary education . . . . .	1210	4		4,0
secondary education . . . . .	1211	10		10,0
higher non-university education . . . . .	1212	6	1	6,6
university education . . . . .	1213	3		3,0
<b>By professional category</b>				
Management staff . . . . .	130	1	1	1,5
Employees . . . . .	134	60	3	61,4
Workers . . . . .	132	1		1,0
Others . . . . .	133			

#### HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

<u>During the period</u>	<u>Codes</u>	<u>1. Hired temporary staff</u>	<u>2. Persons placed at the enterprise's disposal</u>
Average number of persons employed . . . . .	150		
Number of hours actually worked . . . . .	151		
Costs for the enterprise . . . . .	152		

## LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

<u>ENTRIES</u>	<u>Codes</u>	<u>1. Full-time</u>	<u>2. Part-time</u>	<u>3. Total full-time equivalents</u>
<b>Number of employees for whom the enterprise submitted a DIMONA declaration or who have been recorded in the general personnel register during the financial year . . . . .</b>	205	7	1	7,6
<b>By nature of employment contract</b>				
Contract for an indefinite period . . . . .	210	6	1	6,6
Contract for a definite period . . . . .	211		1	1,0
Contract for the execution of a specifically assigned work . . . . .	212			
Replacement contract . . . . .	213			

<u>DEPARTURES</u>	<u>Codes</u>	<u>1. Full-time</u>	<u>2. Part-time</u>	<u>3. Total full-time equivalents</u>
<b>Number of employees whose contract-termination date has been entered in DIMONA declaration or in the general personnel register during the financial year . . . . .</b>	305	6		6,0
<b>By nature of employment contract</b>				
Contract for an indefinite period . . . . .	310	6		6,0
Contract for a definite period . . . . .	311			
Contract for the execution of a specifically assigned work . . . . .	312			
Replacement contract . . . . .	313			
<b>By reason of termination of contract</b>				
Retirement . . . . .	340			
Early retirement . . . . .	341			
Dismissal . . . . .	342			
Other reason . . . . .	343	6		6,0
the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis . . . . .	350			

## INFORMATION ON TRAINING PROVIDED TO EMPLOYEES DURING THE PERIOD

<u>Total of initiatives of formal professional training at the expense of the employer</u>	<u>Codes</u>	<u>Men</u>	<u>Codes</u>	<u>Women</u>
Number of employees involved . . . . .	5801	9	5811	5
Number of actual training hours . . . . .	5802	464	5812	208
Net costs for the enterprise . . . . .	5803	13.436,42	5813	8.950,45
of which gross costs directly linked to training . . . . .	58031	13.436,42	58131	8.950,45
of which fees paid and payments to collective funds . . . . .	58032		58132	
of which grants and other financial advantages received (to deduct) . . . . .	58033		58133	
<b>Total of initiatives of less formal or informal professional training at the expense of the employer</b>				
Number of employees involved . . . . .	5821		5831	
Number of actual training hours . . . . .	5822		5832	
Net costs for the enterprise . . . . .	5823		5833	
<b>Total of initiatives of initial professional training at the expense of the employer</b>				
Number of employees involved . . . . .	5841		5851	
Number of actual training hours . . . . .	5842		5852	
Net costs for the enterprise . . . . .	5843		5853	



# **Coditel S.à r.l.**

**Société à responsabilité limitée**

**Annual accounts for the period from January 1, 2011 to July 31, 2011 and  
report of the réviseur d'entreprises agréé**

283, route d'Arlon  
L-8011 Strassen

**RCS Luxembourg B 112.067**  
Subscribed capital : EUR 9.066.600

**Coditel S.à r.l.**  
**Balance Sheet as at**  
**July 31, 2011**  
**(Denominated in EUR)**

	<u>Notes</u>	<u>31/07/2011</u>	<u>31/12/2010</u>
<b>ASSETS</b>			
<b>Fixed assets</b>	3		
<b>Intangible assets</b>			
Goodwill, to the extent that it was acquired for valuable consideration . . . . .	4	62,081,073	64,049,284
		<u>62,081,073</u>	<u>64,049,284</u>
<b>Tangible assets</b>			
Land and buildings . . . . .		1,470	1,803
Plant and machinery . . . . .		6,075,614	6,493,294
Other fixtures and fittings, tools and equipment . . . . .		12,292	12,107
		<u>6,089,377</u>	<u>6,507,204</u>
<b>Financial assets</b>	5		
Shares in affiliated undertakings . . . . .		0	150,000
Loans to affiliated undertakings . . . . .		0	7,280,717
Loans and claims held as fixed assets . . . . .		1,650	1,650
		<u>1,650</u>	<u>7,432,367</u>
<b>Total fixed assets</b> . . . . .		68,172,100	77,988,855
<b>Current assets</b>			
<b>Stocks</b>			
Raw materials and consumables . . . . .		435,021	370,136
<b>Debtors</b>			
Trade debtors			
becoming due and payable after less than one year . . . . .		2,329,294	1,968,651
Amounts owed by affiliated undertakings . . . . .			
becoming due and payable after less than one year . . . . .		0	4,630,764
Other debtors . . . . .			
becoming due and payable after less than one year . . . . .		3,952	4,051
		<u>2,333,247</u>	<u>6,603,466</u>
<b>Cash at bank and in hand</b> . . . . .		1,177,474	1,562,924
<b>Total current assets</b> . . . . .		3,945,742	8,536,525
<b>Prepayments</b> . . . . .		898,199	22,105
<b>TOTAL ASSETS</b> . . . . .		<u><u>73,016,040</u></u>	<u><u>86,547,484</u></u>

The accompanying notes form an integral part of these annual accounts.

**Coditel S.à r.l.**  
**Balance Sheet as at**  
**July 31, 2011**  
**(Denominated in EUR)**

	<u>Notes</u>	<u>31/07/2011</u>	<u>31/12/2010</u>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Subscribed capital . . . . .	6	9,066,600	1,031,000
Share premium and similar premiums . . . . .	7	72,320,369	
Loss brought forward . . . . .		(16,100,368)	(13,381,599)
Loss for the financial period/year . . . . .		(834,083)	(2,718,769)
		<u>64,452,518</u>	<u>(15,069,368)</u>
<b>Subordinated creditors</b> . . . . .	9	0	12,606,250
<b>Provisions for taxation</b>			
Provisions for taxation . . . . .		1,196,250	751,520
Other provisions . . . . .		<u>154,155</u>	<u>66,401</u>
		1,350,404	817,920
<b>Non subordinated debts</b>			
Amounts owed to credit institutions	10		
becoming due and payable after less than one year . . . . .		0	6,897,000
becoming due and payable after more than one year . . . . .		0	57,951,927
Trade creditors			
becoming due and payable after less than one year . . . . .		3,299,396	1,866,445
Amounts owed to affiliated undertakings	11		
becoming due and payable after less than one year . . . . .		420,362	17,087,376
Tax and social security			
Tax debts . . . . .		130,096	211,752
Social security debts . . . . .		37,396	38,252
Other creditors			
becoming due and payable after less than one year . . . . .		<u>557,723</u>	<u>712,139</u>
		4,444,973	84,764,890
<b>Deferred income</b> . . . . .		2,768,145	3,427,793
<b>TOTAL LIABILITIES</b> . . . . .		<u><b>73,016,040</b></u>	<u><b>86,547,484</b></u>

The accompanying notes form an integral part of these annual accounts.

**Coditel S.à r.l.**  
**Profit and loss account for the period from January 1, 2011 to July 31, 2011**  
**(Denominated in EUR)**

	<u>Notes</u>	<u>Period from 01/01/2011 to 31/07/2011</u>	<u>31/12/2010</u>
<b>CHARGES</b>			
Raw materials and consumables . . . . .		2,098,481	3,396,444
Other external charges . . . . .		1,249,562	3,045,420
Staff costs . . . . .	13		
Wages and salaries . . . . .		706,023	1,255,734
Social security costs . . . . .		87,831	103,447
Other social security costs . . . . .		19,981	40,128
		<u>813,835</u>	<u>1,399,309</u>
Value adjustments on formation expenses and on tangible and intangible fixed assets . . . . .	3	3,344,916	6,604,375
on elements of current assets . . . . .		0	57,875
		<u>3,344,916</u>	<u>6,662,251</u>
Other operating charges . . . . .		166,408	174,809
Value adjustments and fair value adjustments on financial fixed assets . . . . .		50,000	0
Interests payable and similar charges concerning affiliated undertakings . . . . .		254,555	356,430
other interest payable and similar charges . . . . .		2,295,801	4,119,703
		<u>2,550,356</u>	<u>4,476,133</u>
Extraordinary charges . . . . .	14	139,496	0
Tax on profit or loss . . . . .		444,830	181,595
		<u><b>10,857,882</b></u>	<u><b>19,335,960</b></u>
<b>INCOME</b>			
Net turnover . . . . .	12	9,421,866	15,525,736
Fixed assets under development . . . . .		204,141	349,956
Value adjustments of elements of current assets . . . . .		40,164	0
Other operating income . . . . .		115,444	220,405
Interests and other financial income derived from affiliated undertakings . . . . .		235,634	513,274
other interest receivable and similar income . . . . .		6,549	7,821
Loss for the financial period/year . . . . .		834,083	2,718,769
		<u><b>10,857,882</b></u>	<u><b>19,335,960</b></u>

The accompanying notes form an integral part of these annual accounts.

**Coditel S.à r.l.**  
**Notes to the annual accounts**  
**as at 31 July 2011**

**Note 1—General**

Coditel S.à r.l. (formerly “Eno Luxembourg II S.A.”) (the ‘Company’) was incorporated on November 8, 2005 for an unlimited period of time and is organised under the laws of Luxembourg as a “Société anonyme” with its registered office at 8-10, rue Mathias Hardt, L-1717 Luxembourg. The Company is registered at the Trade register under number B 112.067.

The Board of Managers of the Company and the Board of Directors of CODITEL S.A. decided to merge the two entities. The merger became effective on December 19, 2005 with accounting effect on November 15, 2005 and involved absorbing CODITEL S.A. by the Company.

The Extraordinary General Meeting held on December 20, 2005 has resolved to:

- transform the Company by converting it from a public limited liability company («société anonyme») into a private limited liability company («société à responsabilité limitée»);
- amend the corporate object of the Company as follows “the broadcast of radio, television and any other means of telecommunications”;
- change the name of the Company to CODITEL S.à r.l.;
- transfer the registered office to 283, route d’Arlon, L-8011 Strassen.

The Company forms part of the Coditel Holding S.A. Group since June 30, 2011. The annual accounts are included in the consolidated accounts of Coditel Holding. The consolidated accounts can be obtained at the registered office at 37, rue d’Anvers, L-1130 Luxembourg.

The Extraordinary General Meeting held on July 28, 2011 decided to change the accounting year end of the Company from December 31 to July 31. The accounting year of the Company starts on August 1 of each year and terminates on July 31 of the following year. The current accounting year ends on July 31, 2011.

The Extraordinary General Meeting held on December 28, 2011 decided to change the accounting year end of the Company from July 31 to December 31. The accounting year of the Company shall start on the January 1 of each year and shall terminate on December 31 of the same year. The current accounting year shall end on December 31, 2011.

**Note 2—Summary of significant accounting policies**

**2.1 Basis of preparation**

The annual accounts are prepared in accordance with the Luxembourg legal and regulatory requirements and according to generally accepted accounting principles applicable in Luxembourg.

The annual accounts have been prepared based on a going concern basis.

**2.2 Foreign currency translation**

The Company maintains its books and records in Euro (EUR) and the annual accounts are expressed in this currency.

The income and charges expressed in another currency other than EUR are converted at the exchange rate prevailing at the date of transaction.

The fixed assets other than the long-term loans classified as financial assets and expressed in currencies other than EUR are converted at the prevailing exchange rate applicable as at the year-end.

Only realised exchange gains and all exchange losses are taken into account in the profit and loss account.

**Coditel S.à r.l.**  
**Notes to the annual accounts (Continued)**  
**as at 31 July 2011**

**Note 2—Summary of significant accounting policies (Continued)**

**2.3 Intangible fixed assets**

Intangible assets are valued at acquisition cost including the expenses incidental thereto, reduced by cumulative depreciations and value adjustments. Depreciation is calculated on a straight-line basis over the estimated useful life of the related asset with professional requirements and fiscal law applicable. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Goodwill is amortised on a straight-line basis over a period ranging between ten and twenty-five years depending on the goodwill acquired.

Goodwill arising on acquisition of the network and the goodwill of Cotelux (Société Coopérative des Téléspectateurs de Luxembourg) is depreciated over a period of ten years taking account of the size and age of the network as well as the fact that this network had a customer with only analog TV. Cotelux did not operate services such as Internet, telephony and digital television.

The goodwill arising on the merger (see note 4) is depreciated over a period of twenty-five years taking into account the large size of the network and its condition, the number of Internet clients, digital, telephony and business to business.

**2.4 Tangible assets**

The tangible assets are valued at their acquisition cost including the expenses incidental thereto, reduced by cumulative depreciations and value adjustments. The value adjustments are calculated on a straight-line basis over their estimated useful lives and in accordance with the professional requirements and fiscal law applicable. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

The depreciation rates applied are as follows:

- Buildings: 3,5% - 10%;
- Plant and machinery: 10% - 33%;
- Other fixtures and fittings, tools and equipment: 10% - 20%.

Following recent technological advances, the decoders and modems have been depreciated on a straight line basis since 2006 over a period of three years.

Since 2010, the depreciation methods were changed for certain tangible assets to reflect the faster obsolescence. The microcomputer equipments and softwares changed from a 5 years depreciation to a 3 years and internet connections, telephone and CMTS (routers) from 10 years to 3 years.

**2.5 Financial fixed assets**

Financial assets are valued individually at the purchase price including the expenses incidental thereto. In case of a durable depreciation in value according to the opinion of the Board of Managers, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower of acquisition cost and market value.

**2.6 Stocks**

On their date of entry into the Company's assets, stocks are recorded at the acquisition cost. The acquisition price is calculated on the basis of weighted average price.

At the balance sheet date, stocks are valued at the lower of acquisition cost and market value.

**Coditel S.à r.l.**  
**Notes to the annual accounts (Continued)**  
**as at 31 July 2011**

**Note 2—Summary of significant accounting policies (Continued)**

**2.7 Debtors**

Debtors are recorded at their nominal value, if necessary reduced by the value adjustment, where their recovery is compromised.

**2.8 Creditors**

Debts are recorded at their nominal value or if necessary at their repayment value.

**2.9 Deferred income**

Licensing fee income is based on the invoices issued during the year for all types of subscriptions. Adjustments are made at the end of the year to catch for any income related to a subsequent financial year. These adjustment are booked under the caption “Deferred income”.

**Note 3—Tangible assets**

The movements for the period/year are as follows:

	<u>Goodwill</u>	<u>Land and building</u>	<u>Plant and Machinery</u>	<u>Tools and equipments</u>	<u>Debtors affiliated undertakings</u>	<u>Shares in affiliated undertakings</u>
Cost acquisition						
Opening balance . . . . .	82,697,129	101,284	44,087,983	408,925	7,280,717	150,000
Additions for the period . . .			956,482	2,397		
Disposal for the Period . . .					-7,280,717	-100,000
Closing balance . . . . .	82,697,129	101,284	45,044,465	411,322	—	50,000
<i>Value adjustment</i>						
Opening balance . . . . .	18,647,845	99,481	37,594,689	396,818		
Additions for the period . . .	1,968,210	333	1,374,162	2,212		50,000
Disposal for the Period . . .						
Closing balance . . . . .	20,616,056	99,814	38,968,851	399,030	—	50,000
Net carrying amount at the end of the financial period . . . . .	62,081,074	1,470	6,075,614	12,292	—	—

**Note 4—Goodwill**

The item “Goodwill” includes the difference (initial amount of EUR 81.360.454) between the fair value of CODITEL S.A.’s shares previously held by CODITEL S.à r.l and the fair value of assets and liabilities transferred to the Company upon the merger as described in Note 1. This goodwill resulting from the merger is amortised on a straight line basis over a period of twenty five years.

The “Cotelux goodwill”, purchased in 2005 (initial amount EUR 1.336.675) is amortised on a straight line basis, over a period of ten years.

As at July 31, 2011, the goodwill arising from the merger net of depreciation amounted to EUR 61.557.542 and Cotelux goodwill amounted to EUR 523.531.

**Note 5—Financial assets**

As at June 30, 2011, Coditel S.à.r.l. sold its shares in the company CODITEL DEBT S.à r.l., with registered office at 283, route d’Arlon, L-8011 Strassen and registered to the Trade register under number B 130.807 for an amount of EUR 100.000.

**Coditel S.à r.l.**  
**Notes to the annual accounts (Continued)**  
**as at 31 July 2011**

**Note 6—Subscribed capital**

The Extraordinary General Meeting held on June 30, 2011 decided to increase the share capital of the Company by an amount of EUR 8.035.600 so as to raise it from its current amount of EUR 1.031.000 to EUR 9.066.600 by the issue of 321.424 new shares with a nominal value of EUR 25, subject to the payment of a global share premium of EUR 72.320.369.

As at July 31, 2011, the subscribed capital is represented by 362.664 shares with a nominal value of EUR 25.

The financial year 2010 has been closed with a loss of EUR 2.718.769 and has been carried forward.

**Note 7—Share premium and similar premiums**

The Extraordinary General Meeting held on June 30, 2011 decided to increase the share capital of the Company by an amount of EUR 8.035.600 so as to raise it from its current amount of EUR 1.031.000 to EUR 9.066.600 by the issue of 321.424 new shares with a nominal value of EUR 25, subject to the payment of a global share premium of EUR 72.320.369.

**Note 8—Legal reserve**

In accordance with Luxembourg company law, the Company is required to allocate annually to a legal reserve, not available for distribution, a minimum of 5% of the net profit. Such allocation ceases to be compulsory when the balance in the legal reserve reaches 10% of the issued share capital.

**Note 9—Subordinated creditors**

As at December 31, 2010, the subordinated debt are composed of 504.250 “Interest Free Preferred Equity Certificates” for an individual nominal value of EUR 25, corresponding to a total nominal value of EUR 12.606.250. These securities bear no interests and have a maturity date of thirty years (issued on December 16, 2005). At the maturity date, the Company may opt for a conversion of bonds into shares based on a 1:1 ratio. The Company may, under certain circumstances, repay all or part of the securities. These securities do not grant voting rights to the holder. They are subordinated to all debts incurred by the Company before or after their issuance.

On June 30, 2011, the Company reimbursed 504.250 Interest Free Preferred Equity Certificates for an amount of EUR 12.606.250 due to the change of shareholders.

**Note 10—Amounts owed to credit institutions**

Since June 2006, the company had a loan towards a credit institution for an initial amount of EUR 80.000.000 composed as follows:

- BNP recap A for EUR 36.300.000 (Euribor rate + 2,125%)—maturity date on June 30, 2013 ;
- BNP recap B for EUR 43.700.000 (Euribor rate + 2,5%)—maturity date on June 30, 2014.

As at December 31, 2010, the amount due is of EUR 64.848.927 and is composed as follows :

- BNP recap A for EUR 20.328.000 (Euribor rate + 1,875%) ;
- BNP capitalised interest amounts EUR 820.927 ;
- BNP recap B for EUR 43.700.000 (Euribor rate + 2,50%).

Repayment schedule:

– within one year : . . . . .	EUR 6.897.000
– more that one year and within five years: . . . . .	EUR 57.951.927
	<u>EUR 64.848.927</u>

The loans before June 30, 2011 have been reimbursed due to the change of shareholders and the capital increase.



**Coditel S.à r.l.**  
**Notes to the annual accounts (Continued)**  
**as at 31 July 2011**

**Note 11—Amounts owed to affiliated undertakings**

As at December 31, 2010, the amounts owed to affiliated undertakings consist mainly of a debt for a total amount of EUR 13.933.232 towards Ypso France S.A.S., of which EUR 13.871.670 are a current account bearing interest at rate EONIA + 2,396% becoming due and payable after less than one year.

As at July 31, 2011, the amounts owed to affiliated undertakings consist of a debts towards Coditel Holding S.A. non interest bearing and which are payable at the due date of the invoices.

**Note 12—Net turnover**

	Period from 01/01/2011 to 31/07/2011	31/12/2010
	EUR	EUR
Subscription charges . . . . .	6,249,050	10,519,045
Infrastructure rent . . . . .	2,208,539	3,534,904
Connections and reconnections . . . . .	476,579	369,909
Work for third parties . . . . .	259,142	449,299
Others . . . . .	228,557	652,579
<b>Total . . . . .</b>	<b>9,421,866</b>	<b>15,525,736</b>

**Note 13—Staff costs**

Average number of persons employed during the period/year:

	Period from 01/01/11 to 31/07/11	2010
Employees . . . . .	20	23
Workers . . . . .	3	4
	<b>23</b>	<b>27</b>

**Note 14—Extraordinary charges**

The extraordinary charges correspond to the costs for the refinancing of the Company due to the change of shareholders on June 30, 2011.

**Note 15—Off balance sheet items**

The company is engaged in several leasing contracts (vehicles). As at July 31, 2011, the amount still outstanding amounted to EUR 170.992 (2010 : EUR 243.226).

The Company has issued bank guarantees for an amount of EUR 97.128 (2010 : EUR 47.128) towards third parties.

**Note 16—Contingent liabilities**

The Company has been investigated by the Conseil de la Concurrence (“Competition Council”). Following the conclusions of the Competition Council at the end of 2010, the Company has endeavored to comply with their recommendations. General conditions of sale and certain prices were changed during the first quarter 2011. The Company is waiting for the final conclusions of the Competition Council. The Board of Managers do not think that it’s necessary to provide for any provisions in relation to that inquiry.

**Note 17—Subsequent events**

On December 2, 2011, Coditel Holding S.A. has concluded a refinancing of EUR 244.000.000 instead of EUR 260.000.000.

## REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

**To the Sole Partner of  
Coditel S.à r.l.  
283, route d'Arlon  
L-8011 Strassen**

### **Report on the annual accounts**

Following our appointment by the General Meeting of the Sole Partner, we have audited the accompanying annual accounts of Coditel S.à r.l., which comprise the balance sheet as at July 31, 2011 and the profit and loss account for the period from January 1, 2011 to July 31, 2011, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Managers' responsibility for the annual accounts*

The Board of Managers is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Our responsibility is to express an opinion on these annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts. 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 annual accounts give a true and fair view of the financial position of Coditel S.à r.l. as of July 31, 2011, and of the results of its operations for the period from January 1, 2011 to July 31, 2011 in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

### **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Managers, is consistent with the annual accounts.

**For Deloitte S.A., Cabinet de révision agréé  
John Psaila, Réviseur d'entreprises agréé  
Partner**

**May 31, 2012**

**These annual accounts and the report of the *réviseur d'entreprises agréé* thereon are a free translation into English of the original version published in French. In case of any discrepancy, the original version of the annual accounts and the report of the *réviseur d'entreprises agréé* thereon in French will prevail.**

**CODITEL S.à r.l.**  
**Société à responsabilité limitée**

**L-8011 Strassen**  
**283, route d'Arlon**

**R.C.S. Luxembourg : B 112.067**  
**Subscribed capital : EUR 9.066.600**

(Hereinafter the "Company")

**MANAGEMENT REPORT OF THE BOARD OF MANAGERS PRESENTED TO THE  
ANNUAL GENERAL MEETING OF THE PARTNERS**

**For the period from January 1, 2011 to July 31, 2011**

Ladies and Gentlemen,

As prescribed by the law and by the Company's articles of association, we have brought you together at the Annual General Meeting, to highlight our activities during the financial period ending July 31, 2011, and to submit the relevant annual accounts for your approval.

We would be happy to supply any further information regarding those documents and details required by current legislation within the legally stipulated limits.

**Operations and activity of the Company**

During this period, we have continued operating activities developed by the acquired company, CODITEL S.A. in the field of cable networks.

28.035 subscribers benefit from the cable television service at the end of the period. The Company also carried on the implementation of the access service and broadband Internet and 8.299 subscribers are registered at the period end. 7.247 subscribers have subscribed to telephone services. The Company launched a program to digitalize the analog services delivered and it currently counts 20.985 subscribers opting for digital.

Coditel S.à r.l. has continued its program of modernization of the network: the optical fiber is brought closer to the final customer, the network bandwidth and the return path is increased significantly. These works, as well as investments in head end, helped to develop a pay offer of digital channels and offers of telephony services, and improving access offers internet hat flow.

Coditel S.à r.l. has no subsidiaries and does not use financial instruments other than those listed in the annual accounts.

**Results—Allocation**

1. *Examination of accounts and results*

Of prime importance, we would like to state that the accounts in question have been drawn up according to the provisions and methods stipulated in Luxembourg.

The financial period has closed with a loss of EUR 834.083.

2. *Proposals for allocation of results*

We hereby ask for your approval of the annual accounts (balance sheet, profit and loss and annexe), as they are presented and which indicate a loss of EUR 834.083 and to carry forward the loss.

**Subsequent events**

No important events have occurred since the year end except the refinancing of Coditel Holding S.A. and the change of the accounting year end.

The Company has been investigated by the Conseil de la Concurrence ("Competition Council"). Following the conclusions of the Competition Council at the end of 2010, the Company has endeavored to comply with their recommendations. General conditions of sale and certain prices were changed during the first quarter 2011. The Company is waiting for the final conclusions of the Competition

Council. The Board of Managers do not think that it's necessary to provide for any provisions in relation to that inquiry.

No circumstances currently known are likely to have significant influence on the development of the Company.

The prospects of the Company are stable in a competitive environment.

Your Board invites you, after reading the reports submitted by our "réviseur d'entreprises d'agrée", to adopt the resolutions submitted for your approval.

We wish to express our sincere appreciation to our staff for their dedication and conscientiousness with which they have accomplished their tasks.

Luxembourg, May 31, 2012

**THE BOARD OF MANAGERS**

Pascal Dormal  
Manager

Wim de Naeyer  
Manager

# **MA CHAINE SPORT**

**15 RUE DE COGNACQ JAY**

**75007 PARIS**

**Etats financiers au 31 décembre 2012**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
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**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**BILAN ACTIF**

<u>Rubriques</u>	<u>Montant Brut</u>	<u>Amortissements</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Capital souscrit non appelé . . . . .				
<b>IMMOBILISATIONS INCORPORELLES</b>				
Frais d'établissement . . . . .				
Frais de recherche et développement . . . . .	74 900	50 417	24 483	54 648
Concessions, brevets et droits similaires . . . . .	25 006	11 621	13 385	13 822
Fonds commercial . . . . .				
Autres immobilisations incorporelles . . . . .	116 754	28 009	88 745	127 568
Avances, acomptes sur immo. incorporelles . . . . .				
<b>IMMOBILISATIONS CORPORELLES</b>				
Terrains . . . . .				
Constructions . . . . .				
Installations techniques, matériel, outillage . . . . .	1 413 582	443 155	970 427	614 155
Autres immobilisations corporelles . . . . .	158 119	35 530	122 590	76 262
Immobilisations en cours . . . . .				
Avances et acomptes . . . . .				
<b>IMMOBILISATIONS FINANCIERES</b>				
Participations par mise en équivalence . . . . .				
Autres participations . . . . .				
Créances rattachées à des participations . . . . .				
Autres titres immobilisés . . . . .				
Prêts . . . . .				
Autres immobilisations financières . . . . .	382		382	307
<b>ACTIF IMMOBILISE</b> . . . . .	<b>1 788 744</b>	<b>568 731</b>	<b>1 220 013</b>	<b>886 762</b>
<b>STOCKS ET EN-COURS</b>				
Matières premières, approvisionnements . . . . .				
En-cours de production de biens . . . . .				
En-cours de production de services . . . . .				
Produits intermédiaires et finis . . . . .				
Marchandises . . . . .				
Avances et acomptes versés sur commandes . . . . .				
<b>CREANCES</b>				
Créances clients et comptes rattachés . . . . .	5 929 402		5 929 402	4 008 240
Autres créances . . . . .	950 147		950 147	295 693
Capital souscrit et appelé, non versé . . . . .				
<b>DIVERS</b>				
Valeurs mobilières de placement (dont actions propres : ) . . . . .				
Disponibilités . . . . .	2 250 993		2 250 993	1 139 730
<b>COMPTES DE REGULARISATION</b>				
Charges constatées d'avance . . . . .	390 401		390 401	508 476
<b>ACTIF CIRCULANT</b> . . . . .	<b>9 520 943</b>		<b>9 520 943</b>	<b>5 952 139</b>
Charges à répartir sur plusieurs exercices . . . . .				
Primes de remboursement des obligations . . . . .				
Ecarts de conversion actif . . . . .				
<b>TOTAL GENERAL</b> . . . . .	<b>11 309 687</b>	<b>568 731</b>	<b>10 740 956</b>	<b>6 838 901</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**BILAN PASSIF**

<u>Rubriques</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Capital social ou individuel dont versé : 40 000 . . . . .	40 000	40 000
Primes d'émission, de fusion, d'apport . . . . .		
Ecarts de réévaluation dont écart d'équivalence :		
Réserve légale . . . . .		
Réserves statutaires ou contractuelles . . . . .		
Réserves réglementées (dont achat œuvres originales artistes ) . . . . .		
Autres réserves . . . . .		
Report à nouveau . . . . .	(769 990)	(3 300 163)
<b>RESULTAT DE L'EXERCICE (bénéfice ou perte) . . . . .</b>	<b>1 442 480</b>	<b>2 530 173</b>
Subventions d'investissement . . . . .		
Provisions réglementées . . . . .		
<b>CAPITAUX PROPRES . . . . .</b>	<b>712 491</b>	<b>(729 990)</b>
Produits des émissions de titres participatifs . . . . .		
Avances conditionnées . . . . .		
<b>AUTRES FONDS PROPRES . . . . .</b>		
Provisions pour risques . . . . .		16 680
Provisions pour charges . . . . .		237 835
<b>PROVISIONS POUR RISQUES ET CHARGES . . . . .</b>		<b>254 515</b>
<b>DETTES FINANCIERES</b>		
Emprunts obligataires convertibles . . . . .		
Autres emprunts obligataires . . . . .		
Emprunts et dettes auprès des établissements de crédit . . . . .		
Emprunts et dettes financières divers (dont empr. participatifs ) . . . . .		
Avances et acomptes reçus sur commandes en cours . . . . .		
<b>DETTES D'EXPLOITATION</b>		
Dettes fournisseurs et comptes rattachés . . . . .	4 095 229	3 650 541
Dettes fiscales et sociales . . . . .	1 958 872	1 102 478
<b>DETTES DIVERSES</b>		
Dettes sur immobilisations et comptes rattachés . . . . .	293 093	321 181
Autres dettes . . . . .	2 436 096	1 221 267
<b>COMPTES DE REGULARISATION</b>		
Produits constatés d'avance . . . . .	1 245 175	1 018 909
<b>DETTES . . . . .</b>	<b>10 028 465</b>	<b>7 314 376</b>
Ecarts de conversion passif . . . . .		
<b>TOTAL GENERAL . . . . .</b>	<b>10 740 956</b>	<b>6 838 901</b>
<i>Résultat de l'exercice en centimes . . . . .</i>	<b>1 442 480,40</b>	
<i>Total du bilan en centimes . . . . .</i>	10 740 955,52	



**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**COMPTE DE RESULTAT (en liste)**

<u>Rubriques</u>	<u>France</u>	<u>Exportation</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Ventes de marchandises .....				
Production vendue de biens .....				
Production vendue de services .....	15 862 848		15 862 848	11 270 204
<b>CHIFFRES D’AFFAIRES NETS</b> .....	<b>15 862 848</b>		<b>15 862 848</b>	<b>11 270 204</b>
Production stockée .....				
Production immobilisée .....				
Subventions d’exploitation .....				
Reprises sur amortissements et provisions, transfert de charges .....			3 276	48 026
Autres produits .....			1 072	7
<b>PRODUITS D’EXPLOITATION</b> .....			<b>15 867 197</b>	<b>11 318 237</b>
Achats de marchandises (y compris droits de douane) .....			514	5 655
Variation de stock (marchandises) .....				
Achats de matières premières et autres approvisionnements (et droits de douane) .....				
Variation de stock (matières premières et approvisionnements) .....			10 994 535	6 426 940
Autres achats et charges externes .....			153 839	138 745
Impôts, taxes et versements assimilés .....			1 873 837	1 288 495
Salaires et traitements .....			878 942	580 761
Charges sociales .....				
<b>DOTATIONS D’EXPLOITATION</b>				
Sur immobilisations : dotations aux amortissements .....			330 004	215 196
Sur immobilisations : dotations aux provisions .....				
Sur actif circulant : dotations aux provisions .....				
Pour risques et charges : dotations aux provisions .....				3 276
Autres charges .....			449	48 190
<b>CHARGES D’EXPLOITATION</b> .....			<b>14 232 120</b>	<b>8 707 259</b>
<b>RESULTAT D’EXPLOITATION</b> .....			<b>1 635 077</b>	<b>2 610 978</b>
<b>OPERATIONS EN COMMUN</b>				
Bénéfice attribué ou perte transférée .....				
Perte supportée ou bénéfice transféré .....				
<b>PRODUITS FINANCIERS</b>				
Produits financiers de participations .....				
Produits des autres valeurs mobilières et créances de l’actif immobilisé .....				
Autres intérêts et produits assimilés .....			1 085	703
Reprises sur provisions et transferts de charges .....				
Différences positives de change .....			28 140	37 193
Produits nets sur cessions de valeurs mobilières de placement .....				
<b>PRODUITS FINANCIERS</b> .....			<b>29 225</b>	<b>37 896</b>
Dotations financières aux amortissements et provisions .....				
Intérêts et charges assimilées .....			9 863	84 016
Différences négatives de change .....			61 177	43 185
Charges nettes sur cessions de valeurs mobilières de placement .....				
<b>CHARGES FINANCIERES</b> .....			<b>71 040</b>	<b>127 201</b>
<b>RESULTAT FINANCIER</b> .....			<b>(41 815)</b>	<b>(89 305)</b>
<b>RESULTAT COURANT AVANT IMPOTS</b> .....			<b>1 593 262</b>	<b>2 521 673</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**COMPTE DE RESULTAT (suite)**

<u>Rubriques</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Produits exceptionnels sur opérations de gestion . . . . .		262 250
Produits exceptionnels sur opérations en capital . . . . .		
Reprises sur provisions et transferts de charges . . . . .	251 238	
<b>PRODUITS EXCEPTIONNELS . . . . .</b>	<b>251 238</b>	<b>262 250</b>
Charges exceptionnelles sur opérations de gestion . . . . .	16 720	2 511
Charges exceptionnelles sur opérations en capital . . . . .	13 491	
Dotations exceptionnelles aux amortissements et provisions . . . . .		251 238
<b>CHARGES EXCEPTIONNELLES . . . . .</b>	<b>30 211</b>	<b>253 750</b>
<b>RESULTAT EXCEPTIONNEL . . . . .</b>	<b>221 028</b>	<b>8 500</b>
Participation des salariés aux résultats de l'entreprise . . . . .		
Impôts sur les bénéfices . . . . .	371 809	
<b>TOTAL DES PRODUITS . . . . .</b>	<b>16 147 660</b>	<b>11 618 384</b>
<b>TOTAL DES CHARGES . . . . .</b>	<b>14 705 179</b>	<b>9 088 210</b>
<b>BENEFICE OU PERTE . . . . .</b>	<b>1 442 480</b>	<b>2 530 173</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**ANNEXE**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**REGLES ET METHODES COMPTABLES**

La société MA CHAINE SPORT SAS a pour objet principal l'étude, le développement, l'édition et l'exploitation de programmes et services de télévision dans le domaine du sport ou des activités en relation avec le sport.

La société a été immatriculée au RCS de PARIS en date du 01 octobre 2007 et a commencé son activité le 18/09/2007.

L'exercice social clos le 31/12/2012 a une durée de 12 mois.

Le résultat net comptable est un bénéfice de 1 442 480 euros.

#### **I—Faits caractéristiques de l'exercice**

Durant l'année 2012, la société MCS a continué à élargir sa distribution en signant des accords avec de nouveaux distributeurs : Cabovisao (Portugal), Canal+ Afrique, Cable Com... *Des contrats ont été signés fin 2012 mais n'auront un impact chiffre d'affaires qu'à compter de 2013* : One Sport Israël et Overseas Caraïbes. Certains contrats ont été révisés suite à l'arrivée de deux nouvelles chaînes : MCS Extrême en janvier et MCS Bien Etre en avril 2012.

Le contrat d'exclusivité signé en 2011 avec le Groupe Canal+ a commencé à prendre effet avec l'arrêt de la distribution des chaînes sur les réseaux de Bouygues Telecom et d'Orange.

L'actionnariat de la société MCS a évolué à deux reprises en cours d'année :

- le 23/04/2012, l'actionnaire majoritaire Altice IV a cédé 680 de ses 3400 actions à la société VALEMI CORP.
- le 22/08/2012, Nicolas ROTKOPF a cédé l'intégralité de ses actions à cette même société qui détient au 31/12/2012 1 280 actions, soit 32 % du capital.

#### **II—Règles et méthodes comptables**

Les comptes annuels ont été arrêtés conformément aux dispositions du Code de Commerce, du décret du 29 novembre 1983 et du plan comptable général.

Les conventions générales comptables ont été appliquées dans le respect du principe de prudence, conformément aux hypothèses de base :

- continuité de l'exploitation,
- permanence des méthodes comptables d'un exercice à l'autre,
- indépendance des exercices,

Conformément aux règles générales d'établissement et de présentation des comptes annuels.

#### **III—Continuité d'exploitation**

La société clôture l'exercice comptable avec un bénéfice positif.

En conséquence, les comptes de l'exercice 2012 ont été arrêtés selon le principe de continuité de l'exploitation.

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**REGLES ET METHODES COMPTABLES**

**IV—Informations relatives au compte de résultat**

**1. Chiffre d'affaires**

Le chiffre d'affaires comptabilisé correspond aux droits concédés par la société aux éditeurs sur la base de contrats pluriannuels. Le chiffre d'affaires est reconnu en résultat sur la base d'un étalement prorata temporis des contrats conclus en fonction des droits concédés.

**2. Coûts d'acquisition des droits sportifs et des droits audiovisuels**

Les coûts d'acquisition des droits sportifs et audiovisuels sont comptabilisés en « Autres achats et charges externes ». Ces coûts sont engagés dans le cadre de contrats pluriannuels. Ces dépenses sont comptabilisées en charge sur la base d'un étalement prorata temporis des contrats conclus en fonction des droits consommés.

**V—Informations relatives au bilan**

**1.1. Immobilisations incorporelles**

Les immobilisations incorporelles sont évaluées à leur coût d'acquisition, après déduction des rabais, remises et escomptes de règlement ou à leur coût de production. Une dépréciation est comptabilisée quand la valeur actuelle d'un actif est inférieure à la valeur nette comptable.

Les durées et mode d'amortissement des immobilisations incorporelles sont les suivantes :

- |  |                     |
|--|---------------------|
| – Frais d'études et de développement :     | Linéaire sur 3 ans  |
| – Les dépôts de marque :                   | Linéaire sur 10 ans |
| – Les logiciels :                          | Linéaire sur 3 ans  |
| – Les frais « d'habillage » de la chaîne : | Linéaire sur 5 ans  |

**1.2. Immobilisations corporelles**

Les immobilisations corporelles sont évaluées à leur coût d'acquisition, après déduction des rabais, remises et escomptes de règlement ou à leur coût de production. Une dépréciation est comptabilisée quand la valeur actuelle d'un actif est inférieure à la valeur nette comptable.

Les durées et mode d'amortissement des immobilisations corporelles sont les suivantes :

- |   |                     |
|---|---------------------|
| – Installations techniques, matériel et outillage : | Linéaire sur 5 ans  |
| – Agencement, aménagement et installation :         | Linéaire sur 10 ans |
| – Matériel de bureau et informatique :              | Linéaire sur 3 ans  |

**1.3. Immobilisations financières**

Il n'y a pas eu de mouvements significatifs concernant les immobilisations financières en 2012.

**1.4. Créances**

Les créances sont valorisées à leur valeur nominale. Une dépréciation est pratiquée lorsque la valeur d'inventaire est inférieure à la valeur comptable.

**1.5. Charges constatées d'avance**

Les charges constatées d'avance correspondent aux acquisitions de droits sportifs et audiovisuels non consommés à la clôture de l'exercice.

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**  
**REGLES ET METHODES COMPTABLES**

**VI—Autres informations**

**1. Evénements Post Clôture**

MCS a renouvelé ses accords de distribution avec le Groupe Numericable et sa plateforme de distribution. Cet accord est conclu pour 5 ans et inclut l'ensemble des 4 chaînes édités par le groupe MCS Tv (MCS, MCS Extrême, MCS Bien Etre et MCS tennis).

**2. Engagements hors bilan**

Dans le cadre de l'acquisition de droits sportifs et audiovisuels, la société a conclu des contrats avec des engagements pluriannuels. Les principaux fournisseurs avec lesquels des contrats pluriannuels ont été conclus sont les suivants :

- Sport Five
- IEC/ Perform
- Kentaro
- RDATV
- MP Silva
- IMG
- IRB
- Red Bull
- Infront

**INFORMATIONS**  
**BILAN ET RESULTAT**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**IMMOBILISATIONS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Réévaluation</u>	<u>Acquisit., apports</u>
FRAIS D'ETABLISSEMENT, DE RECHERCHE ET DE DEVELOPPEMENT . . . . .	<b>127 025</b>		
AUTRES POSTES D'IMMOBILISATIONS INCORPORELLES . . . . .	<b>339 873</b>		<b>39 783</b>
Terrains . . . . .			
Constructions sur sol propre . . . . .			
Constructions sur sol d'autrui . . . . .			
Constructions installations générales, agencements, aménagements . . . . .			
Installations techniques, matériel et outillage industriels . . . . .	849 132		574 450
Installations générales, agencements, aménagements . . . . .	33 837		34 728
Matériel de transport . . . . .			
Matériel de bureau, informatique, mobilier . . . . .	63 558		27 710
Emballages récupérables et divers . . . . .			
Immobilisations corporelles en cours . . . . .			
Avances et acomptes . . . . .			
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>	<b>946 527</b>		<b>636 887</b>
Participations évaluées par mise en équivalence . . .			
Autres participations . . . . .			
Autres titres immobilisés . . . . .			
Prêts et autres immobilisations financières . . . . .	307		75
<b>IMMOBILISATIONS FINANCIERES . . . . .</b>	<b>307</b>		<b>75</b>
<b>TOTAL GENERAL . . . . .</b>	<b>1 413 732</b>		<b>676 745</b>



**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

<u>Rubriques</u>	<u>Virement</u>	<u>Cession</u>	<u>Fin d'exercice</u>	<u>Valeur d'origine</u>
FRAIS ETABLIS, RECHERCHE, DEVELOPPEMENT . . . . .		52 125	74 900	
AUTRES POSTES IMMOB. INCORPORELLES . .		237 895	141 761	
Terrains . . . . .				
Constructions sur sol propre . . . . .				
Constructions sur sol d'autrui . . . . .				
Constructions, installations générales, agencements . . . . .				
Installations techn., matériel et outillages industriels . . . . .		10 000	1 413 582	
Installations générales, agencements divers . . .			68 564	
Matériel de transport . . . . .				
Matériel de bureau, informatique, mobilier . . . .		1 713	89 555	
Emballages récupérables et divers . . . . .				
Immobilisations corporelles en cours . . . . .				
Avances et acomptes . . . . .				
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>		<b>11 713</b>	<b>1 571 701</b>	
Participations évaluées par mise équivalence . .				
Autres participations . . . . .				
Autres titres immobilisés . . . . .				
Prêts et autres immobilisations financières . . . .			382	
<b>IMMOBILISATIONS FINANCIERES . . . . .</b>			<b>382</b>	
<b>TOTAL GENERAL . . . . .</b>		<b>301 733</b>	<b>1 788 744</b>	

**AMORTISSEMENTS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Dotations</u>	<u>Reprises</u>	<u>Fin d'exercice</u>
FRAIS ETABLIS, RECHERCHE, DEVELOPPEMENT . . . . .	72 377	30 165	52 125	50 417
AUTRES IMMO. INCORPORELLES . . . . .	198 482	70 052	228 904	39 630
Terrains . . . . .				
Constructions sur sol propre . . . . .				
Constructions sur sol d'autrui . . . . .				
Constructions inst. générales, agencements . . . .				
Installations techniques, matériel et outillage . . . .	234 978	213 677	5 500	443 155
Installations générales, agencements . . . . .	2 477	4 038		6 515
Matériel de transport . . . . .				
Matériel de bureau, informatique, mobilier . . . . .	18 655	12 072	1 713	29 014
Emballages récupérables, divers . . . . .				
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>	<b>256 110</b>	<b>229 787</b>	<b>7 213</b>	<b>478 684</b>
<b>TOTAL GENERAL . . . . .</b>	<b>526 970</b>	<b>330 004</b>	<b>288 242</b>	<b>568 731</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**PROVISIONS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Dotations</u>	<u>Reprises</u>	<u>Fin d'exercice</u>
Provisions gisements miniers, pétroliers . . . . .				
Provisions pour investissement . . . . .				
Provisions pour hausse des prix . . . . .				
Provisions pour fluctuation des cours . . . . .				
Amortissements dérogatoires . . . . .				
Implantations étrangères avant 01/01/92 . . . . .				
Implantations étrangères après 01/01/92 . . . . .				
Provisions pour prêts d'installation . . . . .				
Autres provisions réglementées . . . . .	_____	_____	_____	_____
<b>PROVISIONS REGLEMENTEES . . . . .</b>	_____	_____	_____	_____
Provisions pour litiges . . . . .	16 680		16 680	
Provisions pour garanties données aux clients				
Provisions pour pertes sur marchés à terme . .				
Provisions pour amendes et pénalités . . . . .				
Provisions pour pertes de change . . . . .				
Provisions pour pensions, obligations similaires . . . . .				
Provisions pour impôts . . . . .	237 835		237 835	
Provisions pour renouvellement immobilisations . . . . .				
Provisions pour grosses réparations . . . . .				
Provisions charges soc. fisc. sur congés à payer . . . . .				
Autres provisions pour risques et charges . . . .				
<b>PROVISIONS RISQUES ET CHARGES . . . . .</b>	<b>254 515</b>	_____	<b>254 515</b>	_____
Provisions sur immobilisations incorporelles . .				
Provisions sur immobilisations corporelles . . . .				
Provisions sur titres mis en équivalence . . . . .				
Provisions sur titres de participation . . . . .				
Provisions sur autres immobilis. financières . . .				
Provisions sur stocks et en cours . . . . .				
Provisions sur comptes clients . . . . .				
Autres provisions pour dépréciations . . . . .	_____	_____	_____	_____
<b>PROVISIONS POUR DEPRECIATION . . . . .</b>	_____	_____	_____	_____
<b>TOTAL GENERAL . . . . .</b>	<b>254 515</b>	_____	<b>254 515</b>	_____
Dotations et reprises d'exploitation . . . . .			3 276	
Dotations et reprises financières . . . . .				
Dotations et reprises exceptionnelles . . . . .			251 238	
Dépréciation des titres mis en équivalence à la clôture de l'exercice . . . . .				

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**CREANCES ET DETTES**

<u>ETAT DES CREANCES</u>	<u>Montant brut</u>	<u>1 an au plus</u>	<u>plus d'un an</u>
Créances rattachées à des participations . . . . .			
Prêts . . . . .			
Autres immobilisations financières . . . . .	382	382	
Clients douteux ou litigieux . . . . .			
Autres créances clients . . . . .	5 929 402	5 929 402	
Créance représentative de titres prêtés . . . . .			
Personnel et comptes rattachés . . . . .	4 248	4 248	
Sécurité Sociale et autres organismes sociaux . . . . .			
Etat, autres collectivités : impôt sur les bénéfices . . . . .			
Etat, autres collectivités : taxe sur la valeur ajoutée . . . . .	910 307	910 307	
Etat, autres collectivités : autres impôts, taxes, versements assimilés . . . . .			
Etat, autres collectivités : créances diverses . . . . .			
Groupe et associés . . . . .			
Débiteurs divers . . . . .	35 592	35 592	
Charges constatées d'avance . . . . .	390 401	384 418	5 983
<b>TOTAL GENERAL</b> . . . . .	<b><u>7 270 332</u></b>	<b><u>7 264 349</u></b>	<b><u>5 983</u></b>
Montant des prêts accordés en cours d'exercice . . . . .			
Montant des remboursements obtenus en cours d'exercice .			
Prêts et avances consentis aux associés . . . . .			

## MA CHAINE SPORT

### Etats financiers au 31 décembre 2012

<u>ETAT DES DETTES</u>	<u>Montant brut</u>	<u>1 an au plus</u>	<u>plus d'1 an, - 5 ans</u>	<u>plus de 5 ans</u>
Emprunts obligataires convertibles . . .				
Autres emprunts obligataires . . . . .				
Emprunts et dettes à 1 an maximum à l'origine . . . . .				
Emprunts et dettes à plus d'1 an à l'origine . . . . .				
Emprunts et dettes financières divers .				
Fournisseurs et comptes rattachés . . .	4 095 229	4 095 229		
Personnel et comptes rattachés . . . . .	245 356	245 356		
Sécurité sociale et autres organismes sociaux . . . . .	255 918	255 918		
Etat : impôt sur les bénéfiques . . . . .	371 809	371 809		
Etat : taxe sur la valeur ajoutée . . . . .	1 052 656	1 052 656		
Etat : obligations cautionnées . . . . .				
Etat : autres impôts, taxes et assimilés	33 133	33 133		
Dettes sur immobilisations et comptes rattachés . . . . .	293 093	293 093		
Groupe et associés . . . . .				
Autres dettes . . . . .	2 436 096	2 436 096		
Dettes représentatives de titres empruntés . . . . .				
Produits constatés d'avance . . . . .	1 245 175	1 245 175		
<b>TOTAL GENERAL</b> . . . . .	<b>10 028 465</b>	<b>10 028 465</b>		
Emprunts souscrits en cours d'exercice . . . . .				
Emprunts remboursés en cours d'exercice . . . . .				
Emprunts, dettes contractés auprès d'associés . . . . .				

### DETAIL DES CHARGES A PAYER

	<u>31/12/2012</u>
<b>CHARGES A PAYER</b> . . . . .	<b>4 097 877</b>
<b>DETTES FOURNISSEURS CPTES RATTACH</b> . . . . .	<b>1 510 372</b>
4081000000 FOURNISSEURS—FACTURES NON PARVENU . . . . .	1 510 372
<b>AUTRES DETTES</b> . . . . .	<b>2 392 000</b>
4198000000 CLIENTS—AVOIR A ETABLIR . . . . .	2 392 000
<b>DETTES FISCALES ET SOCIALES</b> . . . . .	<b>169 096</b>
4286000000 PERSONNEL—CHARGES A PAYER . . . . .	91 824
4386000000 ORGANISMES SOCIAUX—CHARGES A PAYER . . . . .	44 138
4486000000 ETAT—CHARGES A PAYER . . . . .	33 133
<b>AUTRES DETTES</b> . . . . .	<b>26 409</b>
4686000000 DIVERS CHARGES A PAYER . . . . .	26 409
<b>TOTAL DES CHARGES A PAYER</b> . . . . .	<b>4 097 877</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**DETAIL DES PRODUITS A RECEVOIR**

	<u>31/12/2012</u>
<b>PRODUITS A RECEVOIR</b> .....	629 491
<b>CLIENTS ET COMPTES RATTACHES</b> .....	598 745
4181000000 CLIENTS—FACTURE A ETABLIR 19.6 % .....	537 851
4181010000 CLIENTS—FACTURE A ETABLIR SANS TV .....	40 930
4181030000 CLIENTS—FACTURE A ETABLIR 8.5 % .....	19 964
<b>AUTRES CREANCES</b> .....	30 746
4098000000 FOURNISSEURS AVOIR A RECEVOIR .....	29 672
4687000000 DIVERS PRODUITS A RECEVOIR .....	1 075
<b>TOTAL DES PRODUITS A RECEVOIR</b> .....	<u>629 491</u>

**CHARGES ET PRODUITS EXCEPTIONNELS**

<u>Nature des charges</u>	<u>Montant</u>	<u>Imputation au compte</u>
Indemnités Prud'hommes Ricord .....	16 393	6 718 000
Vncea .....	13 491	6 752 000
Contraventions .....	205	6 712 000
Majorations Urssaf .....	122	6 712 000
<b>TOTAL</b> .....	<u>30 211</u>	<u>                    </u>

<u>Nature des produits</u>	<u>Montant</u>	<u>Imputation au compte</u>
RAP IS 2011 .....	237 835	78 750 000
RAP R&C Prud'homme Ricord .....	13 403	78 750 000
<b>TOTAL</b> .....	<u>251 238</u>	<u>                    </u>

**VARIATION DES CAPITAUX PROPRES**

<u>Situation à l'ouverture de l'exercice</u>	<u>Solde</u>	
Capitaux propres avant distributions sur résultats antérieurs .....	(729 990)	
Capitaux propres après distributions sur résultats antérieurs .....	(729 990)	
<u>Variations en cours d'exercice</u>	<u>En moins</u>	<u>En plus</u>
Autres variations .....	<u>                    </u>	1 441 280
<b>SOLDE</b> .....	<u>                    </u>	<b>1 441 280</b>
<u>Situation à la clôture de l'exercice</u>	<u>Solde</u>	
Capitaux propres avant répartition .....	<u>711 291</u>	

**AFFECTATION DES RESULTATS SOUMISE  
A L'APPROBATION DE L'ASSEMBLEE GENERALE**

<u>1—Origine</u>	<u>Montant</u>
Report à nouveau antérieur .....	- 769 989,50
Résultat de l'exercice .....	1 442 480,40
dont résultat courant après impôts : .....	1 220 252,72
<b>TOTAL</b> .....	<u>672 490,90</u>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

<b>2—Affectations</b>	<b>Montant</b>
Report à nouveau . . . . .	671 290,90
<b>TOTAL</b> . . . . .	<b>671 290,90</b>

**VENTILATION DU CHIFFRE D’AFFAIRES EN KE**

<u>Rubriques</u>	<u>Chiffre d'affaires France</u>	<u>Chiffre d'affaires Export</u>	<u>Total 31/12/2012</u>	<u>Total 31/12/2011</u>	<u>% 12/11</u>
REDEVANCES . . . . .	14 169	1 068	15 237	10 467	45,57 %
VENTES ESPACES PUBLICITAIRES . . . . .	404		404	492	- 17,81 %
AUTRES PRESTATIONS . . . . .	120	22	143		
VOD . . . . .	23		23	38	- 39,58 %
COMMISSIONS TELECHAT . . . . .		35	35	35	- 1,37 %
REFACTURATIONS PRESTATIONS . . . . .	1	21	22	238	- 90,97 %
<b>TOTAL</b> . . . . .	<b>14 717</b>	<b>1 146</b>	<b>15 863</b>	<b>11 270</b>	<b>40,75 %</b>

**RESULTATS DES CINQ DERNIERS EXERCICES**

<u>Date d'arrêté Durée de l'exercice (mois)</u>	<u>31/12/2012 12</u>	<u>31/12/2011 12</u>	<u>31/12/2010 12</u>	<u>31/12/2009 12</u>	<u>31/12/2008 15</u>
<b>CAPITAL EN FIN D'EXERCICE</b>					
Capital social . . . . .	40 000	40 000	40 000	40 000	40 000
Nombre d'actions					
—ordinaires . . . . .	4 000	4 000	4 000	4 000	4 000
Nombre maximum d'actions à créer . . . . .					
<b>OPERATIONS ET RESULTATS</b>					
Chiffre d'affaires hors taxes . . . . .	15 862 848	11 270 204	11 566 854	11 132 079	8 738 602
Résultat avant impôt, participation, dot.					
amortissements et provisions . . . . .	1 889 778	2 951 859	597 670	(497 670)	(3 038 236)
Impôts sur les bénéfices . . . . .	371 809				
Dot. amortissements et provisions . . . . .	75 489	421 685	206 844	107 277	47 805
Résultat net . . . . .	1 442 480	2 530 173	390 826	(604 947)	(3 086 041)
<b>RESULTAT PAR ACTION</b>					
Résultat après impôt, participation, avant					
dot. amortissements, provisions . . . . .	379	738	149	(124)	(760)
Résultat après impôt, participation dot.					
amortissements et provisions . . . . .	361	633	98	(151)	(772)
<b>PERSONNEL</b>					
Effectif moyen des salariés . . . . .	22	13	10	9	10
Masse salariale . . . . .	1 873 837	1 288 495	1 021 657	924 713	1 043 264
Sommes versées en avantages sociaux (sécurité sociale, œuvres sociales...) . . . . .	878 942	580 761	418 105	411 601	436 524

**COMPOSITION DU CAPITAL SOCIAL**

<u>Catégories de titres</u>	<u>Nombre de titres</u>			<u>Valeur nominale</u>
	<u>à la clôture de l'exercice</u>	<u>créés pendant l'exercice</u>	<u>remboursés pendant l'exercice</u>	
Actions ordinaires . . . . .	4 000			10,00

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2012**

**REPARTITION DE L'IMPOT SUR LES BENEFICES**

<u>Répartition</u>	<u>Résultat avant impôt</u>	<u>Impôt dû</u>	<u>Résultat net après impôt</u>
Résultat courant . . . . .	1 593 262	375 646	1 217 616
Résultat exceptionnel à court terme . . . . .	221 027	(3 837)	224 864
<b>RESULTAT COMPTABLE</b> . . . . .	<b><u>1 814 289</u></b>	<b><u>371 809</u></b>	<b><u>1 442 480</u></b>

**SITUATION FISCALE DIFFEREE ET LATENTE**

<u>Rubriques</u>	<u>Montant</u>
<b>IMPOT DU SUR :</b>	
Provisions réglementaires :	
Provisions pour hausse de prix . . . . .	_____
<b>TOTAL ACCROISSEMENTS</b> . . . . .	_____
<b>IMPOT PAYE D'AVANCE SUR :</b>	
Charges non déductibles temporairement (à déduire l'année suivante) :	
Autres . . . . .	26 409
A déduire ultérieurement :	_____
<b>TOTAL ALLEGEMENTS</b> . . . . .	<b><u>26 409</u></b>
<b>SITUATION FISCALE DIFFEREE NETTE</b> . . . . .	<b><u>(26 409)</u></b>
 <b>IMPOT DU SUR :</b>	
<b>CREDIT A IMPUTER SUR :</b>	
	_____
<b>SITUATION FISCALE LATENTE NETTE</b> . . . . .	_____

**EFFECTIF A LA CLOTURE**

<u>Effectifs</u>	<u>Personnel salarié</u>	<u>Personnel à disposition de l'entreprise</u>
CADRES . . . . .	14	
EMPLOYES . . . . .	10	
<b>TOTAL</b> . . . . .	<b><u>24</u></b>	<u>          </u>



**KPMG Audit**  
Espace Européen de l'Entreprise  
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Site internet : [www.kpmg.fr](http://www.kpmg.fr)

## **Ma Chaîne Sport S.A.S.**

### Rapport du commissaire aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2012  
Ma Chaîne Sport S.A.S.  
15, rue Cognac Jay - 75007 Paris  
*Ce rapport contient 25 pages*  
Référence : PM-132-026

KPMG S.A.,  
société française membre du réseau KPMG  
constitué de cabinets indépendants adhérents de  
KPMG International Cooperative, une entité de droit suisse.

Société anonyme d'expertise  
comptable et de commissariat  
aux comptes à directoire et  
conseil de surveillance.  
Inscrite au Tableau de l'Ordre  
à Paris sous le n° 14-30080101  
et à la Compagnie Régionale  
des Commissaires aux Comptes  
de Versailles.

Siège social :  
KPMG S.A.  
Immeuble Le Palatin  
3 cours du Triangle  
92839 Paris La Défense Cedex  
Capital : 5 497 100 €.   
Code APE 6920Z  
775 726 417 R.C.S. Nanterre  
TVA Union Européenne  
FR 77 775 726 417





**KPMG Audit**  
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Site internet : [www.kpmg.fr](http://www.kpmg.fr)

## **Ma Chaîne Sport S.A.S.**

Siège social : 15, rue Cognac Jay - 75007 Paris

Capital social : € 40 000

### **Rapport du commissaire aux comptes sur les comptes annuels**

Exercice clos le 31 décembre 2012

Aux associés,

En exécution de la mission qui nous a été confiée par vos statuts, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2012, sur :

- le contrôle des comptes annuels de la société Ma Chaîne Sport S.A.S., tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- les vérifications et informations spécifiques prévues par la loi.

Les comptes annuels ont été arrêtés par le Président. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

#### **1 Opinion sur les comptes annuels**

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes annuels. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

KPMG S.A.,  
société française membre du réseau KPMG  
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Société anonyme d'expertise  
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Inscrite au Tableau de l'Ordre  
à Paris sous le n° 14-30080101  
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de Versailles.

Siège social :  
KPMG S.A.  
Immeuble Le Palatin  
3 cours du Triangle  
92839 Paris La Défense Cedex  
Capital : 5 497 100 €. Code APE 6920Z  
775 726 417 R.C.S. Nanterre  
TVA Union Européenne  
FR 77 775 726 417

## **2 Justification des appréciations**

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

### Règles et méthodes comptables

La note IV « Informations relatives au compte de résultat » de l'annexe des comptes expose notamment les règles et méthodes comptables relatives à la reconnaissance du revenu et des coûts d'acquisition des droits sportifs et des droits audiovisuels.

Dans le cadre de notre appréciation des règles et principes comptables suivis par votre société, nous avons vérifié le caractère approprié des méthodes comptables visées ci-dessus et des informations fournies dans l'annexe des comptes et nous sommes assurés de leur correcte application.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

## **3 Vérifications et informations spécifiques**

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Président et dans les documents adressés aux associés sur la situation financière et les comptes annuels.

Schiltigheim, le 23 mai 2013

KPMG Audit  
*Département de KPMG S.A.*

Pascal Maire  
Associé

# **MA CHAINE SPORT**

**15 RUE DE COGNACQ JAY**

**75007 PARIS**

**Etats financiers au 31 décembre 2011**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**  
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**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**BILAN ACTIF**

<u>Rubriques</u>	<u>Montant Brut</u>	<u>Amortissements</u>	<u>31/12/2011 (12)</u>	<u>31/12/2010 (12)</u>
Capital souscrit non appelé . . . . .				
<b>IMMOBILISATIONS INCORPORELLES</b>				
Frais d'établissement . . . . .				
Frais de recherche et développement . . . . .	127 025	72 377	54 648	54 224
Concessions, brevets et droits similaires . . . . .	19 978	6 156	13 822	6 311
Fonds commercial . . . . .				
Autres immobilisations incorporelles . . . . .	319 895	192 327	127 568	110 363
Avances, acomptes sur immo. incorporelles . .				
<b>IMMOBILISATIONS CORPORELLES</b>				
Terrains . . . . .				
Constructions . . . . .				
Installations techniques, matériel, outillage . . .	849 132	234 978	614 155	264 014
Autres immobilisations corporelles . . . . .	97 395	21 133	76 262	8 224
Immobilisations en cours . . . . .				
Avances et acomptes . . . . .				
<b>IMMOBILISATIONS FINANCIERES</b>				
Participations par mise en équivalence . . . . .				
Autres participations . . . . .				
Créances rattachées à des participations . . . .				
Autres titres immobilisés . . . . .				
Prêts . . . . .				
Autres immobilisations financières . . . . .	307		307	307
<b>ACTIF IMMOBILISE</b> . . . . .	<u>1 413 732</u>	<u>526 970</u>	<u>886 762</u>	<u>443 443</u>
<b>STOCKS ET EN-COURS</b>				
Matières premières, approvisionnements . . . .				
En-cours de production de biens . . . . .				
En-cours de production de services . . . . .				
Produits intermédiaires et finis . . . . .				
Marchandises . . . . .				
Avances et acomptes versés sur commandes .				
<b>CREANCES</b>				
Créances clients et comptes rattachés . . . . .	4 008 240		4 008 240	2 858 203
Autres créances . . . . .	295 693		295 693	89 687
Capital souscrit et appelé, non versé . . . . .				
<b>DIVERS</b>				
Valeurs mobilières de placement (dont actions propres : ) . . . . .				
Disponibilités . . . . .	1 139 730		1 139 730	1 079 971
<b>COMPTES DE REGULARISATION</b>				
Charges constatées d'avance . . . . .	508 476		508 476	621 447
<b>ACTIF CIRCULANT</b> . . . . .	<u>5 952 139</u>		<u>5 952 139</u>	<u>4 649 308</u>
Charges à répartir sur plusieurs exercices . . .				
Primes de remboursement des obligations . . .				
Ecart de conversion actif . . . . .				
<b>TOTAL GENERAL</b> . . . . .	<u>7 365 871</u>	<u>526 970</u>	<u>6 838 901</u>	<u>5 092 751</u>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**BILAN PASSIF**

<u>Rubriques</u>	<u>31/12/2011 (12)</u>	<u>31/12/2010 (12)</u>
Capital social ou individuel dont versé : 40 000 .....	40 000	40 000
Primes d'émission, de fusion, d'apport .....		
Ecarts de réévaluation dont écart d'équivalence : .....		
Réserve légale .....		
Réserves statutaires ou contractuelles .....		
Réserves réglementées (dont achat œuvres originales artistes ) .....		
Autres réserves .....		
Report à nouveau .....	(3 300 163)	(3 690 988)
<b>RESULTAT DE L'EXERCICE (bénéfice ou perte)</b> .....	<b>2 530 173</b>	<b>390 826</b>
Subventions d'investissement .....		
Provisions réglementées .....		
<b>CAPITAUX PROPRES</b> .....	<b>(729 990)</b>	<b>(3 260 163)</b>
Produits des émissions de titres participatifs .....		
Avances conditionnées .....		
<b>AUTRES FONDS PROPRES</b>		
Provisions pour risques .....	16 680	
Provisions pour charges .....	237 835	
<b>PROVISIONS POUR RISQUES ET CHARGES</b> .....	<b>254 515</b>	
<b>DETTES FINANCIERES</b>		
Emprunts obligataires convertibles .....		
Autres emprunts obligataires .....		
Emprunts et dettes auprès des établissements de crédit .....		
Emprunts et dettes financières divers (dont empr. participatifs ) .....		
Avances et acomptes reçus sur commandes en cours .....		
<b>DETTES D'EXPLOITATION</b>		
Dettes fournisseurs et comptes rattachés .....	3 650 541	4 599 230
Dettes fiscales et sociales .....	1 102 478	1 010 378
<b>DETTES DIVERSES</b>		
Dettes sur immobilisations et comptes rattachés .....	321 181	22 930
Autres dettes .....	1 221 267	2 184 042
<b>COMPTES DE REGULARISATION</b>		
Produits constatés d'avance .....	1 018 909	536 333
<b>DETTES</b> .....	<b>7 314 376</b>	<b>8 352 914</b>
Ecarts de conversion passif		
<b>TOTAL GENERAL</b> .....	<b>6 838 901</b>	<b>5 092 751</b>
<i>Résultat de l'exercice en centimes</i> .....	<b>2 530 173,21</b>	
<i>Total du bilan en centimes</i> .....	<b>6 838 900,91</b>	

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**COMPTE DE RESULTAT (en liste)**

<u>Rubriques</u>	<u>France</u>	<u>Exportation</u>	<u>31/12/2011 (12)</u>	<u>31/12/2010 (12)</u>
Ventes de marchandises . . . . .				
Production vendue de biens . . . . .				
Production vendue de services . . . . .	11 270 204		11 270 204	11 566 854
<b>CHIFFRES D'AFFAIRES NETS</b> . . . . .	<b>11 270 204</b>		<b>11 270 204</b>	<b>11 566 854</b>
Production stockée . . . . .				
Production immobilisée . . . . .				
Subventions d'exploitation . . . . .				
Reprises sur amortissements et provisions, transfert de charges . . . .			48 026	
Autres produits . . . . .			7	36
<b>PRODUITS D'EXPLOITATION</b> . . . . .			<b>11 318 237</b>	<b>11 566 889</b>
Achats de marchandises (y compris droits de douane) . . . . .			5 655	3 408
Variation de stock (marchandises) . . . . .				
Achats de matières premières et autres approvisionnements (et droits de douane) . . . . .				
Variation de stock (matières premières et approvisionnements) . . . . .				
Autres achats et charges externes . . . . .			6 426 940	9 341 296
Impôts, taxes et versements assimilés . . . . .			138 745	81 409
Salaires et traitements . . . . .			1 288 495	1 021 657
Charges sociales . . . . .			580 761	418 105
<b>DOTATIONS D'EXPLOITATION</b>				
Sur immobilisations : dotations aux amortissements . . . . .			215 196	158 818
Sur immobilisations : dotations aux provisions . . . . .				
Sur actif circulant : dotations aux provisions . . . . .				48 026
Pour risques et charges : dotations aux provisions . . . . .			3 276	
Autres charges . . . . .			48 190	47
<b>CHARGES D'EXPLOITATION</b> . . . . .			<b>8 707 259</b>	<b>11 072 765</b>
<b>RESULTAT D'EXPLOITATION</b> . . . . .			<b>2 610 978</b>	<b>494 124</b>
<b>OPERATIONS EN COMMUN</b> . . . . .				
Bénéfice attribué ou perte transférée . . . . .				
Perte supportée ou bénéfice transféré . . . . .				
<b>PRODUITS FINANCIERS</b>				
Produits financiers de participations . . . . .				
Produits des autres valeurs mobilières et créances de l'actif immobilisé . . . . .				
Autres intérêts et produits assimilés . . . . .			703	35
Reprises sur provisions et transferts de charges . . . . .				
Différences positives de change . . . . .			37 193	14 566
Produits nets sur cessions de valeurs mobilières de placement . . . . .				
<b>PRODUITS FINANCIERS</b> . . . . .			<b>37 896</b>	<b>14 601</b>
Dotations financières aux amortissements et provisions . . . . .				
Intérêts et charges assimilées . . . . .			84 016	105 899
Différences négatives de change . . . . .			43 185	8 578
Charges nettes sur cessions de valeurs mobilières de placement . . . .				
<b>CHARGES FINANCIERES</b> . . . . .			<b>127 201</b>	<b>114 476</b>
<b>RESULTAT FINANCIER</b> . . . . .			<b>(89 305)</b>	<b>(99 876)</b>
<b>RESULTAT COURANT AVANT IMPOTS</b> . . . . .			<b>2 521 673</b>	<b>394 249</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**COMPTE DE RESULTAT (suite)**

<u>Rubriques</u>	<u>31/12/2011 (12)</u>	<u>31/12/2010 (12)</u>
Produits exceptionnels sur opérations de gestion . . . . .	262 250	
Produits exceptionnels sur opérations en capital . . . . .		2 000
Reprises sur provisions et transferts de charges . . . . .		
<b>PRODUITS EXCEPTIONNELS . . . . .</b>	<b>262 250</b>	<b>2 000</b>
Charges exceptionnelles sur opérations de gestion . . . . .	2 511	550
Charges exceptionnelles sur opérations en capital . . . . .		4 873
Dotations exceptionnelles aux amortissements et provisions . . . . .	251 238	
<b>CHARGES EXCEPTIONNELLES . . . . .</b>	<b>253 750</b>	<b>5 423</b>
<b>RESULTAT EXCEPTIONNEL . . . . .</b>	<b>8 500</b>	<b>(3 423)</b>
Participation des salariés aux résultats de l'entreprise . . . . .		
Impôts sur les bénéfices . . . . .		
<b>TOTAL DES PRODUITS . . . . .</b>	<b>11 618 384</b>	<b>11 583 490</b>
<b>TOTAL DES CHARGES . . . . .</b>	<b>9 088 210</b>	<b>11 192 664</b>
<b>BENEFICE OU PERTE . . . . .</b>	<b>2 530 173</b>	<b>390 826</b>



**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**ANNEXE**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**  
**REGLES ET METHODES COMPTABLES**

La société MA CHAINE SPORT SAS a pour objet principal l'étude, le développement, l'édition et l'exploitation de programmes et services de télévision dans le domaine du sport ou des activités en relation avec le sport.

La société a été immatriculée au RCS de PARIS en date du 01 octobre 2007 et a commencé son activité le 18/09/2007.

L'exercice social clos le 31/12/2011 a une durée de 12 mois.

Le résultat net comptable est un bénéfice de 2 530 173 euros.

**I—Faits caractéristiques de l'exercice**

MCS a renouvelé ses accords de distribution avec le Groupe Canal Plus et sa plateforme de distribution par satellite et par adsl, CANALSAT. Cet accord est conclu pour 5 ans avec une option de sortie à l'initiative de MCS uniquement au bout de 3 ans.

Durant l'année 2011, MCS a continué à élargir sa distribution en signant des accords avec de nouveaux distributeurs : Mediaserv, Swisscom, Orange Suisse...

Le Groupe MCS a créé une version internationale de sa chaîne Ma Chaîne Sport à destination de l'Afrique Sub-Saharienne grâce à la signature d'un accord de distribution de 5 années avec le Groupe chinois Star International.

Le Groupe MCS a également créé une nouvelle déclinaison de ses chaînes sur le sport pour la famille avec MCS Bien Etre une chaîne à destination des femmes qui a été distribuée sur les réseaux de Numéricâble et de SFR dès son lancement et sera reprise très prochainement sur CanalSat.

**II—Règles et méthodes comptables**

Les comptes annuels ont été arrêtés conformément aux dispositions du Code de Commerce, du décret du 29 novembre 1983 et du plan comptable général.

Les conventions générales comptables ont été appliquées dans le respect du principe de prudence, conformément aux hypothèses de base :

- continuité de l'exploitation,
- permanence des méthodes comptables d'un exercice à l'autre,
- indépendance des exercices,

Conformément aux règles générales d'établissement et de présentation des comptes annuels.

**III—Continuité d'exploitation**

La société clôture son quatrième exercice comptable avec un bénéfice très nettement positif.

Les économies sur les droits de Ligue 2 et sur les frais de production y afférents, qui ont impacté l'exercice 2011 dans sa totalité, ont permis à la société d'améliorer de façon très significative son résultat. Les perspectives d'avenir laissent présager que la société clôturera le prochain exercice avec un résultat permettant aux capitaux propres d'être à nouveau supérieur à la moitié du capital.

En conséquence, les comptes de l'exercice 2011 ont été arrêtés selon le principe de continuité de l'exploitation.

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**  
**REGLES ET METHODES COMPTABLES**

**IV—Informations relatives au compte de résultat**

**1. Chiffre d'affaires**

Le chiffre d'affaires comptabilisé correspond aux droits concédés par la société aux éditeurs sur la base de contrats pluriannuels. Le chiffre d'affaires est reconnu en résultat sur la base d'un étalement prorata temporis des contrats conclus en fonction des droits concédés.

**2. Coûts d'acquisition des droits sportifs et des droits audiovisuels**

Les coûts d'acquisition des droits sportifs et audiovisuels sont comptabilisés en « Autres achats et charges externes ». Ces coûts sont engagés dans le cadre de contrats pluriannuels. Ces dépenses sont comptabilisées en charge sur la base d'un étalement prorata temporis des contrats conclus en fonction des droits consommés.

**V—Informations relatives au bilan**

**1. Immobilisations incorporelles**

Les immobilisations incorporelles sont évaluées à leur coût d'acquisition, après déduction des rabais, remises et escomptes de règlement ou à leur coût de production.

Une dépréciation est comptabilisée quand la valeur actuelle d'un actif est inférieure à la valeur nette comptable.

Les durées et mode d'amortissement des immobilisations incorporelles sont les suivantes :

- |  |                     |
|--|---------------------|
| – Frais d'études et de développement :     | Linéaire sur 3 ans  |
| – Les dépôts de marque :                   | Linéaire sur 10 ans |
| – Les logiciels :                          | Linéaire sur 3 ans  |
| – Les frais « d'habillage » de la chaîne : | Linéaire sur 5 ans  |

**2. Immobilisations corporelles**

Les immobilisations corporelles sont évaluées à leur coût d'acquisition, après déduction des rabais, remises et escomptes de règlement ou à leur coût de production.

Une dépréciation est comptabilisée quand la valeur actuelle d'un actif est inférieure à la valeur nette comptable.

Les durées et mode d'amortissement des immobilisations corporelles sont les suivantes :

- |   |                     |
|---|---------------------|
| – Installations techniques, matériel et outillage : | Linéaire sur 5 ans  |
| – Agencement, aménagement et installation :         | Linéaire sur 10 ans |
| – Matériel de bureau et informatique :              | Linéaire sur 3 ans  |

**3. Immobilisations financières**

Il n'y a pas eu de mouvements significatifs concernant les immobilisations financières en 2011.

**4. Créances**

Les créances sont valorisées à leur valeur nominale. Une dépréciation est pratiquée lorsque la valeur d'inventaire est inférieure à la valeur comptable.

**5. Charges constatées d'avance**

Les charges constatées d'avance correspondent aux acquisitions de droits sportifs et audiovisuels non consommés à la clôture de l'exercice.

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**  
**REGLES ET METHODES COMPTABLES**

**VI—Autres informations**

**1. Evénements Post Clôture**

Néant.

**2. Engagements hors bilan**

Dans le cadre de l'acquisition de droits sportifs et audiovisuels, la société a conclu des contrats avec des engagements pluriannuels. Les principaux fournisseurs avec lesquels des contrats pluriannuels ont été conclus sont les suivants :

- NBA
- Sport Five
- IEC
- Kentaro
- RDATV
- Media Broadcast
- MP Silva
- IMG

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**INFORMATIONS  
BILAN ET RESULTAT**

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**IMMOBILISATIONS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Réévaluation</u>	<u>Acquisit., apports</u>
FRAIS D'ETABLISSEMENT, DE RECHERCHE ET DE DEVELOPPEMENT . . . . .	<b>91 025</b>		<b>36 000</b>
AUTRES POSTES D'IMMOBILISATIONS INCORPORELLES . . . . .	<b>249 173</b>		<b>90 700</b>
Terrains . . . . .			
Constructions sur sol propre . . . . .			
Constructions sur sol d'autrui . . . . .			
Constructions installations générales, agencements, aménagements . . . . .			
Installations techniques, matériel et outillage industriels . . . . .	392 178		456 954
Installations générales, agencements, aménagements . . . . .	4 898		28 939
Matériel de transport . . . . .			
Matériel de bureau, informatique, mobilier . . . . .	17 636		45 923
Emballages récupérables et divers . . . . .			
Immobilisations corporelles en cours . . . . .			
Avances et acomptes . . . . .			
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>	<b><u>414 712</u></b>		<b><u>531 815</u></b>
Participations évaluées par mise en équivalence . . .			
Autres participations . . . . .			
Autres titres immobilisés . . . . .			
Prêts et autres immobilisations financières . . . . .	307		
<b>IMMOBILISATIONS FINANCIERES . . . . .</b>	<b><u>307</u></b>		
<b>TOTAL GENERAL . . . . .</b>	<b><u><u>755 216</u></u></b>		<b><u><u>658 515</u></u></b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

<u>Rubriques</u>	<u>Virement</u>	<u>Cession</u>	<u>Fin d'exercice</u>	<u>Valeur d'origine</u>
FRAIS ETABLIS, RECHERCHE, DEVELOPPEMENT . . . . .			<b>127 025</b>	
AUTRES POSTES IMMOB. INCORPORELLES . .			<b>339 873</b>	
Terrains . . . . .				
Constructions sur sol propre . . . . .				
Constructions sur sol d'autrui . . . . .				
Constructions, installations générales, agencements . . . . .				
Installations techn., matériel et outillages industriels . . . . .			849 132	
Installations générales, agencements divers . . .			33 837	
Matériel de transport . . . . .				
Matériel de bureau, informatique, mobilier . . . .			63 558	
Emballages récupérables et divers . . . . .				
Immobilisations corporelles en cours . . . . .				
Avances et acomptes . . . . .				
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>			<b>946 527</b>	
Participations évaluées par mise équivalence . .				
Autres participations . . . . .				
Autres titres immobilisés . . . . .				
Prêts et autres immobilisations financières . . . .			307	
<b>IMMOBILISATIONS FINANCIERES . . . . .</b>			<b>307</b>	
<b>TOTAL GENERAL . . . . .</b>			<b>1 413 732</b>	

**AMORTISSEMENTS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Dotations</u>	<u>Reprises</u>	<u>Fin d'exercice</u>
FRAIS ETABLIS, RECHERCHE, DEVELOPPEMENT . . . . .	<b>36 801</b>	<b>35 576</b>		<b>72 377</b>
AUTRES IMMO. INCORPORELLES . . . . .	<b>132 499</b>	<b>65 983</b>		<b>198 482</b>
Terrains . . . . .				
Constructions sur sol propre . . . . .				
Constructions sur sol d'autrui . . . . .				
Constructions inst. générales, agencements . .				
Installations techniques, matériel et outillage . .	128 164	106 813		234 978
Installations générales, agencements . . . . .	1 128	1 350		2 477
Matériel de transport . . . . .				
Matériel de bureau, informatique, mobilier . . . .	13 182	5 474		18 655
Emballages récupérables, divers . . . . .				
<b>IMMOBILISATIONS CORPORELLES . . . . .</b>	<b>142 474</b>	<b>113 637</b>		<b>256 110</b>
<b>TOTAL GENERAL . . . . .</b>	<b>311 773</b>	<b>215 196</b>		<b>526 970</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**PROVISIONS**

<u>Rubriques</u>	<u>Début d'exercice</u>	<u>Dotations</u>	<u>Reprises</u>	<u>Fin d'exercice</u>
Provisions gisements miniers, pétroliers . . . . .				
Provisions pour investissement . . . . .				
Provisions pour hausse des prix . . . . .				
Provisions pour fluctuation des cours . . . . .				
Amortissements dérogatoires . . . . .				
Implantations étrangères avant 01/01/92 . . . . .				
Implantations étrangères après 01/01/92 . . . . .				
Provisions pour prêts d'installation . . . . .				
Autres provisions réglementées . . . . .				
<b>PROVISIONS REGLEMENTEES . . . . .</b>				
Provisions pour litiges . . . . .		16 680		16 680
Provisions pour garanties données aux clients				
Provisions pour pertes sur marchés à terme . .				
Provisions pour amendes et pénalités . . . . .				
Provisions pour pertes de change . . . . .				
Provisions pour pensions, obligations similaires . . . . .				
Provisions pour impôts . . . . .		237 835		237 835
Provisions pour renouvellement immobilisations . . . . .				
Provisions pour grosses réparations . . . . .				
Provisions charges soc. fisc. sur congés à payer . . . . .				
Autres provisions pour risques et charges . . . .				
<b>PROVISIONS RISQUES ET CHARGES . . . . .</b>		<b>254 515</b>		<b>254 515</b>
Provisions sur immobilisations incorporelles . .				
Provisions sur immobilisations corporelles . . . .				
Provisions sur titres mis en équivalence . . . . .				
Provisions sur titres de participation . . . . .				
Provisions sur autres immobilis. financières . . .				
Provisions sur stocks et en cours . . . . .				
Provisions sur comptes clients . . . . .	48 026		48 026	
Autres provisions pour dépréciations . . . . .				
<b>PROVISIONS POUR DEPRECIATION . . . . .</b>	<b>48 026</b>		<b>48 026</b>	
<b>TOTAL GENERAL . . . . .</b>	<b>48 026</b>	<b>254 515</b>	<b>48 026</b>	<b>254 515</b>
Dotations et reprises d'exploitation . . . . .		3 276	48 026	
Dotations et reprises financières . . . . .				
Dotations et reprises exceptionnelles . . . . .		251 238		
Dépréciation des titres mis en équivalence à la clôture de l'exercice . . . . .				



**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**CREANCES ET DETTES**

<u>ETAT DES CREANCES</u>	<u>Montant brut</u>	<u>1 an au plus</u>	<u>plus d'un an</u>
Créances rattachées à des participations . . . . .			
Prêts . . . . .			
Autres immobilisations financières . . . . .	307	307	
Clients douteux ou litigieux . . . . .			
Autres créances clients . . . . .	4 008 240	4 008 240	
Créance représentative de titres prêtés . . . . .			
Personnel et comptes rattachés . . . . .	2 412	2 412	
Sécurité Sociale et autres organismes sociaux . . . . .			
Etat, autres collectivités : impôt sur les bénéfices . . . . .			
Etat, autres collectivités : taxe sur la valeur ajoutée . . . . .	291 543	291 543	
Etat, autres collectivités : autres impôts, taxes, versements assimilés . . . . .			
Etat, autres collectivités : créances diverses . . . . .			
Groupe et associés . . . . .			
Débiteurs divers . . . . .	1 738	1 738	
Charges constatées d'avance . . . . .	508 476	491 596	16 880
<b>TOTAL GENERAL</b> . . . . .	<b><u>4 812 716</u></b>	<b><u>4 795 836</u></b>	<b><u>16 880</u></b>
Montant des prêts accordés en cours d'exercice . . . . .			
Montant des remboursements obtenus en cours d'exercice . . . . .			
Prêts et avances consentis aux associés . . . . .			

<u>ETAT DES DETTES</u>	<u>Montant brut</u>	<u>1 an au plus</u>	<u>plus d'1 an, - 5 ans</u>	<u>plus de 5 ans</u>
Emprunts obligataires convertibles . . . . .				
Autres emprunts obligataires . . . . .				
Emprunts et dettes à 1 an maximum à l'origine . . . . .				
Emprunts et dettes à plus d'1 an à l'origine . . . . .				
Emprunts et dettes financières divers . . . . .				
Fournisseurs et comptes rattachés . . . . .	3 650 541	3 650 541		
Personnel et comptes rattachés . . . . .	110 489	110 489		
Sécurité sociale et autres organismes sociaux . . . . .	175 327	175 327		
Etat : impôt sur les bénéfices . . . . .				
Etat : taxe sur la valeur ajoutée . . . . .	756 731	756 731		
Etat : obligations cautionnées . . . . .				
Etat : autres impôts, taxes et assimilés . . . . .	59 931	59 931		
Dettes sur immobilisations et comptes rattachés . . . . .	321 181	321 181		
Groupe et associés . . . . .				
Autres dettes . . . . .	1 221 267	1 221 267		
Dettes représentatives de titres empruntés . . . . .				
Produits constatés d'avance . . . . .	1 018 909	1 018 909		
<b>TOTAL GENERAL</b> . . . . .	<b><u>7 314 376</u></b>	<b><u>7 314 376</u></b>		
Emprunts souscrits en cours d'exercice . . . . .				
Emprunts remboursés en cours d'exercice . . . . .				
Emprunts, dettes contractés auprès d'associés . . . . .				

**MA CHAINE SPORT**  
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**DETAIL DES CHARGES A PAYER**

	<u>31/12/2011</u>
<b>CHARGES A PAYER</b> .....	<u>1 224 252</u>
<b>DETTES FOURNISSEURS CPTEs RATTACH</b> .....	1 063 040
4081000000 FOURNISSEURS—FACTURES NON PARVENU .....	1 063 040
<b>DETTES FISCALES ET SOCIALES</b> .....	143 762
4286000000 PERSONNEL—CHARGES A PAYER .....	54 702
4386000000 ORGANISMES SOCIAUX—CHARGES A PAYER .....	28 374
4387100000 PRODUIT A RECEVOIR IJSS .....	755
4486000000 ETAT—CHARGES A PAYER .....	59 931
<b>AUTRES DETTES</b> .....	17 450
4686000000 DIVERS CHARGES A PAYER .....	17 450
<b>TOTAL DES CHARGES A PAYER</b> .....	<u><u>1 224 252</u></u>

**DETAIL DES PRODUITS A RECEVOIR**

	<u>31/12/2011</u>
<b>PRODUITS A RECEVOIR</b> .....	<u>817 863</u>
<b>CLIENTS ET COMPTES RATTACHES</b> .....	816 448
4181000000 CLIENTS—FACTURE A ETABLIR .....	816 448
<b>AUTRES CREANCES</b> .....	1 415
4098000000 FOURNISSEURS AVOIR A RECEVOIR .....	1 196
4687000000 DIVERS PRODUITS A RECEVOIR .....	219
<b>TOTAL DES PRODUITS A RECEVOIR</b> .....	<u><u>817 863</u></u>

**CHARGES ET PRODUITS EXCEPTIONNELS**

<u>Nature des charges</u>	<u>Montant</u>	<u>Imputation au compte</u>
CONTRAVENTIONS .....	175	6 712 000
PENALITES REDRESSEMENT FISCAL TP MINI 2009 .....	2 269	6 712 000
PENALITES POLE EMPLOI .....	67	6 712 000
DAP R&C PRUD'HOMMES RICORD .....	13 403	6 875 000
DAP IS 2011 .....	237 835	6 875 000
<b>TOTAL</b> .....	<u><u>253 750</u></u>	<u><u>                  </u></u>
<u>Nature des produits</u>	<u>Montant</u>	<u>Imputation au compte</u>
INDEMNITES LITIGES MCS VALENTINO .....	260 000	7 710 000
DIVERS .....	2 250	7 710 000
<b>TOTAL</b> .....	<u><u>262 250</u></u>	<u><u>                  </u></u>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**VARIATION DES CAPITAUX PROPRES**

<u>Situation à l'ouverture de l'exercice</u>	<u>Solde</u>	
Capitaux propres avant distributions sur résultats antérieurs . . . . .	(3 260 163)	
Capitaux propres après distributions sur résultats antérieurs . . . . .	(3 260 163)	
 <u>Variations en cours d'exercice</u>	<u>En moins</u>	<u>En plus</u>
Autres variations . . . . .		2 530 173
<b>SOLDE</b> . . . . .		<b>2 530 173</b>
 <u>Situation à la clôture de l'exercice</u>	<u>Solde</u>	
Capitaux propres avant répartition . . . . .		<u>(729 990)</u>

**AFFECTATION DES RESULTATS SOUMISE  
A L'APPROBATION DE L'ASSEMBLEE GENERALE**

<u>1—Origine</u>	<u>Montant</u>
Report à nouveau antérieur . . . . .	-3 300 162,71
Résultat de l'exercice . . . . .	2 530 173,21
dont résultat courant après impôts : . . . . .	2 521 672,72
<b>TOTAL</b> . . . . .	<b>-769 989,50</b>
 <u>2—Affectations</u>	<u>Montant</u>
Report à nouveau . . . . .	-769 989,50
<b>TOTAL</b> . . . . .	<b>-769 989,50</b>

**VENTILATION DU CHIFFRE D'AFFAIRES EN KE**

<u>Rubriques</u>	<u>Chiffre d'affaires France</u>	<u>Chiffre d'affaires Export</u>	<u>Total 31/12/2011</u>	<u>Total 31/12/2010</u>	<u>% 11/10</u>
REDEVANCES . . . . .	10 467		10 467	9 680	8,13 %
REFACTURATION PRODUCTION L2				1 108	-100,00 %
VENTES ESPACES PUBLICITAIRES .	492		492	462	6,49 %
VOD . . . . .	38		38	102	-62,75 %
COMMISSIONS TELECHAT . . . . .	35		35	32	9,38 %
DIVERS . . . . .				125	-100,00 %
REFACTURATIONS PRESTATIONS .	238		238	58	310,34 %
<b>TOTAL</b> . . . . .	<b>11 270</b>		<b>11 270</b>	<b>11 567</b>	<b>-2,57 %</b>

**MA CHAINE SPORT**  
**Etats financiers au 31 décembre 2011**

**RESULTATS DES CINQ DERNIERS EXERCICES**

<u>Date d'arrêté</u> <u>Durée de l'exercice (mois)</u>	<u>31/12/2011</u> <u>12</u>	<u>31/12/2010</u> <u>12</u>	<u>31/12/2009</u> <u>12</u>	<u>31/12/2008</u> <u>15</u>
<b>CAPITAL EN FIN D'EXERCICE</b> . . . . .	40 000	40 000	40 000	40 000
Capital social . . . . .				
Nombre d'actions				
—ordinaires . . . . .	4 000	4 000	4 000	4 000
Nombre maximum d'actions à créer . . . . .				
<b>OPERATIONS ET RESULTATS</b>				
Chiffre d'affaires hors taxes . . . . .	11 270 204	11 566 854	11 132 079	8 738 602
Résultat avant impôt, participation, dot.				
amortissements et provisions . . . . .	2 951 859	597 670	(497 670)	(3 038 236)
Dot. amortissements et provisions . . . . .	421 685	206 844	107 277	47 805
Résultat net . . . . .	2 530 173	390 826	(604 947)	(3 086 041)
<b>RESULTAT PAR ACTION</b>				
Résultat après impôt, participation, avant dot.				
amortissements, provisions . . . . .	738	149	(124)	(760)
Résultat après impôt, participation dot.				
amortissements et provisions . . . . .	633	98	(151)	(772)
<b>PERSONNEL</b>				
Effectif moyen des salariés . . . . .	13	10	9	10
Masse salariale . . . . .	1 288 495	1 021 657	924 713	1 043 264
Sommes versées en avantages sociaux (sécurité sociale, œuvres sociales...) . . . . .	580 761	418 105	411 601	436 524

**COMPOSITION DU CAPITAL SOCIAL**

<u>Catégories de titres</u>	<u>Nombre de titres</u>			<u>Valeur nominale</u>
	<u>à la clôture de l'exercice</u>	<u>créés pendant l'exercice</u>	<u>remboursés pendant l'exercice</u>	
Actions ordinaires . . . . .	<u>4 000</u>	<u>      </u>	<u>      </u>	<u>10,00</u>

**EFFECTIF A LA CLOTURE**

<u>Effectifs</u>	<u>Personnel salarié</u>	<u>Personnel à disposition de l'entreprise</u>
CADRES . . . . .	5	
EMPLOYÉS . . . . .	8	
<b>TOTAL</b> . . . . .	<u><b>13</b></u>	



**KPMG Audit**  
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## **Ma Chaîne Sport S.A.S.**

### Rapport du commissaire aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2011  
Ma Chaîne Sport S.A.S.  
15, rue Cognac Jay - 75007 Paris  
*Ce rapport contient 24 pages*  
Référence : PM-122-032

KPMG S.A.,  
société française membre du réseau KPMG  
constitué de cabinets indépendants adhérents de  
KPMG International Cooperative, une entité de droit suisse.

Société anonyme d'expertise  
comptable et de commissariat  
aux comptes à directoire et  
conseil de surveillance.  
Inscrite au Tableau de l'Ordre  
à Paris sous le n° 14-30080101  
et à la Compagnie Régionale  
des Commissaires aux Comptes  
de Versailles.

Siège social :  
KPMG S.A.  
Immeuble Le Palatin  
3 cours du Triangle  
92839 Paris La Défense Cedex  
Capital : 5 497 100 €.   
Code APE 6920Z  
775 726 417 R.C.S. Nanterre  
TVA Union Européenne  
FR 77 775 726 417



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## **Ma Chaîne Sport S.A.S.**

Siège social : 15, rue Cognacq Jay – 75007 Paris

Capital social : €40 000

### **Rapport du commissaire aux comptes sur les comptes annuels**

Exercice clos le 31 décembre 2011

Aux associés,

En exécution de la mission qui nous a été confiée par vos statuts, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2011, sur :

- le contrôle des comptes annuels de la société Ma Chaîne Sport S.A.S., tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- les vérifications et informations spécifiques prévues par la loi.

Les comptes annuels ont été arrêtés par le Président. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

#### **1 Opinion sur les comptes annuels**

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes annuels. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

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## **2 Justification des appréciations**

En application des dispositions de l'article L. 823-9 du Code de commerce relatives à la justification de nos appréciations, nous vous informons que les appréciations auxquelles nous avons procédé ont porté sur le caractère approprié des principes comptables appliqués, sur le caractère raisonnable des estimations significatives retenues et sur la présentation d'ensemble des comptes, notamment pour ce qui concerne les méthodes de comptabilisation du chiffre d'affaires et des coûts d'acquisition des droits sportifs et des droits audiovisuels.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

## **3 Vérifications et informations spécifiques**

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Président et dans les documents adressés aux associés sur la situation financière et les comptes annuels.

Schiltigheim, le 31 mai 2012

KPMG Audit  
*Département de KPMG S.A.*

Pascal Maire  
*Associé*

# **ALTICE FINANCING S.A.**

Société Anonyme

## **Condensed interim financial information as at and for the period ended 30 June 2013**

3, Boulevard Royal  
L - 2449 LUXEMBOURG  
R.C.S. Luxembourg: B171.162



**ALTICE FINANCING S.A.**  
**Condensed interim financial information for the period ended 30 June 2013**

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ALTICE FINANCING S.A.  
Condensed statement of comprehensive income for the six months ended 30 June 2013  
(Expressed in EUR)

	Notes	For the six months ended 30 June 2013	For the three months ended 30 June 2013
Finance income		58 409 783	22 726 306
Finance costs		-54 814 194	-32 146 302
<b>Net finance income / (expenses)</b>		<b><u>3 595 589</u></b>	<b><u>-9 419 996</u></b>
Administrative expenses	8	-660 642	-490 194
Net foreign exchange gain		375 879	472 187
Transaction/Parents expenses		-8 747 629	-3 989 725
<b>Loss Profit before tax</b>		<b>-5 436 803</b>	<b>-13 427 728</b>
Income tax expense	7	-5 796 570	-1 852 805
<b>Loss for the period</b>		<b><u>-11 233 373</u></b>	<b><u>-15 280 533</u></b>
<b>Other comprehensive income</b>			
Revaluation reserve movement		-	27 233 043
Currency translation movement		3 660 804	-1 259 617
<b>Total comprehensive (loss) / income for the period</b>		<b><u>-7 572 569</u></b>	<b><u>10 692 893</u></b>

The notes on pages 9 to 20 are an integral part of these condensed interim financial information.

ALTICE FINANCING S.A.  
Condensed statement of financial position as at 30 June 2013  
(Expressed in EUR)

<b>ASSETS</b>	<b>Notes</b>	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Non-current assets</b>			
Loans and other receivables	<b>10</b>	818 679 914	770 476 989
Deferred tax assets		<u>16 237 049</u>	<u>19 017 746</u>
<b>Total non-current assets</b>		<b><u>834 916 963</u></b>	<b><u>789 494 736</u></b>
<b>Current assets</b>			
Accrued interests receivables	<b>10</b>	33 301 863	925 907
Other receivables		6 782 643	17 999 247
Cash and cash equivalents	<b>11</b>	<u>40 769 049</u>	<u>83 773 673</u>
<b>Total current assets</b>		<b><u>80 853 555</u></b>	<b><u>102 698 826</u></b>
<b>TOTAL ASSETS</b>		<b><u>915 770 518</u></b>	<b><u>892 193 562</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	<b>12</b>	1 981 944	28 872
Foreign currency translation reserve		-186 236	-3 847 040
Accumulated losses		<u>-58 249 468</u>	<u>-47 016 095</u>
<b>Total equity</b>		<b><u>-56 453 760</u></b>	<b><u>-50 834 263</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<b>13</b>	888 369 620	876 657 324
Derivative financial instruments	<b>9</b>	<u>53 463 270</u>	<u>62 450 909</u>
<b>Total non-current liabilities</b>		<b><u>941 832 890</u></b>	<b><u>939 108 233</u></b>
<b>Current liabilities</b>			
Trade and other payables		401 366	1 201 869
Borrowings and accrued interests payables	<b>13</b>	28 488 828	2 716 149
Current tax liabilities		<u>1 501 194</u>	<u>1 575</u>
<b>Total current liabilities</b>		<b><u>30 391 388</u></b>	<b><u>3 919 593</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>915 770 518</u></b>	<b><u>892 193 562</u></b>

The notes on pages 9 to 20 are an integral part of these condensed interim financial information.

**ALTICE FINANCING S.A.**

**Condensed statement of changes in equity for the six months ended 30 June 2013**

(Expressed in EUR)

	Issued capital	Foreign currency translation reserve	Accumulated I
Balance as at 17 August 2012	28 872	-	
Loss for the period	-	-	-47 01
Other comprehensive loss for the period	-	-3 847 040	
<b>Total comprehensive loss for the period</b>	<b>0</b>	<b>-3 847 040</b>	<b>-47 01</b>
<b>Balance as at 31 December 2012</b>	<b>28 872</b>	<b>-3 847 040</b>	<b>-47 01</b>
<b>As at 1 January 2013</b>	<b>28 872</b>	<b>-3 847 040</b>	<b>-47 01</b>
Issued of ordinary shares	1 953 072	-	
Loss for the period	-	-	-11 23
Other comprehensive income for the period	-	3 660 804	
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>3 660 804</b>	<b>-11 23</b>
<b>As at 30 June 2013</b>	<b>1 981 944</b>	<b>-186 236</b>	<b>-58 24</b>

The notes on pages 9 to 20 are an integral part of these condensed interim financial information.

ALTICE FINANCING S.A.  
Condensed statement of cash flows for the six month ended 30 June 2013  
(Expressed in EUR)

	Notes	For the six months ended 30 June 2013	For the period ended 31 December 2012
<b>Cash flows from operating activities</b>			
Loss for the period		-11 233 373	-47 016 095
Adjustments for:			
- Income tax expenses		5 796 570	-19 016 171
- Depreciation		1 465 220	109 248
- Net foreign exchange losses		375 879	-1 611 145
Movements in working capital:			
- Increase in trade and other receivables		-90 768	-160 765
- (Decrease)/Increase in trade and other payables		-800 503	1 201 869
<b>Net cash used in operating activities</b>		<b>-4 486 976</b>	<b>-66 493 059</b>
<b>Cash flows from investing activities</b>			
Loans granted to related parties	10	-48 202 925	-770 476 989
Advances made to related parties		-11 368 449	-17 838 482
<b>Net cash used in investing activities</b>		<b>-59 571 374</b>	<b>-788 315 471</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	12	1 953 072	28 872
Proceeds from issuance of bonds	13	-	874 313 341
Loans received from related parties		19 100 654	-
Payments of finance costs		-	64 239 990
<b>Net cash generated by financing activities</b>		<b>21 053 726</b>	<b>938 582 203</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>-43 004 624</b>	<b>83 773 673</b>
<b>Cash and cash equivalents at beginning of the period</b>	11	<b>83 773 673</b>	-
<b>Cash and cash equivalents at end of the</b>	11	<b>40 769 049</b>	<b>83 773 673</b>

The notes on pages 9 to 20 are an integral part of these condensed interim financial information.

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

## **1. Corporate information**

Altice Financing S.A. (the 'Company') is a company incorporated and domiciled in Luxembourg whose bonds are publicly traded.

Items included in the condensed financial information of the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which is the US dollar ("USD"). The condensed financial information is presented in a different currency which is the EUR, which is the Group's presentation currency, except when stated otherwise.

The principal activity of the Company is described in Note 5.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The condensed interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012.

### **(b) Judgments and estimates**

Preparing the condensed interim financial information requires the Board of Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, significant judgments made by the Board of Directors in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the period ended 31 December 2012.

## **3. Significant accounting policies**

The accounting policies applied by the Company in this condensed interim financial information are the same as those applied by the Company in its financial statements as at and for the period ended 31 December 2012.

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

#### **4. Financial instruments**

##### **Financial risk management policy**

The Company's financial risk management policy is consistent with the one disclosed in the financial statements as at and for the period ended 31 December 2012.

#### **5. Operating segments**

The Board of Directors has determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Company.

##### **Segments assets**

There are no major changes in segment assets.

#### **6. Seasonality of operations**

This information should be provided to allow for a proper appreciation of the results, however the Board of Directors has concluded that this does not apply to this Company.

#### **7. Income tax expense**

Income tax expense is recognized based on the Board of Director's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period. The Company's tax rate in respect of continuing operations for the six months ended 30 June 2013 was 29,22% (as at 31 December 2012: 28,80%). The change in effective tax rate was caused mainly by the following factors.

- During the six months ended 30 June 2013 an increase of 0.42% in the tax rate became effective in Luxembourg, country in which the Company generates 100% of its taxable income. The effect of the change in tax rate was recognized immediately during the six months ended 30 June 2013.
- The deferred tax as at 30 June 2013 is related to the valuation of the derivative financial instruments as described in note 9.

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**8. Administrative expenses**

	<b>For the six months ended 30 June 2013</b>	<b>For the three months ended 30 June 2013</b>
Legal fees	20.608	20.608
Accounting fees	32.589	32.589
Audit fees	147.003	147.003
Tax advisory fees	1.500	1.500
Other expenses	16.844	16.844
Commitment fees	442.098	263.918
Other operating expenses	-	7.732
<b>Total administrative expenses</b>	<b>660.642</b>	<b>490.194</b>

**9. Derivative financial instruments**

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	-	52,631,251
Cross currency swaps	-	9,819,658
<b>Total</b>	<b>-</b>	<b>62,450,909</b>

	<b>30 June 2013</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	-	46,770,036
Cross currency swaps	-	6,693,234
<b>Total</b>	<b>-</b>	<b>53,463,270</b>

Trading derivatives are classified as current asset or liability. 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.

The derivative financial instruments were evaluated and are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.



**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**9. Derivative financial instruments (cont'd)**

**Fair value of financial instruments carried at amortized cost**

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

**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 quoted 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.

Significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

**Fair value measurements recognized 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).

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
Notes to the condensed interim financial information for the period ended 30 June 2013  
(Expressed in EUR)

**9. Derivative financial instruments (cont'd)**

**Fair value measurements recognized in the statement of financial position (cont'd)**

	<b>31 December 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	62,450,909	-	62,450,909
<b>Total</b>	<b>-</b>	<b>62,450,909</b>	<b>-</b>	<b>62,450,909</b>

	<b>30 June 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	53,463,270	-	53,463,270
<b>Total</b>	<b>-</b>	<b>53,463,270</b>	<b>-</b>	<b>53,463,270</b>

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**10. Loans and other receivables**

The detail of loans and other receivables is the following:

	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Non-currents assets:</b>		
Bonds Cool Holdings Ltd	210.785.492	207.419.580
Bonds H.Hadaros 2012 Ltd	191.452.813	188.395.614
Bonds HOT Telecommunications System Ltd	380.741.638	374.661.795
Loan Altice VII S.à r.l. Tranche A in EUR	31.855.886	-
Loan Altice VII S.à r.l. Tranche B in USD	3.844.084	-
<b>Total non-currents assets:</b>	<b>818.679.914</b>	<b>770.476.989</b>
<b>Current assets:</b>		
Interest on bonds Cool Holdings Ltd	16.484.821	343.768
Interest on bonds H.Hadaros 2012 Ltd	14.961.290	311.997
Interest on bonds HOT Telecom.System Ltd	1.159.189	270.142
Interest on loan Altice VII S.à r.l. Tranche A in EUR	656.301	-
Interest on loan Altice VII S.à r.l. Tranche B in USD	40.262	-
<b>Total current assets:</b>	<b>33.301.863</b>	<b>925.907</b>
<b>Total loans and other receivables</b>	<b>851.981.777</b>	<b>771.402.896</b>

The loans and other receivables are consistent with those disclosed in the financial statements as at and for the period ended 31 December 2012, except for the below:

The loan to Altice VII S.à r.l. is an interest bearing loan with a maturity date on 20 March 2062 or early repayment date which means a written notice not later than five days prior to the foreseen repayment date and with an annual interest rate of SSN plus an applicable margin of 0.379%. The Loan is composed by a Tranche A denominated in EUR of an aggregate amount not exceeding EUR 31,969,000 and a Tranche B denominated in USD of an aggregate amount not exceeding USD 5,000,000. The SSN rate means the 8% Senior Secured Notes due 2019 issued by the Altice Financing S.A..

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**11. Cash and cash equivalents**

	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash at bank and in hand	40.769.049	5.567.602
Cash in short-term deposit	-	78.206.072
<b>Cash and cash equivalents</b>	<b>40.769.049</b>	<b>83.773.673</b>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash and cash equivalents	40.769.049	83.773.673
<b>Cash and cash equivalents</b>	<b>40.769.049</b>	<b>83.773.673</b>

**12. Issued capital**

	<b>Ordinary shares</b>
At 1 January 2013	28.872
Issue of ordinary shares	1.953.072
<b>At 30 June 2013</b>	<b>1.981.944</b>

As at 30 June 2013 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.

On 16 May 2013 an extraordinary general meeting of the shareholders was held by the notary to decide to increase the capital from EUR 31,000 to EUR 2,000,000 by issue of 1,969,000 new ordinary shares with a nominal value per share of EUR 1.

The authorized and unissued 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 Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Board of Directors will have to be authorized by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**12. Issued capital (cont'd)**

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.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

**13. Borrowings**

The detail of the borrowings is the following:

	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Non-currents liabilities:</b>		
Senior Secured Notes 12/19 7.875% USD	329.933.635	324.078.456
Senior Secured Notes 12/19 7.875% USD	7.677.071	7.554.075
Senior Secured Notes 12/19 8% EUR	190.141.560	190.569.073
Senior Secured Notes 12/19 8% EUR	10.173.686	9.984.099
Notes Proceed Loan 12/20 9.875% USD	312.549.305	307.182.370
Intercompany Loan Cool Holdings Ltd	37.894.365	37.289.251
<b>Total non-currents liabilities:</b>	<b>888.369.620</b>	<b>876.657.324</b>
<b>Current liabilities:</b>		
Interest on Senior Secured Notes 12/19 7.875% USD	3.391.559	1.414.966
Interest on Senior Secured Notes 12/19 7.875% USD	41.054	18.204
Interest on Senior Secured Notes 12/19 8% EUR	1.756.272	844.444
Interest on Senior Secured Notes 12/19 8% EUR	45.442	24.444
Interest on Notes Proceed Loan 12/20 9.875% USD	2.183.194	353.976
Interest on Intercompany Loan Cool Holdings Ltd	2.882.652	60.114
Loan HOT Telecom System Ltd	18.139.651	-
Interest on Loan HOT Telecom System Ltd	49.005	-
<b>Total current liabilities:</b>	<b>28.488.828</b>	<b>2.716.149</b>
<b>Total Borrowings</b>	<b>916.858.448</b>	<b>879.373.473</b>

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**13. Borrowings (cont'd)**

The Senior Secured Notes are listed on the Luxembourg Stock Exchange under the following ISIN code:

	<b>Security name</b>	<b>ISIN Code</b>
<b>Non-currents liabilities:</b>		
Senior Secured Notes 12/19 7.875% USD	AlticeFi 7.875% 12-19 15/06	USL0178WAA01
Senior Secured Notes 12/19 7.875% USD	AlticeFi 7.875% 12-19 15/06	US02154CAA18
Senior Secured Notes 12/19 8% EUR	AlticeFi 8% 12-19 15/06	XS0864611610
Senior Secured Notes 12/19 8% EUR	AlticeFi 8% 12-19 15/06	XS0864581367

The Company entered in an Intercompany Loan with Cool Holding Ltd. S.A. on 27 December 2012 with an initial aggregate principal amount of NIS 184,100,000.

The maturity date is applicable on the maturity date on 15 December 2019 which is related to Cool Proceeds Note. The interest rate is the interest rate as provided under Cool Proceeds Notes.

The Company entered in a loan agreement with Hot Telecommunication Systems Ltd on 5 June 2013 with an amount of NIS 86,422,985.

The maturity date is no later than 31 December 2013. The interest rate is an annual interest of Prim +1.10%.

**14. Contingencies**

The Group Company has as guarantors Cool Holdings Ltd and , H.Hadaros 2012 Ltd for the senior notes issue by Altice Financing S.A. for the debts it issued..

**15. Commitments**

The Company had no material capital commitments at 30 June 2013 (31 December 2012: nil).

**16. Assets pledged as security**

The shares, bank accounts and receivables of the Company and the following entities, its ultimate parent company (Altice VII S.à r.l. and other Altice VII Group entities, Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd) have been pledged for the issued senior security notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**17. Related parties transactions**

**a) Loans to related parties**

	<b>Amounts owed by related parties</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
Bonds Cool Holding Ltd	210.785.492	207.763.349
Bonds H.Hadaros 2012 Ltd	191.452.813	188.707.611
Bonds HOT Telecommunication System Ltd.	380.741.638	374.931.937
Loan to Altice VII S.à r.l. Tranche A in EUR	31.855.886	-
Loan to Altice VII S.à r.l. Tranche B in USD	3.844.084	-
Trade Receivable HOT Telecom. System Ltd	-	14.071.644
Receivable Altice VII S.à r.l. - Transaction fees	6.205.201	3.766.838
Interest receivable on bonds Cool Holding Ltd	16.484.821	343.768
Interest receivable on bonds H.Hadaros 2012 Ltd	14.961.290	311.997
Interest receivable on bonds HOT Telecom System Ltd.	1.159.189	270.142
Interest receivable on loan Altice VII S.à r.l. Tranche A	656.301	-
Interest receivable on loan Altice VII S.à r.l. Tranche B	40.262	-

**b) Loans from related parties**

	<b>Amounts owed to related parties</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
Senior Notes Proceed Loan Altice Finco S.A.	327.811.321	323.039.461
Intercompany loan Cool Holdings Ltd	37.894.365	37.349.365
Loan HOT Telecom.System Ltd	18.139.651	-
Interest receivable on intercompany loan Cool Holdings Ltd	2.882.652	60.114
Interest receivable on loan HOT Telecom System Ltd	49.005	-

**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**17. Related parties transactions (cont'd)**

**c) Profit and loss transactions with related parties**

	<b>For the six months ended 30 June 2013</b>	<b>For the three months ended 30 June 2013</b>
Interest income Bonds Cool Holdings Ltd	16.186.142	342.765
Interest income Bonds H.Hadaros 2012 Ltd	14.690.215	311.087
Interest income Bonds HOT Telecommunication System Ltd.	12.999.965	269.353
Interest income Loan Altice VII S.à r.l. Tranche A & B	696.276	-
Interest income RCF Loan HOT Telecom. System Ltd	201.203	-
Interest expense Senior Notes Proceed Loan Altice Finco S.A.	-18.343.145	-353.976
Interest expense Intercompany Loan Cool Holdings Ltd	-2.830.422	-59.938
Transaction Fees Altice VII S.à r.l.	-7.706.490	-

The related party Altice IV S.A. acquired in January 2013 an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with a maturity date on 15/12/2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

The Company has transaction fees with Altice VII S.à r.l. which are composed of a financial guarantee fees amounting to EUR 3,979,990 and a success fee of EUR 3,726,500.

**18. Events after the reporting period**

The Company proceeded on 2 July 2013 with the following transactions for a new acquisition of notes of the "Altice Group" (Altice Group is composed mainly by companies owns by Altice VII S.à r.l.):

- A Senior Notes Proceeds Loan agreement with Altice Finco S.A. with an aggregate principal amount of EUR 250,000,000. The Senior Notes bear interest of 9% and are due on 2023 and have been issued with a price of 100% of the aggregate principal amount.
- A supplemental indenture with various related companies of "Altice Group" has been signed on 2 July 2013 in relation with the Senior Notes issued on 2 July 2013;
- A second ranking Security Assignment has been signed with Citibank, N.A, London Branch related to the Senior Notes issued on 2 July 2013 with Altice Finco S.A.;
- An accession agreement has been signed with several credit institutions relating to the Senior Notes issued on 2 July 2013 with Altice Finco S.A.;
- A revolving credit facility agreement has been signed with amongst others Cool Holding Ltd as a guarantor, Citibank International plc. as the facility agent and the Mandated Lead Arrangers for a total amount of EUR 795,000,000.



**ALTICE FINANCING S.A.**  
**Société Anonyme**  
**Notes to the condensed interim financial information for the period ended 30 June 2013**  
**(Expressed in EUR)**

**19. Approval of the condensed interim financial information**

The condensed interim financial information were approved by the Board of Directors and authorized for issue on August 9, 2013.

To the Sole Shareholder of  
Altice Financing S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

## **REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of Altice Financing S.A. as at 30 June 2013, and the related condensed statements of comprehensive income, changes in equity and cash flows for the 6 months period then ended and a summary of significant accounting policies and other explanatory notes (the “Condensed Interim Financial Information”). The Board of Directors is responsible for the preparation and fair presentation of the Condensed Interim Financial Information in accordance with standard IAS 34 “Interim Financial Reporting” as adopted in the European Union. Our responsibility is to express a conclusion on the Condensed Interim Financial Information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information is not prepared, in all material respects, in accordance with standard IAS 34 “Interim Financial Reporting” as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

9 August 2013

ALTICE FINANCING S.A.  
Société Anonyme

## **ALTICE FINANCING S.A.**

Société Anonyme

**Financial statements as of 31 December 2012  
and for the period ended 31 December 2012**

37, rue d'Anvers  
L - 1130 LUXEMBOURG  
R.C.S. Luxembourg: B171.162

To the Shareholders of Altice Financing S.A.  
37, rue d'Anvers  
L-1130 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### **Report on the financial statements**

Following our appointment by the General Meeting of the Shareholders dated 28 November 2012, we have audited the accompanying financial statements of Altice Financing S.A., which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the period from 17 August 2012 to 31 December 2012, 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 31 December 2012, and of its financial performance and its cash flows for the for the period from 17 August 2012 to 31 December 2012 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

21 March 2013

To the shareholders of  
Altice Financing S.A.  
37 rue d'Anvers  
L-1130 Luxembourg

**REPORT OF THE „COMMISSAIRE AUX COMPTES“**

We are pleased to inform you that we have carried out our statutory audit of Altice Financing SA for the year ended December 31, 2012. These annual accounts are the responsibility of the Board of Directors.

We have examined the Balance Sheet of your Company as at December 31, 2012 reporting a total of 892 193 562 EUR as well as the Profit and Loss account for the period from August 17, 2012 to December 31, 2012, reporting a loss of 47 016 095 EUR.

We have carried out our mandate on the basis of Article 62 of the amended Law on Commercial Companies of August 10, 1915 and have noted that the annual accounts as at December 31, 2012 are in accordance with the accounting records and related documents which have been submitted to us.

Therefore, we recommend the acceptance of the above mentioned accounts as at December 31, 2012 and the discharge to the members of the Board of Directors with respect to their mandates.

Esch-sur-Alzette - March 18, 2013

Commissaire aux Comptes

LG Management S.à r.l.  
Guy Schroeder

ALTICE FINANCING S.A.  
Statement of comprehensive income for the period from 17 August 2012  
to 31 December 2012  
(Expressed in EUR)

	Notes	For the period ended 31 December 2012
Finance income		926 892
Finance costs		<u>-65 276 130</u>
<b>Net finance costs</b>	<b>8</b>	<b><u>-64 349 238</u></b>
Administrative expenses	<b>6</b>	-71 884
Net foreign exchange losses	<b>7</b>	-1 611 145
<b>Loss before tax</b>		<b>-66 032 267</b>
Income tax	<b>9</b>	19 016 171
<b>Loss for the period</b>		<b><u>-47 016 095</u></b>
<b>Other comprehensive loss</b>		
Currency translation movement		-3 847 040
<b>Total comprehensive loss for the period</b>		<b><u><u>-50 863 135</u></u></b>

The accompanying notes are an integral part of the financial statements.

ALTICE FINANCING S.A.  
Statement of financial position as at 31 December 2012  
(Expressed in EUR)

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2012</b>
<b>Non-currents assets</b>		
Loans and other receivables	12	770 476 989
Deferred tax assets	21	<u>19 017 746</u>
<b>Total non-current assets</b>		<b><u>789 494 736</u></b>
<b>Current assets</b>		
Accrued interests receivables	12	925 907
Other financial assets	13	17 999 247
Cash and cash equivalents	14	<u>83 773 673</u>
<b>Total current assets</b>		<b><u>102 698 826</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>892 193 562</u></u></b>
 <b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	15	28 872
Foreign currency translation reserve	16	-3 847 040
Accumulated losses	17	<u>-47 016 095</u>
<b>Total equity</b>		<b><u>-50 834 263</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	19	839 368 072
Other financial liabilities	20	<u>62 450 909</u>
<b>Total non-current liabilities</b>		<b><u>901 818 981</u></b>
<b>Current liabilities</b>		
Trade and other payables	18	1 201 869
Borrowings and accrued interests payables	19	40 005 401
Current tax liabilities		<u>1 575</u>
<b>Total liabilities</b>		<b><u>41 208 844</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>892 193 562</u></u></b>

The accompanying notes are an integral part of the financial statements.



ALTICE FINANCING S.A.  
Statement of changes in equity for the period at 31 December 2012  
(Expressed in EUR)

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 17 August 2012	28 872	-	-	28 872
Loss for the period	-	-	-47 016 095	-47 016 095
Other comprehensive loss for the period	-	-3 847 040	-	-3 847 040
<b>Total comprehensive loss for the period</b>	<b>0</b>	<b>-3 847 040</b>	<b>-47 016 095</b>	<b>-50 863 135</b>
<b>Balance as at 31 December 2012</b>	<b>28 872</b>	<b>-3 847 040</b>	<b>-47 016 095</b>	<b>-50 834 263</b>

The accompanying notes are an integral part of the financial statements.

ALTICE FINANCING S.A.  
Statement of cash flows for the period ended 31 December 2012  
(Expressed in EUR)

	<b>For period ended 31 December 2012</b>
<b>Cash flows from operating activities</b>	
Loss for the period	-47 016 095
Adjustments for:	
- Income tax expenses	-19 016 171
- Depreciation	109 248
- Net foreign exchange losses	-1 611 145
Movements in working capital:	
- Increase in trade and other receivables	-160 765
- Increase in trade and other payables	1 201 869
<b>Cash flows used in operating activities</b>	<b><u>-66 493 059</u></b>
<b>Net cash used in operating activities</b>	<b><u>-66 493 059</u></b>
<b>Cash flows from investing activities</b>	
Loans granted to related parties	-770 476 989
Advances made to related parties	-17 838 482
<b>Net cash used in investing activities</b>	<b><u>-788 315 471</u></b>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of shares	28 872
Proceeds from issuance of bonds	874 313 341
Payments of finance costs	64 239 990
<b>Net cash generated by financing activities</b>	<b><u>938 582 203</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>83 773 673</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b><u>0</u></b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>83 773 673</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>0</u></b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>83 773 673</u></b>

The accompanying notes are an integral part of the financial statements.

ALTICE FINANCING S.A.  
Société Anonyme  
Notes to the financial statements for the period ended 31 December 2012  
(Expressed in EUR)

## **1 – Corporate information**

ALTICE FINANCING S.A. (hereafter “the Company”) was incorporated on 17 August 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 in Luxembourg, Grand Duchy of Luxembourg.

The immediate parent company is Altice Finco S.A. which is established in Luxembourg, its parent company is Altice VII S.à r.l. and the ultimate parent company is Next Limited Partnership Incorporated which is established in Guernsey.

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 starting on 1 January and ending on 31 December, except for the first period which started on 17 August 2012 and ended on 31 December 2012.

## **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 by 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 4.

### **2.2 Changes in accounting policy and disclosures**

#### **(a) New and amended standards adopted by the company**

There are no IFRSs that are effective for the first time for the financial year beginning on or after 17 August 2012 that would be expected to have a material impact on the Company.

#### **(b) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

- Amendments to IAS 1, “Financial statement presentation” regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassifications adjustments). The amendments do not address which items are presented in OCI. The directors anticipate that the application of the amendments to IAS 1 may result in different disclosures being made in the future.
- IFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US Generally Accepted Accounting Principles (“GAAP”), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company has not yet assessed the full impact of the new standard.

## **2 – Accounting policies (cont'd)**

### **2.2 Changes in accounting policy and disclosures (cont'd)**

#### **(b) - New standards and interpretations not yet adopted (cont'd)**

- IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has not yet assessed IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.
  
- Amendments to IFRS 7 and IAS 32 “Offsetting Financial Assets and Financial Liabilities and related disclosures”. The amendments to IAS32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous” realization and settlement”. The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.  
The directors anticipate that the application of the amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

There are no other IFRSs that are not yet effective that would be expected to have material impact on the Company.

## **2 – Accounting policies (cont'd)**

### **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 is the US dollar (“USD”). The financial statements are presented in a different currency which is the EUR, which is the Company’s presentation currency, except when stated otherwise. The presentation currency is the currency of the Altice VII S.à r.l. group which holds indirectly 100% of this Company.

##### ***(ii) Transactions and balances***

Transactions in a currency other than USD 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 USD are retranslated in USD at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated in USD 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 USD are not retranslated in USD. 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 comprehensive income 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 that 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.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(b) Financial instruments – initial recognition and subsequent measurement (cont'd)**

##### ***(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.

##### ***(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.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(b) Financial instruments – initial recognition and subsequent measurement (cont'd)**

##### ***(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.

##### ***(vii) Financial liabilities***

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### ***(viii) Derivatives financial instruments***

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 recorded 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.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss.



## 2 Accounting policies (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (c) Derecognition of financial assets and financial liabilities

##### (i) *Financial assets*

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Company has transferred substantially all the risks and rewards of the asset; or
  - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(c) Derecognition of financial assets and financial liabilities (cont'd)**

##### ***(ii) 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.

#### **(d) 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 11.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's 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.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(d) Impairment of financial assets (cont'd)**

##### ***(i) Financial assets carried at amortised cost (cont'd)***

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, and are directionally consistent with, 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.

See Note 12 for details of impairment losses on financial assets carried at amortised cost.

## **2 Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

##### ***(i) Interest income***

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### ***(ii) Fee and commission income***

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following three categories:

- Fee income earned from services that are provided over a certain period of time
- Fees earned for the provision of services over a period of time are accrued over that period. These fees can include commission income and asset management, custody and other management and advisory fees.
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

##### ***(iii) Dividend income***

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

## **2. Accounting policies (cont'd)**

### **2.3 Summary of significant accounting policies (cont'd)**

#### **(f) Cash and cash equivalents**

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

#### **(g) Financial guarantees**

In the ordinary course of business, the Company gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policy, and the amount of the obligation under the contract, as determined in accordance with the IAS 37.

#### **(h) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### **(i) 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 period. 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.

##### ***(ii) Deferred tax***

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

## 2. Accounting policies (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (i) Taxation (cont'd)

##### *(ii) Deferred tax (cont'd)*

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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**2. Accounting policies (cont'd)**

**2.3 Summary of significant accounting policies (cont'd)**

**(j) Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.



### **3. Financial risk management**

#### **Introduction**

Risk is inherent to the Company's activities. It is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk, foreign currency risk and market risk, the latter being subdivided into trading and non-trading risks.

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.

#### **Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily between the US dollar and NIS, and use financial instruments to manage the exposure to interest rate and foreign exchange rate fluctuations.

#### **Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Company. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

#### **Interest Rate and Related Risk**

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but the earnings or cash flows. The Company does not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until the Company is required to refinance such debt. At December 31, 2012, the Company had outstanding fixed rate debt and other obligations (including finance leases but excluding other liabilities) of EUR 918.803.825.

### **3. Financial risk management (cont'd)**

#### **Foreign Currency Risk & Country Risk**

The functional currency is US dollar. However, the Company conducts, and will continue to conduct transaction in currencies other than USD, particularly the NIS. The Company entered into NIS hedging contracts designed to secure foreign currency assets. The Company has a strategy to hedge foreign currency exposure at between 80% and 120% of total annual exposure.

To manage the service of bonds issued by it and the exchange rate exposure with respect to such issued bonds, the Company entered into certain hedging foreign exchange transactions to effectively exchange a portion of the payment obligations for interest, principal, amortization and premium, if any, of such indebtedness from NIS to USD. The Company believes such foreign exchange hedging transactions will enable the Company to match the currency of the interest income to the currency of the expenses more accurately.

#### **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.

#### **4. 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.

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 period and have proceeded to an assessment of the ability of the Company to continue as a going concern. 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. The directors consider that the loss is purely technical resulting mainly from the loss on the swap. The Company has a current asset position and will be able to meet its current liabilities over the next twelve months after signing the financial statements hence there are no concerns on the capacity of the Company to continue as a going concern given its forecasted strong cash flows.

Therefore, the financial statements continue to be prepared on the going concern basis.

#### **4. Significant accounting judgements, estimates and assumptions (cont'd)**

##### **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 11.

##### **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 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 levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and other receivables is disclosed in more detail in Note 12.

##### **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 21). Tax losses can be used indefinitely.

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## 5 - Segment Information

The directors have determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Company.

## 6 – Administrative expenses

<b>For the period ended 31 December 2012</b>	
Legal fees	21,645
Accounting fees	7,774
Audit fees	31,050
Tax advisory fees	3,000
Other expenses	8,415
<b>Total administrative expenses</b>	<b>71,884</b>

## 7 – Net foreign exchange losses

<b>For the period ended 31 December 2012</b>	
Continuing operations:	
Net foreign exchange losses	-1.611.145
<b>Net foreign exchange losses</b>	<b>-1.611.145</b>

## 8 – Finance costs

<b>For the period ended 31 December 2012</b>	
Interest expense:	
Borrowings (note 19)	-2,715,974
Cross currency swaps and forward foreign exchange contracts	-62,450,909
Amortization transaction costs	-109,248
<b>Finance costs</b>	<b>-65,276,130</b>
Finance income:	
Interest income on loans and other receivables	923,206
Interest income on cash and cash equivalents	2,101
Amortization premium	1,586
<b>Finance income:</b>	<b>926,892</b>
<b>Net finance costs</b>	<b>-64,349,238</b>

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**9 – Income tax**

<b>For the period ended 31 December 2012</b>	
Current tax:	
Current tax on loss for the period	-1.575
<b>Total current tax</b>	<b>-1.575</b>
Deferred tax (note 21) :	
Origination of temporary differences	19.017.746
<b>Total deferred tax</b>	<b>19.017.746</b>
<b>Total income tax</b>	<b>19.016.171</b>

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable as follows:

<b>For the period ended 31 December 2012</b>	
<b>Loss before tax</b>	<b>-66,032,267</b>
Tax calculated at domestic tax rate (28,80%)	-19,017,293
<b>Tax effects of:</b>	
Effect of unrecognised losses	1,122
<b>Tax charge</b>	<b>-19,016,171</b>

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**10 (a) – Financial instruments by category**

**31 December 2012**

	<b>Financial assets at amortised cost</b>	<b>Others</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Bonds Cool Holdings Ltd	207,763,348	-	207,763,348
Bonds H.Hadaros 2012 Ltd	188,707,611	-	188,707,611
Bonds HOT Telecommunications System Ltd	374,931,937	-	374,931,937
Other financial assets	-	17,999,247	17,999,247
Cash and cash equivalents	-	83,773,673	83,773,673
<b>Total</b>	<b>771,402,896</b>	<b>101,772,920</b>	<b>873,175,816</b>

**31 December 2012**

	<b>Liabilities at fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>			
Senior Secured Notes 12/19 7.875% USD	-	325,493,422	325,493,422
Senior Secured Notes 12/19 7.875% USD	-	7,572,279	7,572,279
Senior Secured Notes 12/19 8% EUR	-	191,413,517	191,413,517
Senior Secured Notes 12/19 8% EUR	-	10,008,543	10,008,543
Notes Proceed Loan 12/20 9.875% USD	-	307,536,346	307,536,346
Intercompany loan Cool Holdings Ltd	-	37,349,366	37,349,366
Trade and other payables	-	1,201,869	1,201,869
Derivatives financial instruments	62,450,909	-	62,450,909
<b>Total</b>	<b>62,450,909</b>	<b>880,575,342</b>	<b>943,026,251</b>

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**10 (b) – 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:

<b>31 December 2012</b>	
<b>Loans and other receivables</b>	
Counterparties with external credit rating :	
Ba3 (by Moody's Investors Service Inc)	770,476,989
BB- (by Standard & Poor's Rating Service)	770,476,989

<b>31 December 2012</b>	
<b>Cash at bank and short-term deposit bank deposits</b>	
AAA	83,773,673

<b>31 December 2012</b>	
<b>Derivative financial liabilities</b>	
B3 (by Moody's Investors Service Inc)	62.450.909
BB- (by Standard & Poor's Rating Service)	62.450.909

<b>31 December 2012</b>	
<b>Borrowings (Senior Secured Notes)</b>	
Ba3 (by Moody's Investors Service Inc)	839,368,072
BB- (by Standard & Poor's Rating Service)	839,368,072



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**11 – Derivative financial instruments**

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	0	52.631.251
Cross currency swaps	0	9.819.658
<b>Total</b>	<b>0</b>	<b>62.450.909</b>

Trading derivatives are classified as current asset or liability. 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.

**11.1 - 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 amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Euro (EUR)	0	210,467,778
Israeli shekel (NIS)	3,908,500,000	184,100,000

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**11 – Derivative financial instruments (cont'd)**

**11.1 - Foreign currency risk management (cont'd)**

**11.1.1 Foreign currency sensitivity analysis**

The Company is mainly exposed to the currency of Israeli shekel (“NIS”) and the currency of EUR.

The following table details the Company’s sensitivity to a 10% increase and decrease in the USD 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 or equity, and the balances below would be negative.

	<b>31 December 2012</b>	
	<b>Currency USD impact</b>	<b>Currency NIS impact</b>
Profit or loss	-5.596.246	70.277.811
Equity	-1.747.908	0

**11.1.2 Forward foreign exchange contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- FX Forward contract: USD 550,000,000, the maturity date will be on 15 December 2017 and swap to ILS at the aggregate rate of 4.1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4.17 in 15 December 2017;
- FX Forward contract: USD 98,914,583, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments;
- FX Forward contract: EUR 40,066,667, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments.

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**11 – Derivative financial instruments (cont'd)**

**11.1.3 Cross currency swap contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- Cross Currency Swap : USD 200,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 7.7550%;
- Cross Currency Swap : USD 225,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.6850%;
- Cross Currency Swap : EUR 100,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.7750%.

Those contracts are effectively fixed Euro and USD interest payments into ILS.

**11.2 Interest rate risk management**

The Company is not exposed to interest rate risk because the Company mainly borrow funds at fixed interest rate.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk.

**11.2.1 Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the period ended 31 December 2012 would increase by EUR 120.847.

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**11 – Derivative financial instruments (cont'd)**

**11.3 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the directors of the Company's short-, medium-, and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**11.3.1 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.

	<b>31 December 2012</b>				
	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>3 months to 1 year</b>	<b>5+ years</b>	<b>Total</b>
	%				
<b>Assets</b>					
Loans and other receivables	4,76%	-	925.907	770.476.989	771.402.896
Trade and other receivables	0,00%	-	17.513.254	-	17.513.254
Cash and cash equivalents	0,65%	83.773.673	-	-	83.773.673
<b>Total Assets</b>		<b>83.773.673</b>	<b>18.439.161</b>	<b>770.476.989</b>	<b>872.689.823</b>
<b>Liabilities</b>					
Borrowings	4,76%	-	40.005.401	839.368.072	879.373.473
Trade and other payables	0,00%	-	1.205.801	-	1.205.801
Current tax liabilities	0,00%	-	1.575	-	1.575
<b>Total Liabilities</b>		<b>-</b>	<b>41.212.777</b>	<b>839.368.072</b>	<b>880.580.849</b>

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**11 – Derivative financial instruments (cont'd)**

**11.3 Liquidity risk management (cont'd)**

**11.3.1 Liquidity and interest risk tables (cont'd)**

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.

	<b>31 December 2012</b>			
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>
Net settled:				
- cross currency swaps	0	0	0	9.819.658
- foreign exchange forward contracts	0	0	0	52.631.251
	<b>0</b>	<b>0</b>	<b>0</b>	<b>62.450.909</b>

**11.4 Fair value of financial instruments**

**11.4.1 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.

## 11 – Derivative financial instruments (cont'd)

### 11.4 Fair value of financial instruments (cont'd)

#### 11.4.2 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.

#### 11.4.3 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).

	31 December 2012			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	62,450,909	-	62,450,909
<b>Total</b>	<b>-</b>	<b>62,450,909</b>	<b>-</b>	<b>62,450,909</b>

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**12 – Loans and other receivables**

The detail of loans and other receivables is the following:

	<b>31 December 2012</b>
<b>Non-currents assets:</b>	
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
<b>Total non-currents assets:</b>	<b>770,476,989</b>
<b>Current assets:</b>	
Interest on bonds Cool Holdings Ltd	343,768
Interest on bonds H.Hadaros 2012 Ltd	311,997
Interest on bonds HOT Telecom.System Ltd	270,142
<b>Total current assets:</b>	<b>925,907</b>
<b>Total loans and other receivables</b>	<b>771,402,896</b>

During the period ended 31 December 2012, the Company acquired the following Bonds:

a) Cool Holding Ltd. bonds issued on 27 December 2012. It is represented by 1,052,800 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14.47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 1,052,800,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 868,700,000 in principal amount of the Note Proceeds Loan;
- (ii) 104,5% of the aggregate principal amount of NIS 88,200,000 in principal amount of the Note Proceeds Loan; and
- (iii) 105,5% of the aggregate principal amount of NIS 95,900,000 in principal amount of the Note Proceeds Loan.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

b) H.Hadaros 2012 Ltd bonds issued on 27 December 2012. It is represented by 955,500 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14.47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 955,500,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 955,500,000 in principal amount of the Notes Proceeds Loan.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

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**12 - Loans and other receivables (cont'd)**

c) Hot Telecommunication System Ltd. bonds issued on 27 December 2012. It is represented by 1,900,000 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 6.30%. The total nominal value of the bonds issue is NIS 1,900,000,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 1,900,000,000.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

The fair values of the loans and other receivables are as follows:

	<b>31 December 2012</b>
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
	<b>770,476,989</b>

As at 31 December 2012, the effective interest rates on loans and other receivables are as follows:

	<b>31 December 2012</b>
Bonds Cool Holdings Ltd	14,47%
Bonds H.Hadaros 2012 Ltd	14,47%
Bonds HOT Telecommunications System Ltd	6,30%



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**13 – Other financial assets**

The detail of other financial assets as follows:

	<b>31 December 2012</b>
<b>Current assets</b>	
Receivables from Hot and other related parties	17.838.482
Other receivables	160.765
<b>Other financial assets</b>	<b>17.999.247</b>

**14 – Cash and cash equivalents**

	<b>31 December 2012</b>
Cash at bank and in hand	5.567.602
Cash in short-term deposit	78.206.072
<b>Cash and cash equivalents</b>	<b>83.773.673</b>

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	<b>31 December 2012</b>
Cash and cash equivalents	83.773.673
<b>Cash and cash equivalents</b>	<b>83.773.673</b>

**15 – Issued capital**

	<b>Ordinary shares</b>
At 17 August 2012	0
Proceeds from shares issued	28.872
<b>At 31 December 2012</b>	<b>28.872</b>

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Notes to the financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**15 – Issued capital (cont'd)**

As at 31 December 2012 the subscribed capital amounts to EUR 31,000 and is divided into 31,000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized and unissued 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 Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Sole Director or the Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

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.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

**16 – Foreign currency translation reserve**

<b>At 17 August 2012</b>	-
Variation in the foreign currency translation reserve	-3,847,040
<b>At 31 December 2012</b>	<b>-3,847,040</b>

**17 – Accumulated losses**

<b>At 17 August 2012</b>	-
Loss for the period	-47.016.095
<b>At 31 December 2012</b>	<b>-47.016.095</b>

	<b>31 December 2012</b>
<b>Current liabilities</b>	
Trade payables	638,930
Other payables	562,939
<b>Trade and other payables</b>	<b>1,201,869</b>

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## 19 – Borrowings

The detail of the borrowings is the following:

	<b>31 December 2012</b>
<b>Non-currents liabilities:</b>	
Senior Secured Notes 12/19 7.875% USD	324.078.456
Senior Secured Notes 12/19 7.875% USD	7.554.075
Senior Secured Notes 12/19 8% EUR	190.569.073
Senior Secured Notes 12/19 8% EUR	9.984.099
Notes Proceed Loan 12/20 9.875% USD	307.182.370
<b>Total non-currents liabilities:</b>	<b>839.368.072</b>
<b>Current liabilities:</b>	
Interest on Senior Secured Notes 12/19 7.875% USD	1.414.966
Interest on Senior Secured Notes 12/19 7.875% USD	18.204
Interest on Senior Secured Notes 12/19 8% EUR	844.444
Interest on Senior Secured Notes 12/19 8% EUR	24.444
Interest on Notes Proceed Loan 12/20 9.875% USD	353.976
Intercompany Loan Cool Holdings Ltd.	37.289.251
Interest on Intercompany Loan Cool Holdings Ltd.	60.114
<b>Total current liabilities:</b>	<b>40.005.401</b>
<b>Total Borrowings</b>	<b>879.373.473</b>

### 19.1 Summary of borrowing arrangements

#### a) Senior Secured Notes

The Senior Secured Notes in U.S. dollar mature on 15 December 2019 and bear coupons of 7.875% annually.

The Senior Secured Notes in Euro mature on 15 December 2019 and bear coupons of 8% annually.

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.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

As at 31 December 2012, there were no breaches of covenants for the Senior Secured Notes mentioned below.

The trade date was on 17 December 2012 and the issuance was as follows:

	<b>Price</b>	<b>31/12/2012</b>
Senior Secured Notes 12/19 7.875% USD	100,00%	340.443.000
Senior Secured Notes 12/19 7.875% USD	105,50%	7.917.539
Senior Secured Notes 12/19 8% EUR	100,00%	200.000.000
Senior Secured Notes 12/19 8% EUR	100,00%	10.467.778
<b>Total</b>		<b>558.828.317</b>

ALTICE FINANCING S.A.  
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**19 – Borrowings (cont'd)**

**19.1 Summary of borrowing arrangements (cont'd)**

**a) Senior Secured Notes (cont'd)**

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount	Fair value
	2012	2012
Senior Secured Notes 12/19 7.875% USD	324.078.456	340.443.000
Senior Secured Notes 12/19 7.875% USD	7.554.075	7.917.539
Senior Secured Notes 12/19 8% EUR	190.569.073	200.000.000
Senior Secured Notes 12/19 8% EUR	9.984.099	10.467.778
<b>Total</b>	<b>532.185.702</b>	<b>558.828.317</b>

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	31 December 2012
US dollar	450.000.000
US dollar	7.000.000
Euro	200.000.000
Euro	10.000.000

**b) Notes Proceeds Loan with Altice Finco S.A.**

The Notes Proceeds Loan represents senior notes proceeds loan agreement dated on 27 December 2012 with an initial aggregate principal amount of USD 425,000,000.

The maturity date is the date on which the principal amount outstanding on the Notes is due and payable as provided in the senior notes which means 15 December 2020.

The interest rate is the interest rate as provided under the Notes. The notes proceeds loan has been issued at a price of:

- (i) 100% of the aggregate principal amount of USD 400,000,000 in principal amount of the Notes Proceeds Loan; and
- (ii) 105.50% of the aggregate principal amount of USD 25,000,000 in principal amount of the Notes Proceeds Loan plus USD 54,861.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

**c) Intercompany Loan with Cool Holding Ltd. S.A.**

The Company entered in an Intercompany Loan with the Cool Holding Ltd. S.A. on 27 December 2012 with an initial aggregate principal amount of NIS 184,100,000.

The maturity date is applicable on the maturity date on 15 December 2019 which is related to Cool Proceeds Note. The interest rate is the interest rate as provided under the Cool Proceeds Notes.

ALTICE FINANCING S.A.  
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 Notes to the financial statements for the period ended 31 December 2012  
 (Expressed in EUR)

**20. Other financial liabilities**

	<b>31 December 2012</b>
<b><i>Derivatives carried at fair value through profit or loss (Note 11)</i></b>	
Cross currency swaps	9,819,658
Foreign exchange forward contracts	52,631,251
<b>Total</b>	<b>62,450,909</b>

**21 – Deferred tax**

The analysis of deferred tax assets is as follows:

	<b>31 December 2012</b>
<b>Deferred tax assets:</b>	
Deferred tax assets to be recovered after more than 12 months	19,017,746
	<b>19,017,746</b>
<b>Net deferred tax assets</b>	<b>19,017,746</b>

Tax losses are recognised for an amount of EUR 66,033,840.

Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	<b>31 December 2012</b>
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:	
- tax losses (revenue in nature)	1.122
	<b>1.122</b>

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(Expressed in EUR)

**22 – Contingencies**

The Company had no material contingencies at 31 December 2012.

**23 – Commitments**

The Company had no material capital commitments at 31 December 2012.

**24 - Assets pledged as security**

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**25 – Related parties transactions**

***a) Loans to related parties***

	<b>Amounts owed by related parties</b>
	<b>31 December 2012</b>
Bonds Cool Holding Ltd	207,763,349
Bonds H.Hadaros 2012 Ltd	188,707,611
Bonds HOT Ltd	374,931,937
Trade Receivable HOT	14,071,644
Receivable Altice VII S.à r.l.	3,766,838

The details are disclosed in note 12.

***b) Loans from related parties***

	<b>Amounts owed to related parties</b>
	<b>31 December 2012</b>
Senior Notes Proceed Loan Altice Finco S.A.	323,039,461
Intercompany loan Cool Holdings Ltd	37,349,365

The details are disclosed in the note 19.

ALTICE FINANCING S.A.  
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Notes to the financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**25 – Related parties transactions (cont'd)**

**c) Profit and loss transactions with related parties**

**For the period ended 31 December 2012**

Interest income Bonds Cool Holdings Ltd	342,765
Interest income Bonds H.Hadaros 2012 Ltd	311,087
Interest income Bonds HOT Ltd	269,353
Interest expense Senior Notes Proceed Loan Altice Finco S.A.	-353,976
Interest expense Intercompany Loan Cool Holdings Ltd	-59,938

**26 – Events after the reporting period**

A related party (Altice IV S.A.) acquired in January 2013 an amount of USD 13,000,000 of bonds with a coupon interest of 7.875% with a maturity date on 15/12/2019 issued during the year ended 31 December 2012 by Altice Financing S.A..

**27 – Approval of the financial statements**

The financial statements were approved by the board of directors and authorized for issue on 21 March 2013.

# **ALTICE FINCO S.A.**

Société Anonyme

## **Condensed consolidated interim financial information as at and for the period ended 30 June 2013**

3, Boulevard Royal  
L - 2449 LUXEMBOURG  
R.C.S. Luxembourg: B171.151



**ALTICE FINCO S.A.**

**Condensed consolidated interim financial information for the period ended 30 June 2013**

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**ALTICE FINCO S.A.**  
**Condensed consolidated statement of comprehensive Income for the six months ended 30 June 2013**  
**(Expressed in EUR)**

	Notes	For the six months ended 30 June 2013	For the three months ended 30 June 2013
Finance income		58 461 806	22 743 476
Finance costs		-54 098 152	-31 760 282
<b>Net finance income / (expenses)</b>		<b>4 363 653</b>	<b>-9 016 806</b>
Administrative expenses	8	-900 650	-494 088
Net foreign exchange gain		376 696	472 780
Transaction/Parents expenses		-8 747 629	-3 989 725
<b>Loss before tax</b>		<b>-4 907 930</b>	<b>-13 027 839</b>
Income tax expense	7	-5 797 420	-1 853 199
<b>Loss for the period</b>		<b>-10 705 350</b>	<b>-14 881 038</b>
<b>Other comprehensive income</b>			
Revaluation reserve movement		-	27 233 043
Currency translation movement		3 568 458	-1 171 282
<b>Total comprehensive (loss) / profit for the period</b>		<b>-7 136 892</b>	<b>11 180 724</b>

The notes on pages 28 to 39 are an integral part of these condensed consolidated interim financial information.

**ALTICE FINCO S.A.**  
**Condensed consolidated statement of financial position as at 30 June 2013**  
**(Expressed in EUR)**

<b>ASSETS</b>	Notes	30 June 2013	31 December 2012
<b>Non-current assets</b>			
Loans and other receivables	10	818 679 914	770 476 989
Deferred tax assets		<u>16 237 049</u>	<u>19 017 746</u>
<b>Total non-current assets</b>		<b><u>834 916 963</u></b>	<b><u>789 494 736</u></b>
<b>Current assets</b>			
Accrued interests receivables	10	33 301 863	925 907
Other receivables		6 519 377	18 010 490
Cash and cash equivalents	11	<u>40 769 679</u>	<u>83 773 673</u>
<b>Total current assets</b>		<b><u>80 590 918</u></b>	<b><u>102 710 070</u></b>
<b>TOTAL ASSETS</b>		<b><u>915 507 881</u></b>	<b><u>892 204 806</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	12	2 053 944	32 597
Foreign currency translation reserve		-278 973	-3 847 431
Accumulated losses		<u>-59 050 193</u>	<u>-48 344 843</u>
<b>Total equity</b>		<b><u>-57 275 222</u></b>	<b><u>-52 159 676</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	888 313 892	876 653 191
Derivative financial instruments	9	<u>53 463 270</u>	<u>62 450 909</u>
<b>Total non-current liabilities</b>		<b><u>941 777 162</u></b>	<b><u>939 104 099</u></b>
<b>Current liabilities</b>			
Trade and other payables		423 899	1 259 346
Borrowings and accrued interests payables	13	29 078 403	3 997 886
Current tax liabilities		<u>1 503 640</u>	<u>3 150</u>
<b>Total current liabilities</b>		<b><u>31 005 941</u></b>	<b><u>5 260 382</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>915 507 881</u></b>	<b><u>892 204 806</u></b>

The notes on pages 28 to 39 are an integral part of these condensed consolidated interim financial information.

**ALTICE FINCO S.A.**  
**Condensed consolidated statement of changes in equity for the six months ended 30 June 2013**  
**(Expressed in EUR)**

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total
Balance as at 17 August 2012	32 597	-	-	-
Loss for the period	-	-	-48 344 843	-
Other comprehensive loss for the period	-	-3 847 431	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-3 847 431</b>	<b>-48 344 843</b>	<b>-</b>
<b>Balance as at 31 December 2012</b>	<b>32 597</b>	<b>- 3 847 431</b>	<b>-48 344 843</b>	<b>-</b>
<b>As at 1 January 2013</b>	<b>32 597</b>	<b>-3 847 431</b>	<b>-48 344 843</b>	<b>-</b>
Issued of ordinary shares	2 021 347	-	-	-
Loss for the period	-	-	-10 705 350	-
Other comprehensive income for the period	-	3 568 458	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>3 568 458</b>	<b>-10 705 350</b>	<b>-</b>
<b>As at 30 June 2013</b>	<b>2 053 944</b>	<b>-278 973</b>	<b>-59 050 193</b>	<b>-</b>

The notes on pages 28 to 39 are an integral part of these condensed consolidated interim financial information.

**ALTICE FINCO S.A.**  
**Condensed consolidated statement of cash flows**  
**for the six month ended 30 June 2013**  
**(Expressed in EUR)**

	Notes	For the six months ended 30 June 2013	For the period ended 31 December 2012
<b>Cash flows from operating activities</b>			
Loss for the period		-10 705 350	-48 344 843
Adjustments for:			
- Income tax expenses		5 797 420	-19 014 596
- Depreciation		1 465 220	109 248
- Net foreign exchange gain/(losses)		-376 696	1 610 835
Movements in working capital:			
- Increase in trade and other receivables		-92 304	-172 008
- (Decrease)/Increase in trade and other payables		-641 823	1 259 346
<b>Net cash used in operating activities</b>		<b><u>-4 553 533</u></b>	<b><u>-64 552 018</u></b>
<b>Cash flows from investing activities</b>			
Loans granted to related parties	10	-48 202 925	-770 476 989
Advances made to related parties		-11 368 449	-17 838 482
<b>Net cash used in investing activities</b>		<b><u>-59 571 374</u></b>	<b><u>-788 315 471</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	12	2 021 347	32 597
Proceeds from issuance of bonds		-	870 983 190
Loans received from related parties	13	19 100 654	-
Payments of finance costs		-	65 624 287
<b>Net cash generated by financing activities</b>		<b><u>21 122 001</u></b>	<b><u>936 640 074</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>-43 002 906</b>	<b>83 772 585</b>
<b>Cash and cash equivalents at beginning of the period</b>	11	<b><u>83 772 585</u></b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	11	<b><u>40 769 679</u></b>	<b><u>83 772 585</u></b>

The notes on pages 28 to 39 are an integral part of these condensed consolidated interim financial information.

**ALTICE FINCO S.A.**  
**Société Anonyme**  
**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

## **1. Corporate information**

Altice Finco S.A. (the 'Company') is a company incorporated and domiciled in Luxembourg whose bonds are publicly traded. The Company holds Altice Financing S.A. and together they form the Group.

Items included in the condensed consolidated financial information of the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which is the US dollar ("USD"). The condensed consolidated financial information are presented in a different currency which is the EUR, which is the Group's presentation currency, except when stated otherwise.

The principal activity of the Group is described in Note 5.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

### **(b) Judgments and estimates**

Preparing the condensed consolidated interim financial information requires the Board of Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, significant judgments made by the Board of Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period ended 31 December 2012.

## **3. Significant accounting policies**

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the period ended 31 December 2012.

**ALTICE FINCO S.A.**  
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**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

#### **4. Financial instruments**

##### **Financial risk management policy**

The Group's financial risk management policy is consistent with the one disclosed in the consolidated financial statements as at and for the period ended 31 December 2012.

#### **5. Operating segments**

The Board of Directors has determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Group.

##### **Segments assets**

There are no major changes in segment assets.

#### **6. Seasonality of operations**

This information should be provided to allow for a proper appreciation of the results; however the Board of Directors has concluded that this does not apply to this Group.

#### **7. Income tax expense**

Income tax expense is recognized based on the Board of Director's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period. The Group's tax rate in respect of continuing operations for the six months ended 30 June 2013 was 29,22% (as at 31 December 2012: 28,80%). The change in effective tax rate was caused mainly by the following factors.

- During the three months ended 30 June 2013 an increase of 0.42% in the tax rate became effective in Luxembourg, country in which the Group generates 100% of its taxable income. The effect of the change in tax rate was recognized immediately during the six months ended 30 June 2013.
- The deferred tax as at 30 June 2013 is related to the valuation of the derivative financial instruments as described in note 9.

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**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**8. Administrative expenses**

	<b>For the six months ended 30 June 2013</b>	<b>For the three months ended 30 June 2013</b>
Legal fees	28.182	27.003
Accounting fees	37.589	24.648
Audit fees	155.294	145.092
Tax advisory fees	3.000	1.500
Other expenses	229.520	26.960
Commitment fees	442.098	263.918
Rating fees	4.967	4.967
<b>Total administrative expenses</b>	<b>900.650</b>	<b>494.088</b>

**9. Derivative financial instruments**

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	-	52,631,251
Cross currency swaps	-	9,819,658
<b>Total</b>	<b>-</b>	<b>62,450,909</b>

	<b>30 June 2013</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	-	46,770,036
Cross currency swaps	-	6,693,234
<b>Total</b>	<b>-</b>	<b>53,463,270</b>

Trading derivatives are classified as current asset or liability. 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.

The derivative financial instruments were evaluated and are consistent with those disclosed in the consolidated financial statements as at and for the period ended 31 December 2012.



**ALTICE FINCO S.A.**  
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**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**9. Derivative financial instruments (cont'd)**

**Fair value of financial instruments carried at amortised cost**

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

**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 quoted 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.

Significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

**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).

**ALTICE FINCO S.A.**  
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**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**9. Derivative financial instruments (cont'd)**

**Fair value measurements recognised in the statement of financial position (cont'd)**

	<b>31 December 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	62,450,909	-	62,450,909
<b>Total</b>	<b>-</b>	<b>62,450,909</b>	<b>-</b>	<b>62,450,909</b>

	<b>30 June 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	53,463,270	-	53,463,270
<b>Total</b>	<b>-</b>	<b>53,463,270</b>	<b>-</b>	<b>53,463,270</b>

**ALTICE FINCO S.A.**  
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**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**10. Loans and other receivables**

The detail of loans and other receivables is the following:

	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Non-currents assets:</b>		
Bonds Cool Holdings Ltd	210.785.492	207.419.580
Bonds H.Hadaros 2012 Ltd	191.452.813	188.395.614
Bonds HOT Telecommunications System Ltd	380.741.638	374.661.795
Loan Altice VII S.à r.l. Tranche A in EUR	31.855.886	-
Loan Altice VII S.à r.l. Tranche B in USD	3.844.084	-
<b>Total non-currents assets:</b>	<b>818.679.914</b>	<b>770.476.989</b>
<b>Current assets:</b>		
Interest on bonds Cool Holdings Ltd	16.484.821	343.768
Interest on bonds H.Hadaros 2012 Ltd	14.961.290	311.997
Interest on bonds HOT Telecom.System Ltd	1.159.189	270.142
Interest on loan Altice VII S.à r.l. Tranche A in EUR	656.301	-
Interest on loan Altice VII S.à r.l. Tranche B in USD	40.262	-
<b>Total current assets:</b>	<b>33.301.863</b>	<b>925.907</b>
<b>Total loans and other receivables</b>	<b>851.981.777</b>	<b>771.402.896</b>

The loans and other receivables are consistent with those disclosed in the financial statements as at and for the period ended 31 December 2012, except for the below:

The loan to Altice VII S.à r.l. is an interest bearing loan with a maturity date on 20 March 2062 or early repayment date which means a written notice not later than five days prior to the foreseen repayment date and with an annual interest rate of SSN plus an applicable margin of 0.379%. The Loan is composed by a Tranche A denominated in EUR of an aggregate amount not exceeding EUR 31,969,000 and a Tranche B denominated in USD of an aggregate amount not exceeding USD 5,000,000. The SSN rate means the 8% Senior Secured Notes due 2019 issued by the Altice Financing S.A..

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**11. Cash and cash equivalents**

	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash at bank and in hand	40.769.679	5.567.602
Cash in short-term deposit	-	78.206.072
<b>Cash and cash equivalents</b>	<b>40.769.679</b>	<b>83.773.673</b>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash and cash equivalents	40.769.679	83.773.673
Bank overdrafts	-	-1.088
<b>Cash and cash equivalents</b>	<b>40.769.679</b>	<b>83.772.585</b>

**12. Issued capital**

	<b>Ordinary shares</b>
At 1 January 2013	32.597
Issue of ordinary shares	2.021.347
<b>At 30 June 2013</b>	<b>2.053.944</b>

As at 30 June 2013 the subscribed capital amounts to EUR 2,004,000 and is divided into 2,004,000 shares fully paid-up with a nominal value per share of EUR 1.

On 16 May 2013 an extraordinary general meeting of the shareholders was held by the notary to decide to increase the capital from EUR 35,000 to EUR 2,004,000 by issue of 1,969,000 new ordinary shares with a nominal value per share of EUR 1.

The authorized and unissued 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 Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

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**(Expressed in EUR)**

**12. Issued capital(cont'd)**

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.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

**13. Borrowings**

The detail of the borrowings is the following:

	<b>30 June 2013</b>	<b>31 December 2012</b>
<b>Non-currents liabilities:</b>		
Senior Secured Notes 12/19 7.875% USD	329.933.635	324.078.456
Senior Secured Notes 12/19 7.875% USD	7.677.071	7.554.075
Senior Secured Notes 12/19 8% EUR	190.141.560	190.569.073
Senior Secured Notes 12/19 8% EUR	10.173.686	9.984.099
Senior Secured Notes 12/20 9.875% USD	292.229.584	287.182.475
Senior Secured Notes 12/20 9.875% USD	20.263.993	19.995.762
Intercompany Loan Cool Holdings Ltd.	37.894.365	37.289.251
<b>Total non-currents liabilities:</b>	<b>888.313.892</b>	<b>876.653.191</b>
<b>Current liabilities:</b>		
Bank overdraft (CBP current account)	-	1.088
Interest on Senior Secured Notes 12/19 7.875% USD	3.391.559	1.414.966
Interest on Senior Secured Notes 12/19 7.875% USD	41.054	18.204
Interest on Senior Secured Notes 12/19 8% EUR	1.756.272	844.444
Interest on Senior Secured Notes 12/19 8% EUR	45.442	24.444
Interest on Senior Secured Notes 12/20 9.875% USD	2.699.407	1.577.542
Interest on Senior Secured Notes 12/20 9.875% USD	73.361	57.082
Interest on Intercompany Loan Cool Holdings Ltd.	2.882.652	60.114
Loan HOT Telecom.System Ltd	18.139.651	-
Interest on loan HOT Telecom.System Ltd	49.005	-
<b>Total current liabilities:</b>	<b>29.078.403</b>	<b>3.997.885</b>
<b>Total Borrowings</b>	<b>917.392.295</b>	<b>880.651.075</b>

**ALTICE FINCO S.A.**  
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**(Expressed in EUR)**

**13. Borrowings (cont'd)**

The Senior Secured Notes are listed on the Luxembourg Stock Exchange under the following ISIN code:

	<b>Security name</b>	<b>ISIN Code</b>
<b>Non-currents liabilities:</b>		
Senior Secured Notes 12/19 7.875% USD	AlticeFi 7.875% 12-19 15/06	USL0178WAA01
Senior Secured Notes 12/19 7.875% USD	AlticeFi 7.875% 12-19 15/06	US02154CAA18
Senior Secured Notes 12/19 8% EUR	AlticeFi 8% 12-19 15/06	XS0864611610
Senior Secured Notes 12/19 8% EUR	AlticeFi 8% 12-19 15/06	XS0864581367
Senior Secured Notes 12/20 9.875% USD	AlticeFi 9.875% 12-20 15/06	USL0179RAA07
Senior Secured Notes 12/20 9.875% USD	AlticeFi 9.875% 12-20 15/06	US02154EAA73

The Group entered in an Intercompany Loan with Cool Holding Ltd. S.A. on 27 December 2012 with an initial aggregate principal amount of NIS 184,100,000.

The maturity date is applicable on the maturity date on 15 December 2019 which is related to Cool Proceeds Note. The interest rate is the interest rate as provided under Cool Proceeds Notes.

The Group entered in a loan agreement with Hot Telecommunication Systems Ltd on 5 June 2013 with an amount of NIS 86,422,985.

The maturity date is no later than 31 December 2013. The interest rate is an annual interest of Prim +1.10%.

**14. Contingencies**

The Group has as guarantors Cool Holdings Ltd, H.Hadaros 2012 Ltd for the debts it issued.

**15. Commitments**

The Group had no material capital commitments at 30 June 2013 (31 December 2012: nil).

**16. Assets pledged as security**

The shares, bank accounts and receivables of the Group and the following entities, its ultimate parent company (Altice VII S.à r.l. and other Altice VII Group entities, Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd) have been pledged for the issued senior security notes. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**ALTICE FINCO S.A.**  
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**(Expressed in EUR)**

**17. Related parties transactions**

**a) Loans to related parties**

	<b>Amounts owed by related parties</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
Bonds Cool Holding Ltd	210.785.492	207.763.349
Bonds H.Hadaros 2012 Ltd	191.452.813	188.707.611
Bonds HOT Telecommunication System Ltd.	380.741.638	374.931.937
Loan Altice VII S.à r.l. Tranche A in EUR	31.855.886	-
Loan Altice VII S.à r.l. Tranche B in USD	3.844.084	-
Trade Receivable HOT Telecommunication System Ltd	-	14.071.644
Receivable Altice VII S.à r.l.	6.205.201	3.766.838
Interest receivable on bonds Cool Holdings Ltd	16.484.821	343.768
Interest receivable on bonds H.Hadaros 2012 Ltd.	14.961.290	311.997
Interest receivable on bonds HOT Telecom System Ltd	1.159.189	270.142
Interest receivable on loan Altice VII S.à r.l. Tranche A	656.301	-
Interest receivable on loan Altice VII S.à r.l. Tranche B	40.262	-

**b) Loans from related parties**

	<b>Amounts owed to related parties</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
Intercompany loan Cool Holdings Ltd.	37.894.365	37.349.365
Payable to Altice VII S.à r.l.	7.960	-
Loan HOT Telecom. System Ltd	18.139.651	-
Interest payable on Intercompany loan Cool Holdings Ltd.	2.882.652	60.114
Interest payable on loan Hot Telecom System Ltd.	49.005	-

**ALTICE FINCO S.A.**  
**Société Anonyme**  
**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**17. Related parties transactions (cont'd)**

**c) Profit and loss transactions with related parties**

	<b>For the six months ended 30 June 2013</b>	<b>For the three months ended 30 June 2013</b>
Interest income Bonds Cool Holdings Ltd	16.186.142	8.051.177
Interest income Bonds H.Hadaros 2012 Ltd	14.690.215	7.307.086
Interest income Bonds HOT Telecommunication System Ltd	12.789.762	9.397.109
Interest income Loan Altice VII S.à r.l. Tranche A & B	696.276	696.276
Interest income RCF Loan HOT Telecom System Ltd	201.203	201.203
Interest expense Intercompany Loan Cool Holdings Ltd	-2.830.422	-1.407.885
Transaction fees Altice VII S.à r.l.	-7.706.490	-7.706.490

The related party Altice IV S.A. acquired in January 2013 an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with a maturity date on 15 December 2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

The Group has transaction fees with Altice VII S.à r.l. which are composed of a financial guarantee fees amounting to EUR 3,979,990 and a success fee of EUR 3,726,500.



**ALTICE FINCO S.A.**  
**Société Anonyme**  
**Notes to the condensed consolidated interim financial information**  
**for the period ended 30 June 2013**  
**(Expressed in EUR)**

**18. Events after the reporting period**

The Group proceeded on 2 July 2013 with the following transactions for a new acquisition of notes of the “Altice Group” (Altice Group is composed mainly by companies owned by Altice VII S.à r.l.):

- Additional senior notes have been issued by Altice Finco S.A. for a total amount of EUR 250,000,000. The Senior Notes bear interest of 9% and are due on 2023 and have been issued with a price of 100% of the aggregate principal amount;
- A supplemental indenture with various related companies of “Altice Group” has been signed on 2 July 2013 in relation with the Senior Notes issued on 2 July 2013;
- A second ranking Security Assignment has been signed with Citibank, N.A, London Branch related to the Senior Notes issued on 2 July 2013 with Altice Finco S.A.;
- An accession agreement has been signed with several credit institutions related to the Senior Notes issued on 2 July 2013 with Altice Finco S.A.;
- A revolving credit facility agreement has been signed with amongst others Cool Holding Ltd as a guarantor, Citibank International plc as the facility agent and the Mandated Lead Arrangers for a total amount of EUR 795,000,000.

**19. Approval of the condensed interim consolidated financial information**

The condensed interim consolidated financial information was approved by the Board of Directors and authorised for issue on August 9, 2013.

To the Sole Shareholder of  
Altice Finco S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

## **REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### *Introduction*

We have reviewed the accompanying consolidated condensed interim statement of financial position of Altice Finco S.A. as at 30 June 2013, and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory notes (the “Condensed Consolidated Interim Financial Information”). The Board of Directors is responsible for the preparation and fair presentation of the Interim Financial Information in accordance with standard IAS 34 “Interim Financial Reporting” as adopted in the European Union. Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Information is not prepared, in all material respects, in accordance with standard IAS 34 “Interim Financial Reporting” as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*

Partner

9 August 2013

# **ALTICE FINCO S.A.**

Société Anonyme

## **Consolidated financial statements as of 31 December 2012 and for the period ended 31 December 2012**

37, rue d'Anvers  
L - 1130 LUXEMBOURG  
R.C.S. Luxembourg: B171.151

To the Shareholders of Altice Finco S.A.  
37, rue d'Anvers  
L-1130 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### **Report on the financial statements**

Following our appointment by the General Meeting of the Shareholders dated 28 November 2012, we have audited the accompanying consolidated financial statements of Altice Financing S.A., which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period from 17 August 2012 to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice Finco S.A. as of 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the for the period from 17 August 2012 to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

21 March 2013

**ALTICE FINCO S.A.**  
**Consolidated statement of comprehensive income for the period from 17 August 2012 to**  
**31 December 2012**  
**(Expressed in EUR)**

	<b>Notes</b>	<b>For period ended 31 December 2012</b>
Finance income		931 024
Finance costs		<u>-66 556 398</u>
<b>Net finance costs</b>	<b>8</b>	<b><u>-65 625 375</u></b>
Administrative expenses	<b>6</b>	-123 230
Net foreign exchange losses	<b>7</b>	-1 610 835
<b>Loss before tax</b>		<b>-67 359 439</b>
Income tax benefit	<b>9</b>	19 014 596
<b>Loss for the period</b>		<b><u>-48 344 843</u></b>
<b>Other comprehensive loss</b>		
Currency translation movement		-3 847 431
<b>Total comprehensive loss for the period</b>		<b><u><u>-52 192 273</u></u></b>

The accompanying notes are an integral part of the financial statements.

**ALTICE FINCO S.A.**  
**Consolidated statement of financial position as at 31 December 2012**  
**(Expressed in EUR)**

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2012</b>
<b>Non-currents assets</b>		
Loans and other receivables	<b>12</b>	770 476 989
Deferred tax assets	<b>21</b>	<u>19 017 746</u>
<b>Total non-current assets</b>		<b><u>789 494 736</u></b>
<b>Current assets</b>		
Accrued interests receivables	<b>12</b>	925 907
Other financial assets	<b>13</b>	18 010 490
Cash and cash equivalents	<b>14</b>	<u>83 773 673</u>
<b>Total current assets</b>		<b><u>102 710 070</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>892 204 806</u></u></b>
 <b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	<b>15</b>	32 597
Foreign currency translation reserve	<b>16</b>	-3 847 431
Accumulated losses	<b>17</b>	<u>-48 344 843</u>
<b>Total equity</b>		<b><u>-52 159 676</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	<b>19</b>	839 363 940
Other financial liabilities	<b>20</b>	<u>62 450 909</u>
<b>Total non-current liabilities</b>		<b><u>901 814 848</u></b>
<b>Current liabilities</b>		
Trade and other payables	<b>18</b>	1 259 346
Borrowings and accrued interests payables	<b>19</b>	41 287 137
Current tax liabilities		<u>3 150</u>
<b>Total liabilities</b>		<b><u>42 549 633</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>892 204 806</u></u></b>

The accompanying notes are an integral part of the financial statements.

**ALTICE FINCO S.A.****Consolidated statement of changes in equity for the period at 31 December 2012****(Expressed in EUR)**

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 17 August 2012	32 597	-	-	32 597
Loss for the period	-	-	- 48 344 843	- 48 344 843
Other comprehensive loss for the period	-	- 3 847 431	-	- 3 847 431
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>- 3 847 431</b>	<b>- 48 344 843</b>	<b>- 52 192 273</b>
<b>Balance as at 31 December 2012</b>	<b>32 597</b>	<b>- 3 847 431</b>	<b>- 48 344 843</b>	<b>- 52 159 676</b>

The accompanying notes are an integral part of the financial statements.



**ALTICE FINCO S.A.**  
**Consolidated statement of cash flows for the period ended 31 December 2012**  
**(Expressed in EUR)**

	<b>For period ended 31 December 2012</b>
<b>Cash flows from operating activities</b>	
Loss for the period	-48 344 843
Adjustments for:	
- Income tax expenses	-19 014 596
- Depreciation	109 248
- Net foreign exchange losses	1 610 835
Movements in working capital:	
- Increase in trade and other receivables	-172 008
- Increase in trade and other payables	1 259 346
<b>Cash flows used in operating activities</b>	<b><u>-64 552 018</u></b>
<b>Net cash used in operating activities</b>	<b><u>-64 552 018</u></b>
<b>Cash flows from investing activities</b>	
Loans granted to related parties	-770 476 989
Advances made to related parties	-17 838 482
<b>Net cash used in investing activities</b>	<b><u>-788 315 471</u></b>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of shares	32 597
Proceeds from issuance of bonds	870 983 190
Payments of finance costs	65 624 287
<b>Net cash generated by financing activities</b>	<b><u>936 640 074</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>83 772 585</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b><u>0</u></b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>83 772 585</u></b>

The accompanying notes are an integral part of the financial statements.

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

## **1 – Corporate information**

ALTICE FINCO S.A. (hereafter “the Company”) was incorporated on 17 August 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 in Luxembourg, Grand Duchy of Luxembourg.

Its parent company is Altice VII S.à r.l. which is established in Luxembourg and the ultimate parent company is Next Limited Partnership Incorporated which is established in Guernsey. The Company holds Altice Financing S.A. and together they form the Group.

The Group 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 Group 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 Group 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 Group 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 consolidated financial statements correspond to the financial year starting on 1 January and ending on 31 December, except for the first period which started on 17 August 2012 and ended on 31 December 2012.

## **2 – Accounting policies**

### **2.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The consolidated 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 consolidated 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 consolidated financial statements are disclosed in note 4.

### **2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to 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 those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## **2 – Accounting policies**

### **2.3 Changes in accounting policy and disclosures**

#### **(a) New and amended standards adopted by the Group**

There are no IFRSs that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

#### **(b) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 17 August 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to IAS 1, “Financial statement presentation” regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassifications adjustments). The amendments do not address which items are presented in OCI. The directors anticipate that the application of the amendments to IAS 1 may result in different disclosures being made in the future.
- IFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US Generally Accepted Accounting Principles (“GAAP”), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group has not yet assessed the full impact of the new standard.

## **2 – Accounting policies (cont'd)**

### **2.3 Changes in accounting policy and disclosures (cont'd)**

#### **(b) New standards and interpretations not yet adopted (cont'd)**

- IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has not yet assessed IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.
- IFRS 10, “Consolidated financial statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has not yet assessed IFRS 10’s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, “Disclosures of interests in other entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has not yet assessed IFRS 12’s full impact and intends to adopt IFRS 12 no later than accounting period beginning on or after 1 January 2013.

## **2. - Accounting policies (cont'd)**

### **2.3 Changes in accounting policy and disclosures (cont'd)**

#### **(b) New standards and interpretations not yet adopted (cont'd)**

- Amendments to IFRS 7 and IAS 32 “Offsetting Financial Assets and Financial Liabilities and related disclosures”. The amendments to IAS32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous” realization and settlement”. The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors anticipate that the application of the amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

There are no other IFRSs that are not yet effective that would be expected to have material impact on the Group.

## **2 – Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies**

#### **(a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

#### **(b) Foreign currency translation**

##### ***(i) Functional and presentation currency***

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which is the US dollar ("USD"). The consolidated financial statements are presented in a different currency which is the EUR, which is the Group's presentation currency, except when stated otherwise. The presentation currency is the currency of the Altice VII S.à r.l. group which holds 100% of this Group.

##### ***(ii) Transactions and balances***

Transactions in a currency other than USD 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 USD are retranslated in USD at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated in USD 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 USD are not retranslated in USD. 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 translated in EUR at the rates of exchange prevailing at the dates of the transactions. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(c) Financial instruments – initial recognition and subsequent measurement**

##### ***(i) Date of recognition***

Financial assets and liabilities are recognized when that the Group 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.

##### ***(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.



## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(c) Financial instruments – initial recognition and subsequent measurement (cont'd)**

##### ***(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.

##### ***(vii) Financial liabilities***

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### ***(viii) Derivatives financial instruments***

The Group 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 recorded 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.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

## 2 Accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

#### (d) Derecognition of financial assets and financial liabilities

##### (i) *Financial assets*

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Group has transferred substantially all the risks and rewards of the asset; or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(d) Derecognition of financial assets and financial liabilities (cont'd)**

##### ***(ii) 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.

#### **(e) 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 Group'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 11.

## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(e) Impairment of financial assets**

The Group 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 Group 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 Group 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's 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 consolidated 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 Group. 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.

## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(e) Impairment of financial assets (cont'd)**

##### ***(i) Financial assets carried at amortised cost (cont'd)***

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 Group 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 Group'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, and are directionally consistent with, 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.

See Note 12 for details of impairment losses on financial assets carried at amortised cost.

## **2 Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

##### ***(i) Interest income***

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### ***(ii) Fee and commission income***

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following three categories:

- Fee income earned from services that are provided over a certain period of time
- Fees earned for the provision of services over a period of time are accrued over that period. These fees can include commission income and asset management, custody and other management and advisory fees.
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

##### ***(iii) Dividend income***

Revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

## **2. Accounting policies (cont'd)**

### **2.4 Summary of significant accounting policies (cont'd)**

#### **(g) Cash and cash equivalents**

Cash and cash equivalents as referred to in the consolidated statement cash flows comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

#### **(h) Financial guarantees**

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policy, and the amount of the obligation under the contract, as determined in accordance with the IAS 37.

#### **(i) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### **(j) 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 period. Taxable profit differs from profit before tax as reported in consolidated 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.

##### **(ii) Deferred tax**

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

## 2. Accounting policies (cont'd)

### 2.4 Summary of significant accounting policies (cont'd)

#### (i) Taxation (cont'd)

##### (ii) *Deferred tax (cont'd)*

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the consolidated statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



**2. Accounting policies (cont'd)**

**2.4 Summary of significant accounting policies (cont'd)**

**(j) Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

### **3. Financial risk management**

#### **Introduction**

Risk is inherent to the Group's activities. It is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, foreign currency risk and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through the Group's strategic planning process.

#### **Quantitative and Qualitative Disclosures About Market Risk**

The Group is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily between the US dollar and NIS, and use financial instruments to manage the exposure to interest rate and foreign exchange rate fluctuations.

#### **Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group 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. The Group does not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until the Group is required to refinance such debt. At December 31, 2012, the Group had outstanding fixed rate debt and other obligations (including finance leases but excluding other liabilities) of EUR 918,789,169.

### **3. Financial risk management (cont'd)**

#### **Foreign Currency Risk & Country Risk**

The functional currency is US dollar. However, the Group conducts, and will continue to conduct transaction in currencies other than USD, particularly the NIS. The Group entered into NIS hedging contracts designed to secure foreign currency assets. The Group has a strategy to hedge foreign currency exposure at between 80% and 120% of total annual exposure.

To manage the service of bonds issued by it and the exchange rate exposure with respect to the such issued bonds, the Group entered into certain hedging foreign exchange transactions to effectively exchange a portion of the payment obligations for interest, principal, amortization and premium, if any, of such indebtedness from NIS to USD. The Group believes such foreign exchange hedging transactions will enable the Group to match the currency of the interest income to the currency of the expenses more accurately.

#### **Impairment assessment**

For accounting purposes, the Group 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.

#### **4. Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated 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.

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

##### **Going concern**

The Group's directors considered the loss registered during the period and have proceeded to an assessment of the ability of the Group to continue as a going concern. The directors are satisfied that the Group 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 Group's ability to continue as a going concern. The directors consider that the loss is purely technical resulting mainly from the loss on the swap. The Group has a current asset position and will be able to meet its current liabilities over the next twelve months after signing the financial statements hence there are no concerns on the capacity of the Group to continue as a going concern given its forecasted strong cash flows.

Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

#### **4. Significant accounting judgements, estimates and assumptions**

##### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the consolidated 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 11.

##### **Impairment losses on loans and other receivables**

The Group reviews its individually significant loans and other receivables at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated 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 levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and other receivables is disclosed in more detail in Note 12.

##### **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 21). Tax losses can be used indefinitely.

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## 5 - Segment Information

The directors have determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Group.

## 6 – Administrative expenses

<b>For the period ended 31 December 2012</b>	
Legal fees	27,375
Accounting fees	16,698
Audit fees	58,363
Tax advisory fees	6,000
Other expenses	14,794
<b>Total administrative expenses</b>	<b>123,230</b>

## 7 – Net foreign exchange losses

<b>For the period ended 31 December 2012</b>	
Continuing operations:	
Net foreign exchange losses	-1,610,835
<b>Net foreign exchange losses</b>	<b>-1,610,835</b>

## 8 – Finance costs

<b>For the period ended 31 December 2012</b>	
Interest expense:	
Borrowings (note 19)	-3,996,242
Cross currency swaps and forward foreign exchange contracts	-62,450,909
Amortization transaction costs	-109,248
<b>Finance costs</b>	<b>-66,556,398</b>
Finance income:	
Interest income on loans and other receivables	923,205
Interest income on cash and cash equivalents	2,102
Amortization premium	5,717
<b>Finance income:</b>	<b>931,024</b>
<b>Net finance costs</b>	<b>-65,625,375</b>

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**9 – Income tax**

Current tax:	
Current tax on profits for the period	3,150
<b>Total current tax</b>	<b>3,150</b>
Deferred tax (note 21) :	
Recognition of deferred tax losses	-19,017,746
<b>Total deferred tax</b>	<b>-19,017,746</b>
<b>Total income tax</b>	<b>-19,014,596</b>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable follows:

	<b>For the period ended 31 December 2012</b>
<b>(Loss) before tax</b>	<b>-67,359,439</b>
Tax calculated at domestic tax rate (28,80%)	-19,399,518
<b>Tax effects of:</b>	
Effect of unrecognised losses	384,922
<b>Tax charge</b>	<b>-19,014,596</b>

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**10 (a) – Financial instruments by category**

**31 December 2012**

	<b>Financial assets at amortised cost</b>	<b>Others</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Bonds Cool Holdings Ltd	207,763,348	-	207,763,348
Bonds H.Hadaros 2012 Ltd	188,707,611	-	188,707,611
Bonds HOT Telecommunications System Ltd	374,931,937	-	374,931,937
Trade and other receivables	-	18,010,490	18,010,490
Cash and cash equivalents	-	83,773,674	83,773,674
<b>Total</b>	<b>771,402,896</b>	<b>101,784,164</b>	<b>873,187,060</b>

**31 December 2012**

	<b>Liabilities at fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>			
Senior Secured Notes 12/19 7.875% USD	-	325,493,422	325,493,422
Senior Secured Notes 12/19 7.875% USD	-	7,572,279	7,572,279
Senior Secured Notes 12/19 8% EUR	-	191,413,517	191,413,517
Senior Secured Notes 12/19 8% EUR	-	10,008,543	10,008,543
Senior Secured Notes 12/20 9.875% USD	-	288,760,017	288,760,017
Senior Secured Notes 12/20 9.875% USD	-	20,052,844	20,052,844
Intercompany loan Cool Holdings Ltd	-	37,349,365	37,349,365
Bank overdraft	1,088	-	1,088
Trade and other payables	1,259,346	-	1,259,346
Derivative financial instruments	62,450,909	-	62,450,909
<b>Total</b>	<b>63,711,343</b>	<b>880,649,987</b>	<b>944,361,330</b>



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**10 (b) – 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:

<b>31 December 2012</b>	
<b>Loans and other receivables</b>	
Counterparties with external credit rating :	
Ba3 (by Moody's Investors Service Inc)	770,476,989
BB- (by Standard & Poor's Rating Service)	770,476,989

<b>31 December 2012</b>	
<b>Cash at bank and short-term deposit bank deposits</b>	
AAA	83,773,674

<b>31 December 2012</b>	
<b>Derivates financial liabilities</b>	
B3 (by Moody's Investors Service Inc)	62,450,909
BB- (by Standard & Poor's Rating Service)	62,450,909

<b>31 December 2012</b>	
<b>Borrowings (Senior Secured Notes)</b>	
Ba3 (by Moody's Investors Service Inc)	839,363,940
BB- (by Standard & Poor's Rating Service)	839,363,940

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**11 – Derivative financial instruments**

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Forward foreign exchange contracts	0	52,631,251
Cross currency swaps	0	9,819,658
<b>Total</b>	<b>0</b>	<b>62,450,909</b>

Trading derivatives are classified as current asset or liability. 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.

**11.1 - Foreign currency risk management**

The Group 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 amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	<b>31 December 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>
Euro (EUR)	0	210,467,778
Israeli shekel (NIS)	3,908,500,000	184,100,000

## **11 – Derivative financial instruments (cont'd)**

### **11.1 - Foreign currency risk management (cont'd)**

#### **11.1.1 Foreign currency sensitivity analysis**

The Group is mainly exposed to the currency of Israeli shekel (“NIS”) and the currency of EUR.

The following table details the Group’s sensitivity to a 10% increase and decrease in the USD 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 Group 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 or equity, and the balances below would be negative.

	<b>31 December 2012</b>	
	<b>Currency USD impact</b>	<b>Currency NIS impact</b>
Profit or loss	-5.596.246	70.277.811
Equity	-1.640.186	0

#### **11.1.2 Forward foreign exchange contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- FX Forward contract: USD 550,000,000, the maturity date will be on 15 December 2017 and swap to ILS at the aggregate rate of 4.1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4.17 in 15 December 2017;
- FX Forward contract: USD 98,914,583, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments;
- FX Forward contract: EUR 40,066,667, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments.

## **11 – Derivative financial instruments (cont'd)**

### **11.1.3 Cross currency swap contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- Cross Currency Swap : USD 200,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 7.7550%;
- Cross Currency Swap : USD 225,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.6850%;
- Cross Currency Swap : EUR 100,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.7750%.

Those contracts are effectively fixed Euro and USD interest payments into ILS.

### **11.2 Interest rate risk management**

The Group is not exposed to interest rate risk because the Group mainly borrow funds at fixed rate.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk.

#### **11.2.1 Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

loss for the period ended 31 December 2012 would decrease/increase by EUR 120,847.

## 11 – Derivative financial instruments (cont'd)

### 11.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the directors of the Group's short-, medium-, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

#### 11.3.1 Liquidity and interest risk tables

The following tables detail the Group'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 Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

31 December 2012					
	Weighted average effective interest rate	Less than 1 month	3 months to 1 year	5+ years	Total
	%				
<b>Assets</b>					
Loans and other receivables	4.76%	-	925,907	770,476,989	771,402,896
Trade and other receivables	0.00%	-	18,010,490	-	18,010,490
Cash and cash equivalents	0.65%	83,773,673	-	-	83,773,673
<b>Total Assets</b>		<b>83,773,673</b>	<b>18,936,397</b>	<b>770,476,989</b>	<b>873,187,059</b>
<b>Liabilities</b>					
Borrowings	4.76%	-	41,287,137	839,363,940	880,651,077
Trade and other payables	0.00%	-	1,259,346	-	1,259,346
Current tax liabilities	0.00%	-	3,150	-	3,150
<b>Total Liabilities</b>		<b>-</b>	<b>42,549,633</b>	<b>839,363,940</b>	<b>881,913,573</b>

**11 – Derivative financial instruments (cont'd)**

**11.3 Liquidity risk management (cont'd)**

**11.3.1 Liquidity and interest risk tables**

The following table details the Group'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.

	<b>31 December 2012</b>			
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>
Net settled:				
- cross currency swaps	0	0	0	9,819,658
- foreign exchange forward contracts	0	0	0	52,631,251
	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,450,909</b>

#### **11.4 Fair value of financial instruments**

##### **11.4.1 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 consolidated financial statements approximate their fair values.

##### **11.4.2 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.

**11.4.3 Fair value measurements recognised in the consolidated 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).

	<b>31 December 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial liabilities at FVTPL</i></b>				
Other derivatives financial liabilities	0	62,450,909	0	62,450,909
<b>Total</b>	<b>0</b>	<b>62,450,909</b>	<b>0</b>	<b>62,450,909</b>



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**12 – Loans and other receivables**

The detail of loans and other receivables is the following:

	<b>31 December 2012</b>
<b>Non-currents assets:</b>	
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
<b>Total non-currents assets:</b>	<b>770,476,989</b>
<b>Current assets:</b>	
Interest on bonds Cool Holdings Ltd	343,768
Interest on bonds H.Hadaros 2012 Ltd	311,997
Interest on bonds HOT Telecom.System Ltd	270,142
<b>Total current assets:</b>	<b>925,907</b>
<b>Total loans and other receivables</b>	<b>771,402,896</b>

During the period ended 31 December 2012, the Company acquired the following Bonds:

a) Cool Holding Ltd. bonds issued on 27 December 2012. It is represented by 1,052,800 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14,47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 1,052,800,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 868,700,000 in principal amount of the Note Proceeds Loan;
- (ii) 104,5% of the aggregate principal amount of NIS 88,200,000 in principal amount of the Note Proceeds Loan; and
- (iii) 105,5% of the aggregate principal amount of NIS 95,900,000 in principal amount of the Note Proceeds Loan.

b) H.Hadaros 2012 Ltd bonds issued on 27 December 2012. It is represented by 955,500 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14,47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 955,500,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 955,500,000 in principal amount of the Notes Proceeds Loan.

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**12 – Loans and other receivables (cont'd)**

c) Hot Telecommunication System Ltd. bonds issued on 27 December 2012. It is represented 1,900,000 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 6,30%. The total nominal value of the bonds issue is NIS 1,900,000,000.

The bonds have been issued at a price of:

- (i) 100% of the aggregate principal amount of NIS 1,900,000,000.

The fair values of the loans and other receivables are as follows:

	<b>31 December 2012</b>
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
	<b>770,476,989</b>

As at 31 December 2012, the effective interest rates on loans and other receivables are as follows:

	<b>31 December 2012</b>
Bonds Cool Holdings Ltd	14.47%
Bonds H.Hadaros 2012 Ltd	14.47%
Bonds HOT Telecommunications System Ltd	6.30%

**13 – Other financial assets**

The detail of other financial assets is as follows:

	<b>31 December 2012</b>
<b>Current assets</b>	
Receivables from Hot and other related parties	17,838,482
Other receivables	172,008
<b>Trade and other receivables</b>	<b>18,010,490</b>

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**14 – Cash and cash equivalents**

	<b>31 December 2012</b>
Cash at bank and in hand	5,567,602
Cash in short-term deposit	78,206,072
<b>Cash and cash equivalents</b>	<b>83,773,673</b>

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	<b>31 December 2012</b>
Cash and cash equivalents	83,773,673
Bank overdrafts	-1,088
<b>Cash and cash equivalents</b>	<b>83,772,585</b>

**15 – Issued capital**

	<b>Ordinary shares</b>
At 17 August 2012	0
Proceeds from shares issued	32,597
<b>At 31 December 2012</b>	<b>32,597</b>

As at 31 December 2012 the subscribed capital amounts to EUR 35,000 and is divided into 35,000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized and unissued 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 Company may repurchase its own shares within the limits set by the Law and the Articles. The Sole Director or the Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

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.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

**16 – Reserves**

<b>At 17 August 2012</b>	-
Variation in the foreign currency translation reserve	-3,847,431
<b>At 31 December 2012</b>	<b>-3,847,431</b>

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**17 – Accumulated losses**

<b>At 17 August 2012</b>	0
Loss for the period	-48,344,843
<b>At 31 December 2012</b>	<b>-48,344,842</b>

**18 – Trade and other payables**

The detail of trade and other payables is as follows:

	<b>31 December 2012</b>
<b>Current liabilities</b>	
Trade payables	663,500
Other payables	595,846
<b>Trade and other payables</b>	<b>1,259,346</b>

**19 – Borrowings**

The detail of the borrowings is the following:

	<b>31 December 2012</b>
<b>Non-currents liabilities:</b>	
Senior Secured Notes 12/19 7.875% USD	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,554,075
Senior Secured Notes 12/19 8% EUR	190,569,073
Senior Secured Notes 12/19 8% EUR	9,984,099
Senior Secured Notes 12/20 9.875% USD	287,182,475
Senior Secured Notes 12/20 9.875% USD	19,995,762
<b>Total non-currents liabilities:</b>	<b>839,363,940</b>
<b>Current liabilities:</b>	
Bank overdraft (CBP current account)	1,088
Interest on Senior Secured Notes 12/19 7.875% USD	1,414,966
Interest on Senior Secured Notes 12/19 7.875% USD	18,204
Interest on Senior Secured Notes 12/19 8% EUR	844,444
Interest on Senior Secured Notes 12/19 8% EUR	24,444
Interest on Senior Secured Notes 12/20 9.875% USD	1,577,542
Interest on Senior Secured Notes 12/20 9.875% USD	57,082
Intercompany Loan Cool Holdings Ltd.	37,289,251
Interest on Intercompany Loan Cool Holdings Ltd.	60,114
<b>Total current liabilities:</b>	<b>41,287,137</b>
<b>Total Borrowings</b>	<b>880,651,077</b>

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**19 – Borrowings (cont'd)**

**19.1 Summary of borrowing arrangements**

**a) Senior Secured Notes**

The Senior Secured Notes in U.S. dollar mature on 15 December 2020 and bear coupons of 9.875% annually.

The Senior Secured Notes in U.S. dollar mature on 15 December 2019 and bear coupons of 7.875% annually.

The Senior Secured Notes in Euro mature on 15 December 2019 and bear coupons of 8% annually.

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.

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

As at 31 December 2012, there were no breaches of covenants for the Senior Secured Notes mentioned below.

The trade date was on 17 December 2012 and the issuance was as follows:

	<b>Price</b>	<b>31/12/2012</b>
Senior Secured Notes 12/19 7.875% USD	100.00%	340,443,000
Senior Secured Notes 12/19 7.875% USD	105.50%	7,918,311
Senior Secured Notes 12/19 8% EUR	100.00%	200,000,000
Senior Secured Notes 12/19 8% EUR	100.00%	10,467,778
Senior Secured Notes 12/20 9.875% USD	100.00%	302,686,341
Senior Secured Notes 12/20 9.875% USD	105.50%	19,995,762
<b>Total</b>		<b>881,511,191</b>

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**19 – Borrowings (cont'd)**

**19.1 Summary of borrowing arrangements (cont'd)**

**a) Senior Secured Notes (cont'd)**

The carrying amounts and fair value of the non-current borrowings are as follows:

	<b>Carrying amount 2012</b>	<b>Fair value 2012</b>
Senior Secured Notes 12/19 7.875% USD	324,078,456	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,554,075	7,554,075
Senior Secured Notes 12/19 8% EUR	190,569,073	190,569,073
Senior Secured Notes 12/19 8% EUR	9,984,099	9,984,099
Senior Secured Notes 12/20 9.875% USD	287,182,475	287,182,475
Senior Secured Notes 12/20 9.875% USD	19,995,762	19,995,762
<b>Total</b>	<b>839,363,940</b>	<b>839,363,940</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<b>31 December 2012</b>
US dollar	450,000,000
US dollar	7,000,000
US dollar	400,000,000
US dollar	25,000,000
Euro	200,000,000
Euro	10,000,000

**b) Intercompany Loan with Cool Holding Ltd. S.A.**

The Group entered in an Intercompany Loan with the Cool Holding Ltd. S.A. on 27 December 2012 with an initial aggregate principal amount of NIS 184,100,000.

The maturity date is applicable on the maturity date on 15 December 2019 which is related to Cool Proceeds Note. The interest rate is the interest rate as provided under the Cool Proceeds Notes.

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**20. Other financial liabilities**

	<b>31 December 2012</b>
<b><i>Derivatives carried at fair value through profit or loss (Note 11)</i></b>	
Cross currency swaps	9,819,658
Foreign exchange forward contracts	52,631,251
<b>Total</b>	<b>62,450,909</b>

**21 – Deferred tax**

The analysis of deferred tax assets is as follows:

	<b>31 December 2012</b>
<b>Deferred tax assets:</b>	
Deferred tax assets to be recovered after more than 12 months	19,017,746
<b>Net deferred tax assets</b>	<b>19,017,746</b>

The tax losses are recognised for an amount of EUR 66,033,840.

Unrecognised deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:	
- tax losses (revenue in nature)	384,922
	<b>384,922</b>

ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**22 – Contingencies**

The Group had no material contingencies at 31 December 2012.

**23 – Commitments**

The Group had no material capital commitments at 31 December 2012.

**24 - Assets pledged as security**

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**25 – Related parties**

**Related parties transactions**

***a) Loans to related parties***

	<b>Amounts owed by related parties</b>
	<b>31 December 2012</b>
Bonds Cool Holding Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Ltd	374,661,795
Trade receivable HOT	14,071,644
Receivable Altice VII S.à r.l.	3,766,838

The details are disclosed on note 12.

***b) Loans from related parties***

	<b>Amounts owed to related parties</b>
	<b>31 December 2012</b>
Intercompany loan Cool Holdings Ltd	37,349,365

The details are disclosed in the note 19.



ALTICE FINCO S.A.  
Société Anonyme  
Notes to the consolidated financial statements for the period ended 31 December 2012  
(Expressed in EUR)

**25 – Related parties**

**c) Profit and loss transactions with related parties (cont'd)**

**For the period ended 31 December 2012**

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Interest income Bonds Cool Holdings Ltd	342,765
Interest income Bonds H.Hadaros 2012 Ltd	311,087
Interest income Bonds HOT Ltd	269,353
Interest expense Intercompany Loan Cool Holdings Ltd	-59,938

**26 – Events after the reporting period**

A related party (Altice IV S.A.) acquired in January 2013 an amount of USD 13,000,000 of bonds with a coupon interest of 7.875% with a maturity date on 15/12/2019 from Altice Financing S.A.. Altice IV S.A. also acquired in January 2013 an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with maturity date 15/12/2020 from Altice Finco S.A..

**27 – Approval of the consolidated financial statements**

The consolidated financial statements were approved by the board of directors and authorized for issue on 21 March 2013.

**Altice Bahamas S.à r.l.**

(formerly known Altice See S.à r.l.)

Société à responsabilité limitée

**Opening balance sheet as of October 14, 2013**

3, Boulevard Royal  
L-2449 Luxembourg  
**RCS Luxembourg : B 181.590**

**Altice Bahamas S.à r.l.** (formerly known Altice See S.à r.l.)  
Société à responsabilité limitée

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**Altice Bahamas S.à r.l.** (formerly known Altice See S.à r.l.)  
Société à responsabilité limitée

**Opening balance sheet  
as of October 14, 2013**

	Notes	14/10/2013 EUR
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	12 500,00
<b>Total assets</b>		<u><u>12 500,00</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	3	12 500,00
Loss at incorporation		<u>( 1 442,23 )</u>
<b>Total equity</b>		<u><u>11 057,77</u></u>
<b>Current liabilities</b>		
Trade and other payables	4	<u>1 442,23</u>
<b>Total equity and liabilities</b>		<u><u>12 500,00</u></u>

The accompanying notes form an integral part of this opening balance sheet.

**Altice Bahamas S.à r.l.** (formerly known Altice See S.à r.l.)  
Société à responsabilité limitée

**Notes to the opening balance sheet**  
As of October 14, 2013

**Note 1 – Corporate information**

Altice Bahamas S.à r.l. (formerly known Altice See S.à r.l.) (hereafter “the Company”) is a Luxembourg holding company incorporated on October 14, 2013 as a “Société à Responsabilité Limitée” for an unlimited period of time, subject to general company law. Its registered office is established at 3, Boulevard Royal, L-2449 Luxembourg.

The Company’s financial year begins on 1 January and ends on 31 December of each year with the exception for the first financial year which began on October 14, 2013 (incorporation date) and will end on December 31, 2013.

The principal activity of the Company to carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

**Note 2 – Summary of significant accounting policies**

**2.1. Basis of preparation**

The opening balance sheet of the Company has been prepared in accordance with IAS 1 and IAS 32 of the International Financial Reporting Standards as adopted in the European Union.

**Altice Bahamas S.à r.l.** (formerly known Altice See S.à r.l.)  
Société à responsabilité limitée

**Notes to the opening balance sheet (cont'd)**  
As of October 14, 2013

**Note 2 - Summary of significant accounting policies (cont. and end)**

**2.1. Basis of preparation (cont. and end)**

It has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets.

The measurement and recognition criteria of those International Financial Reporting Standards are set below:

**2.1.1. Cash and cash equivalents**

Cash includes cash in hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

**2.1.2. Trade payables**

Trade payables are stated at their nominal value.

**2.1.3. Taxation**

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Altice Bahamas S.à r.l.** (formerly known Altice See S.à r.l.)  
Société à responsabilité limitée

**Notes to the opening balance sheet (cont'd)**  
As of October 14, 2013

**Note 3 – Issued capital**

The Company's equity is composed of ordinary shares as follows:

	<b>14/10/2013</b>
	<b>EUR</b>
<b>Issued capital:</b>	
12 500 ordinary shares of EUR 1 each fully paid up	12 500,00

**Note 4 – Trade payables**

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 1 442,23.

**Note 5 – Cash and cash equivalents**

Cash and cash equivalents consist of the current account with the bank of the Company, and are considered as cash and cash equivalents.

**Note 6 – Taxation**

In the context of the opening balance sheet, no deferred tax asset has been recorded in relation to the loss incurred at incorporation since the Company's ability to crystallise the deferred tax asset amounting to EUR 415 is contingent upon the success of all contemplated funding operations.

**Note 7 – Subsequent events**

On October 14, the board of managers of the Company authorises and approves the following transactions:

- a securities purchase agreement to be entered into the Company, with Altice VII S.à r.l., and regarding the sale and purchase of the entire issued share capital and securities in Slovenia Broadband S.à r.l. (the "SPA");
- a management warranty deed to be entered into between certain managers of the SBB/Telemach Group and the Company relating to Slovenia Broadband S.à r.l. (the "Management Warranty Deed"); and
- all other agreements, deeds, utilisation requests, notices, acknowledgments, statements, powers of attorney, certificates, letters, confirmations, receipts, or other actions or documents that may be ancillary, necessary, required, contemplated by or useful in connection with the execution of the above mentioned documents by the Company and/or the transaction.

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**\$1,309,000,000 (equivalent)**

\$900,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022

€300,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022

issued by

Altice Financing S.A.

**\$400,000,000**

8<sup>1</sup>/<sub>8</sub>% Senior Notes due 2024

issued by

Altice Finco S.A.



*Joint Bookrunners*

**Goldman Sachs International**

**Morgan Stanley**

**Barclays**

**Crédit Agricole CIB**

**Deutsche Bank**

**OFFERING MEMORANDUM**