LISTING PARTICULARS
DATED MARCH 13, 2015

NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES OR ISRAEL

€2,055 million (equivalent)

\$1,480,000,000 $7^5/_8$% Senior Notes due 2025
€750,000,000 $6^1/_4$% Senior Notes due 2025

issued by

ALTICE S.A.

Altice S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of the Grand Duchy of Luxembourg (the "Issuer"), offered \$1,480 million aggregate principal amount of its $7^5/_8$% senior notes due 2025 (the "Dollar Notes") and €750 million aggregate principal amount of its $6^1/_4$% senior notes due 2025 (the "Euro Notes" and, together with the Dollar Notes, the "Notes"), in connection with the financing of the PT Portugal Acquisition (as defined herein). The Notes will mature on February 15, 2025. The Issuer will pay interest on the Notes, as applicable, semi annually in cash in arrears on each April 1 and October 1, commencing on October 1, 2015. Please refer to "Definitions" for the meaning of certain capitalized terms used herein.

On the Issue Date (as defined below) the Initial Purchasers deposited (i) the gross proceeds from the offering of the Dollar Notes into a segregated escrow account (the "Dollar Notes Escrow Account") in the name of the Escrow Agent (as defined herein) for the benefit of the holders of the Dollar Notes and the Trustee, and (ii) the gross proceeds from the offering of the Euro Notes into a segregated escrow account (the "Euro Notes Escrow Account" and, together with the Dollar Notes Escrow Account, the "Escrow Accounts") in the name of the Escrow Agent for the benefit of the holders of the Euro Notes and the Trustee. The release of escrow proceeds will be subject to the conditions set forth in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*". If the conditions for the release of escrow proceeds are not satisfied prior to June 9, 2016 or upon the occurrence of certain other events, the applicable Notes will be subject to a special mandatory redemption at 100% of the initial issue price of each such Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

At any time prior to February 15, 2020, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium. At any time on or after February 15, 2020, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein. Prior to February 15, 2018, the Issuer may redeem up to 40% of the aggregate principal amount of each series of the Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 107.625% of the principal amount of the Dollar Notes and 106.250% of the principal amount of the Euro Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Notes remains outstanding after the redemption. Further, the Issuer may redeem all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Issuer and its restricted subsidiaries sell certain of their assets or, if the Issuer experiences specific kinds of changes of control, the Issuer may be required to make an offer to repurchase the Notes at the prices set forth herein.

The Notes are senior obligations of the Issuer. Prior to the release of all of the proceeds of the offering of the Notes from the Escrow Accounts, the Notes are secured by a first ranking pledge over the Issuer's rights under the Escrow Agreement (as defined herein) and the assets in the Escrow Accounts as applicable. On the Completion Date, the Notes will benefit from first ranking pledges (the "Collateral") over (i) all of the share capital of Altice International S.à r.l. ("Altice International") and Altice France S.A. and (ii) the AI Mandatory Convertible Notes.

The Notes were not guaranteed on the Issue Date. On the Completion Date, the Notes will be guaranteed (the "Guarantee") by Altice France S.A. (the "Guarantor").

The Collateral will also secure the obligations of the Issuer under the 2014 Altice S.A. Revolving Credit Facility Agreement (as defined herein), the 2014 Senior Notes (as defined herein) and certain hedging obligations. Under the terms of the Altice S.A. Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the 2014 Altice S.A. Revolving Credit Facility Agreement and the counterparties to certain hedging agreements have been repaid in full. Any proceeds received upon any enforcement over any Collateral, after all obligations under the Altice S.A. Revolving Credit Facility have been repaid and such hedging obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture, the Notes, the 2014 Senior Notes and obligations under the 2014 Senior Notes Indenture and any other Indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral on a pari passu basis pursuant to the Indenture and the Intercreditor Agreement. In addition, the security interests in the Collateral may be released under certain circumstances. See "G*eneral Description of our Business and the Offering—The Offering*", "*Simplified Corporate and Financing Structu*re", "*Risk Factors—Risks Relating to the Notes and the Structure*" and "*Description of Other Indebtedness*".

Investing in the Notes involves a high degree of risk. Please see "*Risk Factors*" beginning on page 50 of these Listing Particulars.

The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except in compliance with Rule 144A under the U.S. Securities Act. In the United States, this offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers (as defined herein) of the Notes may be relying on the exemption from certain provisions of the U.S. Securities Act provided by Rule 144A. Outside the United States, this offering was made in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Please see "*Notice to Investors*" for additional information about eligible offerees and transfer restrictions.

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

The Dollar Notes are in registered form in minimum denominations of $200,000 and integral multiples of $1,000 above $200,000. The Euro Notes are in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000. As of February 4, 2015 (the "Issue Date"), each series of Notes are being represented by one or more global notes that were delivered through The Depository Trust Company ("DTC"), Euroclear SA/NV ("Euroclear") and Clearstream Banking, *société anonyme*, as applicable. Interests in each global note will be exchangeable for definitive notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*".

Dollar Notes price: 100.000% plus accrued interest from the Issue Date
Euro Notes price: 100.000% plus accrued interest from the Issue Date

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Joint Lead Bookrunners

J.P. Morgan   Goldman Sachs International   Credit Suisse   Deutsche Bank   Morgan Stanley

BNP PARIBAS   Crédit Agricole CIB   Banca IMI   Citigroup   HSBC   Nomura   RBC Capital Markets   Société Générale   UniCredit Bank

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

These Listing Particulars are provided only for the purpose of obtaining approval of admission for trading on the Euro MTF Market of the Luxembourg Stock Exchange and shall not be used for or distributed for any other purpose and these Listing Particulars do not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes.

Neither the Issuer nor any of its subsidiaries or affiliates has authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in these Listing Particulars. You must not rely on unauthorized information or representations.

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

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

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

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

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

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

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

These Listing Particulars constitutes a prospectus for the purpose of part IV of the Luxembourg act dated July 10, 2005, on prospectuses for securities, as amended (the "Prospectus Act") and for the purpose of the rules and regulations of the Luxembourg Stock Exchange.

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

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

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

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

The historical information relating to PT Portugal (as defined herein) included or referred to in these Listing Particulars have been obtained by us from public filings by Portugal Telecom SGPS, S.A. ("Portugal Telecom SGPS"), Oi, S.A. ("Oi") and its subsidiaries and we have relied on such information, together with certain limited additional information provided by Oi and/or PT Portugal, in the preparation of these Listing Particulars. None of Oi, PT Portugal or any of their respective subsidiaries are issuers of the Notes and, accordingly, each investor will be deemed to represent and warrant that such investor has not relied upon Oi, PT Portugal or any person affiliated with Oi or PT Portugal in connection with its investigation of the accuracy of the information of PT Portugal contained or incorporated by reference in these Listing Particulars. None of Oi, PT Portugal or any persons affiliated with them accepts any liability in relation to any such information.

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

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO U.S. INVESTORS

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

Austria These Listing Particulars have not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither these Listing Particulars nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither these Listing Particulars nor any other document connected therewith may be distributed, passed on or disclosed to any other person in

Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

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

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

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

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

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

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

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

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

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

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

Neither the Issuer nor the Initial Purchasers have, directly or indirectly, offered or sold any Notes or distributed or published these Listing Particulars, any prospectus, form of application, advertisement or other document or information in Portugal relating to the Notes and will not take any such actions in the future, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code (Código dos Valores Mobiliários—the "Cód.VM") approved by Decree Law 486/99 of 13 November 1999, as last amended by Decree Law No. 157/2014, of 24 October 2014.

As a result, this offering and any material relating to the Notes are addressed solely to, and may only be accepted by, any person or legal entity that is resident in Portugal or that will hold the notes through a permanent establishment in Portugal (each a "Portuguese Investor") to the extent that such Portuguese Investor (i) is deemed a qualified investor (*investidor qualificado*) pursuant to paragraph 1 of article 30 of the Cód.VM, (ii) is not treated by the relevant financial intermediary as a non-qualified investor (*investidor não qualificado*) pursuant to article 317 of the Cód.VM and (iii) does not request the relevant financial intermediary to be treated as a non-qualified investor (*investidor não qualificado*) pursuant to article 317-A of the Cód.VM.

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

NOTICE TO ISRAELI INVESTORS

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

THESE LISTING PARTICULARS CONTAIN IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms "Group", "we", "us" and "our" as used in these Listing Particulars refers to the Issuer and its subsidiaries (including the Numericable Group, SFR and its subsidiaries, and SIG 50 and, following the Transactions, these terms will also include PT Portugal and its subsidiaries). For explanations or definitions of certain technical terms relating to our business as used herein, see "Glossary" on page G-1 of these Listing Particulars.

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

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

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

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

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

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

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

"2012 Transaction" collectively refers to the HOT Take Private Transaction, the refinancing of certain indebtedness of Cool Holding and HOT, the entering into of the 2012 Altice Financing Revolving Credit Facility Agreement, the issuance of the HOT Refinancing Notes, the SPV1 Acquisition Note and the Cool Proceeds Note, the making of the 2012 Senior Notes Proceeds Loan and the offering and sale of the 2012 Notes.

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

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

"2013 Altice Financing Term Loan" refers to the term loan credit agreement originally dated June 24, 2013, as amended, restated, supplemented or otherwise modified from time to time, between, *inter alios*, Altice Financing as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, Goldman Sachs Lending Partners LLC as the administrative agent and Citibank, N.A., London Branch as security agent.

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

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

"2013 December Senior Notes" refers to the \$400 million aggregate principal amount of $8^{1}/_{8}$% Senior Notes due 2022 issued by Altice Finco on December 12, 2013.

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

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

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

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

"2013 December Euro Senior Secured Notes" refers to the €300 million aggregate principal amount of $6\frac{1}{2}\%$ Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

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

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

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

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

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

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

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

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

"2014 Altice S.A. Revolving Credit Facility" refers to the € 200 million revolving credit facility established under the 2014 Altice S.A. Revolving Credit Facility Agreement.

"2014 Altice S.A. Revolving Credit Facility Agreement" refers to the €200 million revolving credit facility agreement originally dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer, as borrower, the Mandated Lead Arrangers (as defined therein), Deutsche Bank AG, London Branch, as facility agent, and Deutsche Bank AG, London Branch, as security agent.

"2014 Dollar Senior Notes" refers to the $2,900 million Senior Notes due 2022 issued by the Issuer on May 8, 2014.

"2014 Euro Senior Notes" refers to the €2,075 million Senior Notes due 2022 issued by the Issuer on May 8, 2014.

"2014 Existing Numericable Indebtedness" refers to all indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes, which was fully repaid and extinguished with the proceeds from certain financing transactions executed in connection with the 2014 Numericable Group Transactions.

"2014 Numericable Acquisition" refers to the February 2014 acquisition by Altice France S.A. of additional shares in Numericable-SFR S.A. (formerly known as Numericable Group S.A.).

"2014 Numericable Group Intercreditor Agreement" refers to the intercreditor agreement originally dated May 8, 2014, as amended from time to time, among, *inter alios*, Numericable and Deutsche Bank AG, London Branch as the security agent.

"2014 Numericable Group Transactions" refers to the 2014 SFR Acquisition, the 2014 Numericable Refinancing Transactions, and the related issuance of the 2014 Senior Notes and the Numericable Senior Secured Notes.

"2014 Numericable Refinancing Transactions" refers to the refinancing of the 2014 Existing Numericable Indebtedness.

"2014 Revolving Credit Facilities" collectively refers to the facilities under the 2014 Altice S.A. Revolving Credit Facility Agreement and the 2014 Numericable Group Revolving Credit Facilities Agreement.

"2014 Senior Notes" refers to, collectively, the 2014 Dollar Senior Notes and the 2014 Euro Senior Notes.

"2014 Senior Notes Indenture" refers to the Indenture dated May 8, 2014, among, *inter alios*, the Issuer and the trustee and the security agent party thereto, governing the 2014 Senior Notes.

"2014 SFR Acquisition" refers to the acquisition by Numericable of all the shares of SFR and SIG 50 from Vivendi, which was consummated on November 27, 2014.

"2014 SFR Acquisition Agreement" refers to the share purchase agreement dated October 28, 2014 between Numericable as purchaser and Vivendi as seller.

"2015 Indentures" refers to, collectively, the 2015 Senior Notes Indenture and the 2015 Senior Secured Notes Indenture.

"2015 Senior Notes" refers to, collectively, the \$385 million aggregate principal amount of $7^5/_8\%$ senior notes due 2025 issued by Altice Finco pursuant to the 2015 Senior Notes Indenture.

"2015 Senior Notes Indenture" refers to the indenture among, *inter alios*, Altice Finco, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2015 Senior Notes.

"2015 Senior Secured Notes" refers to, collectively, the \$2,060 million aggregate principal amount of $6^5/_8\%$ senior secured notes due 2023 and the €500 million aggregate principal amount of $5^1/_4\%$ senior secured notes due 2023 issued by Altice Financing pursuant to the 2015 Senior Secured Notes Indenture.

"2015 Senior Secured Notes Indenture" refers to the indenture among, *inter alios*, Altice Financing, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2015 Senior Secured Notes.

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

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

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

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

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

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

“AI Mandatory Convertible Notes” means the mandatory convertible notes issued by Altice International for an aggregate nominal amount of up to € 2,055,000,000 and subscribed to by the Issuer in connection with the Transactions.

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

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

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

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

“Altice Financing Pledged Proceeds Notes” collectively refers to the AH Proceeds Loan, the New AH Proceeds Loan, the 2013 December AH Proceeds Loans, the Cool Proceeds Note, the SPV1 Acquisition Note and the HOT Refinancing Notes.

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

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

“Altice France Group” refers to Numericable-SFR S.A. and its subsidiaries after giving effect to the 2014 Numericable Group Transactions, including SFR and its subsidiaries and SIG 50, but without giving effect to the acquisition of Omer Telecom.

“Altice Group” refers to, collectively, the Issuer and its subsidiaries (and, following the completion of the Transactions, this will also include the PT Portugal Group), unless the context otherwise requires.

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

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

“Altice International Group” refers to Altice International and its subsidiaries.

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

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

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

“ASA Notes Proceeds Contribution” refers to the €2,055 million (equivalent) of gross proceeds of this offering of the Notes to be contributed from the Issuer to Altice International in exchange for mandatory convertible notes of €100,000 nominal value each to be issued by Altice International, which will in turn contribute such proceeds to Altice Holdings.

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

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

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

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

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

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

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

“Carve Out Reorganization” refers to the reorganization of PT Portugal and its subsidiaries required to be completed by Oi S.A. under the terms of the PT Portugal Acquisition Agreement so that, among other things, upon the completion of the PT Portugal Acquisition, PT Portugal shall no longer own any interests in the Asian entities and assets, African entities and assets, other than Open Ideia (Angola), Open Ideia (Morocco) and Contact Cabo Verde, or in the financing vehicle that are currently parts of the PT Portugal perimeter. In particular, the commercial paper and any other securities issued by Rio Forte Investments S.A shall not be included in the assets comprising the PT Portugal Group.

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

“Cinven Carlyle Roll Over” refers to (i) the acquisition by Altice France S.A. of approximately 14% of the shares of common stock of Numericable from certain funds affiliated with Carlyle and Cinven, completed on July 24, 2014, with payment being at the earliest of (a) January 31, 2015 and (b) 6 months after November 27, 2014, and (ii) the contribution by funds affiliated with Carlyle and Cinven of their remaining shares in Numericable (representing approximately 20.6% of Numericable’s shares of common stock), to the Issuer, against shares of the Issuer’s common stock, each implemented on July 24, 2014.

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

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

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

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

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

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

“Collateral” refers to the collateral securing the Notes as described in “*The Offering—Security*”.

“Completion Date” refers to the date on which the PT Portugal Acquisition is consummated.

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

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

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

"DTC" refers to The Depository Trust Company.

"Dollar Notes" refers to the $1,480 million aggregate principal amount of $7^{5}/_{8}$% Senior Notes due 2025 offered hereby.

"Dollar Notes Escrow Account" refers to the segregated escrow account in the name of the Escrow Agent for the benefit of the holders of the Dollar Notes and the Trustee into which the issuer deposited the gross proceeds from the offering of the Dollar Notes.

"Escrow Agent" refers to an affiliate of one of the Initial Purchasers, acting in its capacity as escrow agent under the Escrow Agreements.

"Euro Notes" refers to the €750 million aggregate principal amount of $6^{1}/_{4}$% Senior Notes due 2025 offered hereby.

"Euro Notes Escrow Account" refers to the segregated escrow account in the name of the Escrow Agent for the benefit of the holders of the Euro Notes and the Trustee into which the issuer deposited the gross proceeds from the offering of the Euro Notes.

"Escrow Accounts" refers to, collectively, the Dollar Notes Escrow Account and the Euro Notes Escrow Account.

"Escrow Agreements" refers to, collectively, the escrow agreements entered into between, among others, the Issuer and the Escrow Agent in connection with the funding of the proceeds of the Notes into segregated escrow accounts as described in "*The Transactions*".

"Euroclear" refers to Euroclear Bank SA/NV.

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

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

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

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

"Existing Indentures" collectively refers to the 2014 Senior Notes Indenture, the Numericable Senior Secured Notes Indenture, 2013 December Senior Secured Notes Indenture, the 2013 December Senior Notes Indenture, the 2013 June Senior Notes Indenture, the 2012 Senior Notes Indenture and the 2012 Senior Secured Notes Indenture and "Existing Indenture" refers to the 2014 Senior Notes Indenture, the Numericable Senior Secured Notes Indenture, 2013 December Senior Secured Notes Indenture, the 2013 December Senior Notes Indenture, the 2013 June Senior Notes Indenture, 2012 Senior Notes Indenture or the 2012 Senior Secured Notes Indenture, as the context requires.

"Existing Senior Notes" collectively refers to the 2014 Senior Notes, 2013 December Senior Notes, the 2013 June Senior Notes and the 2012 Senior Notes.

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

"Existing Senior Secured Guarantors" collectively refers to Altice International, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, Knewon, Altice Bahamas, ODO, Tricom (and in respect of the 2012 Notes and the 2013 June Senior Notes only, ABO).

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

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

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

“Green” refers to green.ch AG (company registration no. CHE- 113.574.742; formerly Solution25 AG), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland, a non-wholly-owned subsidiary of Altice International Group (the minority shareholders having a participation in Green of approximately 0.23%).

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

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

“Groupe Telindus France” refers to Groupe Telindus S.A, which was acquired by SIG 50 on April 30, 2014.

“Guarantee” means upon the occurrence of the Completion Date, the guarantee of the Notes by Altice France S.A.

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

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

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

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

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

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

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

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

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

“HOT Telecom” refers to HOT Telecom Limited Partnership.

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

“Indenture” refers to the indenture governing the Notes.

"Initial Purchasers" refers to with respect to the Dollar Notes, J.P. Morgan Securities LLC, Deutsche Bank Securities Inc. and Nomura Securities International, Inc., and with respect to the Euro Senior Secured Notes, J.P. Morgan Securities plc, Deutsche Bank AG, London Branch and Nomura International plc, and with respect to all Notes, Goldman Sachs International, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Banca IMI S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, RBC Europe Limited, Société Générale and UniCredit Bank A.G.

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

"Issue Date" refers to the date on which the Notes offered herein are issued by the Issuer.

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

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

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

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

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

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

"Luxembourg" refers to the Grand Duchy of Luxembourg.

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

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

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

"Mobius Transaction" refers collectively to the following transactions: (i) the Mobius Acquisition and (ii) the reinvestment of certain managers of the Mobius Group in the Issuer.

"New Altice Financing Term Loan" or "Altice International New Senior Credit Facility" refers to the term loan credit agreement dated on or about the Issue Date, among, *inter alios*, Altice Financing as borrower, the lenders from time to time party thereto and Deutsche Bank AG, London Branch and Deutsche Bank AG, New York Branch as administrative agents and Citibank, N.A., London Branch as security agent.

"New Altice International Pari Passu Revolving Credit Facility" has the meaning given to such term in "*Description of Other Indebtedness*".

"New Altice International Pari Passu Revolving Credit Facility Agreement" has the meaning given to such term in "*Description of Other Indebtedness*".

"New Altice International Super Senior Revolving Credit Facility" has the meaning given to such term in "*Description of Other Indebtedness*".

"New Altice International Super Senior Revolving Credit Facility Agreement" has the meaning given to such term in "*Description of Other Indebtedness*".

"New Altice International Revolving Credit Facilities" collectively refers to the facilities under the New Altice International Super Senior Revolving Credit Facility and the New Altice International Pari Passu Revolving Credit Facility.

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

"Noteholder" refers to a holder of the Notes.

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

"Numericable" refers to Numericable-SFR S.A. (formerly known as Numericable Group S.A.)

"Numericable February 2012 Notes" refers to the $12^3/_8$% senior secured notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on February 14, 2012 in an aggregate principal amount of € 360.2 million.

"Numericable Group" refers to Numericable-SFR S.A. (formerly known as Numericable Group S.A.) and its subsidiaries, without giving effect to the 2014 Numericable Group Transactions (excluding the Numericable Senior Secured Notes and the Numericable Term Loan which are included in its September 30, 2014 consolidated financial information) and the acquisition of Omer Telecom.

"Numericable Group Revolving Credit Facilities" refers to the € 750 million revolving credit facilities made available under the Numericable Group Revolving Credit Facilities Agreement.

"Numericable Group Revolving Credit Facilities Agreement" refers to the €750 million revolving credit facilities agreement dated as of May 8, 2014, between, amongst others, Numericable, the original lenders party thereto, the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and as security agent.

"Numericable October 2012 Notes" refers to the existing $8^3/_4$% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on October 25, 2012 in an aggregate principal amount of € 225.0 million.

"Numericable Rights Issue" refers to the rights issue completed by Numericable as described in the rights issued prospected dated October 28, 2014, comprising of the issuance of ordinary shares with preferential subscription rights to its existing shareholders in an aggregate amount of €4,732 million.

"Numericable Senior Secured Notes" refers to the €7,873 million (equivalent) aggregate principal amount of Senior Secured Notes issued by Numericable on May 8, 2014.

"Numericable Senior Secured Notes Indentures" refers to the indentures dated as of May 8, 2014, governing the Numericable Senior Secured Notes.

"Numericable Term Loan" refers to the term loan facility established under the facility agreement originally dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among, inter alios, Numericable, Ypso France and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto, Deutsche Bank AG, New York Branch as dollar administrative agent and Deutsche Bank AG, London Branch as euro administrative agent and as security agent.

"Numericable Term Loan Agreement" refers to the agreement originally dated May 8, 2014, that established the Numericable Term Loan facility.

"ODO" refers to Altice Hispaniola S.A, formerly named Orange Dominicana S.A.

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

"Offering" refers to this offering of the Notes.

"OMT Invest" refers to OMT Invest S.A.S., a private limited liability company (*société par actions simplifieé*), incorporated under the laws of France.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Overseas Territories" refers to the Dominican Republic and certain French Overseas Territories in the Caribbean and the Indian Ocean regions.

"PT Portugal Acquisition" refers to the acquisition of all of the shares of PT Portugal and certain of its subsidiaries by Altice International from OI pursuant to the Acquisition Agreement.

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

"PTC" means PT Comunicações S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

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

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

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

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

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

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

“PT Portugal Group” refers to the entities that will be acquired pursuant to the PT Portugal Acquisition. For a list of these entities, see “*PT Portugal Combined Selected Financial Information—Basis of Preparation*”.

“Revolving Credit Facility Agreements” collectively refers to the Existing Altice Financing Revolving Credit Facility Agreements, the 2014 Altice S.A. Revolving Credit Facility Agreement, the 2014 Numericable Group Revolving Credit Facilities Agreement, the New Altice International Super Senior Revolving Credit Facility Agreement, and the New Altice International Pari Passu Revolving Credit Facility Agreement.

“Security Agent” refers to Deutsche Bank AG, London Branch.

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

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

“SFR Collectivités” refers to SFR Collectivités, S.A. a subisidary of SFR and a public limited liability company (*société anonyme*) incorporated under the laws of France.

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

“SIG 50” refers to Société d’Investissement et de Gestion 50—SIG 50 S.A., a French corporation incorporated as a *société anonyme*, registered under identification number 421 345 026 Paris and its subsidiaries.

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

“SPV1” refers to H. Hadaros 2012 Ltd.

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

“Telindus France” refers to Telindus France S.A.S, the principal subsidiary of Groupe Telindus France.

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

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

“Tricom Acquisition” refers to the acquisition by Altice Dominican Republic SAS of Tricom which was consummated on March 12, 2014.

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

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

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

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Financial Data

The Issuer is the holding company of the Group. Prior to the 2014 Numericable Acquisition (which was completed in February 2014) and the 2014 SFR Acquisition (which was completed in November 2014), the primary assets of the Group consisted of Altice International, a wholly-owned subsidiary of the Issuer and a holding company (which, since its formation in 2008, has from time to time made significant equity investments in a number of cable, media and telecommunication businesses in various jurisdictions), and its subsidiaries and the equity interests held by Altice France S.A., a wholly-owned subsidiary of the Issuer, in the Numericable Group prior to such date (which are accounted for in the Historical Consolidated Financial Information of the Issuer (as defined below) prior to the 2014 Numericable Acquisition using the equity method). The following is a summary of the key investments and disposals made by the Altice Group, since 2011, which have had a significant impact on the Historical Consolidated Financial Information (as defined below).

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

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

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

In 2014, Altice International consummated the acquisitions of (i) Tricom, a cable, fixed-line and mobile services provider (the financial information of which is consolidated in the Historical Consolidated Financial Statements of Altice International with effect from March 12, 2014), (ii) ODO (the financial information of which is consolidated in the Historical Consolidated Financial Statements with effect from April 9, 2014); (iii) Mobius (the financial information of which is consolidated in the Historical Consolidated Financial Statements with effect from January 1, 2014). On March 11, 2014, we entered into arrangements pursuant to which Altice Carribean, acquired a substantial proportion of the minority interests in Altice Blue Two (which owns 96% of Outremer, with substantially all the remaining interest being owned by the Issuer) in exchange for ordinary shares of the Issuer and Altice Caribbean Warrants (as defined below).

On November 27, 2014, the Issuer, through Numericable Group, completed the acquisition of SFR from Vivendi. In addition, in connection with the acquisition of SFR by Numericable Group, we entered into a commitment with the French Competition Authority to dispose of the mobile network assets of OMT in Mayotte and La Réunion (which are part of the French Overseas Territories and which in aggregate contributed €10 million to aggregated and pro forma EBITDA for the fiscal year ended 2013). If this disposal is not completed by mid-2015, we are committed to appoint an independent agent (who must be approved by the French Competition Authority) to complete such disposal. Further, we have undertaken to ensure that the OMT mobile assets in La Réunion and in Mayotte mentioned above are managed independently from the other activities of Altice France Group (including those of SFR). We expect that the disposal of the mobile network assets of OMT in Mayotte and La Réunion will reduce the overall leverage of the Group.

On December 4, 2014, the Altice France Group acquired 100% of Omer Telecom (the holding company of a telecom operator that provides services under the Virgin Mobile brand in France).

On December 9, 2014, we entered into an agreement with Oi S.A. to purchase 100% of the issued share capital of PT Portugal.

Historical Consolidated Financial Information of the Issuer

These Listing Particulars includes the following Historical Consolidated Financial Information of the Issuer:

(i) the unaudited condensed consolidated financial statements of the Issuer as of, and for the three and nine months ended, September 30, 2013 and 2014, prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), which have been reviewed by Deloitte Audit S.à r.l., as stated in their report appearing herein; and

(ii) audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2013 and the audited combined financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l., as stated in their report appearing herein.

The Issuer was incorporated on January 3, 2014. Each of the Issuer, Altice International and Altice France S.A. were historically separate legal and reporting entities, under common control and management. As a result, the above-mentioned combined financial statements for the years ended December 31, 2011, 2012 and 2013 and for the nine-month period ended September 30, 2013, have been prepared to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to Altice International and Altice France S.A. and are based on a combination of the separate Historical Consolidated Financial Information of Altice International and annual accounts of Altice France S.A. The above-mentioned historical consolidated and combined financial information of the Issuer, and information directly derived therefrom, are referred to herein as the "Historical Consolidated Financial Information of the Issuer".

The consolidated financial statements of the Issuer as of and for the year ended December 31, 2013, the statement of directors' responsibility and the related report of the Deloitte Audit S.à.r.l. included in these Listing Particulars have been extracted from the 2013 Annual Report of Altice, which includes supplementary elements as required by Luxembourg laws and regulations.

Historical Consolidated Financial Information of Altice International

These Listing Particulars includes the following Historical Consolidated Financial Statements of Altice International:

(i) the unaudited condensed consolidated financial statements of Altice International as of and for the three and nine month periods ended September 30, 2014 (including comparative information as of and for the three and nine month periods ended September 30, 2013), prepared in accordance with IAS 34, which have been reviewed by Deloitte Audit S.à r.l.; and

(ii) the audited consolidated financial statements of Altice International as of and for the year ended December 31, 2012 (including comparative information as of and for the year ended December 31, 2011) and 2013, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l.

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

Illustrative Aggregated Selected Financial Information of Altice International

As a result of the series of significant acquisitions that have been consummated by Altice International since 2011, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information of Altice International does not consolidate the results of operations of the entire business undertaking of the Altice International Group as it existed as of December 31, 2011, 2012 or 2013, or September 30, 2013 or 2014 for all of the periods presented and the comparability of the Historical Consolidated Financial Information of Altice International over each of the periods presented may be significantly limited. Consequently, in addition to the Pro Forma Financial Information of Altice International described below, certain unaudited Illustrative Aggregated Selected Financial Information of Altice International for each of the years ended December 31, 2011 and 2012 has been included in these Listing Particulars as we believe this will aid comparability of the results of operations of the Altice International Group for each of these periods. The illustrative aggregated selected financial information of Altice International for each of the years ended December 31, 2011 and 2012, and information directly derived therefrom, are referred to herein as the "Illustrative Aggregated Selected Financial Information".

The Illustrative Aggregated Selected Financial Information has been compiled by aggregating selected aggregated financial information extracted from (i) the audited Historical Consolidated Financial Information of Altice International for each of the years ended December 31, 2011 and 2012 and (ii) the historical financial information of each of the business undertakings the acquisition of which were consummated by Altice International prior to December 31, 2013 for each of the years ended December 31, 2011 and 2012 (or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking are not included in the audited Historical Consolidated Financial Information of Altice International). Adjustments have been made to the resulting aggregation in instances where the audited historical financial information of a business undertaking acquired by Altice International and included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union. The Illustrative Aggregated Selected Financial Information does not include any additional pro forma adjustments. For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information included elsewhere in these Listing Particulars. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Mobius Group, Tricom, ODO, Numericable Group (which is not within Altice International's scope of consolidation), SFR (which is not within Altice International's scope of consolidation) or PT Portugal, nor does it give effect to the disposal of our assets in Réunion and Mayotte. The Pro Forma Financial Information (as defined below) and the Illustrative Aggregated Selected Financial Information include the results of operations of Valvision until June 6, 2013, even though we disposed of our interests in Valvision in 2013. Valvision's contribution to our revenue and EBITDA was not material. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo S.A.S. ("Auberimmo"), which are subsidiaries of Altice International but are unrestricted subsidiaries under the terms governing our existing indebtedness and did not constitute Restricted Subsidiaries on the Issue Date. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and € 3.6 million, €9.0 million and €10.2 million to aggregated and pro forma EBITDA and Auberimmo's contribution to our revenue and EBITDA was not material. For the nine months ended September 30, 2013 and 2014, Green Datacenter contributed €8.8 million and €8.2 million to pro forma revenue and €7.6 million and €6.9 million to pro forma EBITDA, respectively. As of September 30, 2014, Green Datacenter had €34.8 million of third-party debt outstanding.

The Illustrative Aggregated Selected Financial Information was prepared on the basis of the audited Historical Financial Information of Altice International for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS (which include in the notes thereto certain pro forma financial information of HOT Telecom for the period between January 1, 2011 and March 16, 2011) included elsewhere in these Listing Particulars and the following additional financial statements that are incorporated by reference to Altice's website (www.altice.net/phoenix.zhtml?c=252690&p=irol-ipo):

- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgian GAAP;

- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;

- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;

- the audited financial statements of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;

- the audited pro forma accounts for ONI for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;
- the audited consolidated financial statements for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;
- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP (aligned with the measurement and recognition criteria of IFRS); and
- the unaudited financial statements for SportV for the year ended December 31, 2012 prepared in accordance with IFRS.

The Illustrative Aggregated Selected Financial Information among other things:

- neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such;
- has not been audited in accordance with any generally accepted auditing standards;
- has not been reviewed in accordance with any generally accepted review standards;
- is presented for illustrative purposes only; and
- is provided for certain limited items from Altice International's statement of income and statement of cash flows and accordingly does not include all the information that would usually be included in a statement of income or statement of cash flows or any information that would usually be included in a statement of other comprehensive income, statement of financial position or statement of changes in equity, in each case prepared in accordance with IFRS.
- does not purport to represent what our actual results of operations or financial condition would have been had the significant acquisitions and disposals described above occurred with effect from the dates indicated; and
- does not purport to project our results of operations or financial condition for any future period or as of any future date.

The Illustrative Aggregated Selected Financial Information included in these Listing Particulars have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by Altice International for any other periods for which Historical Consolidated Financial Information of Altice International or Pro Forma Financial Information of Altice International has been included in these Listing Particulars.

The Illustrative Aggregated Selected Financial Information includes results of operations data of the acquired businesses (other than Mobius Group, Tricom, ODO, Numericable Group (which is not within Altice International's scope of consolidation), SFR (which is not within Altice International's scope of consolidation) and PT Portugal) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding through which we conduct our operations in Belgium and Luxembourg, we consolidate 100% of their revenue and expenses in the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011, respectively, despite the fact that third parties own significant interests in these entities. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation, amortization, restructuring costs and other expenses, or EBITDA, the non- controlling interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling owners' interests may be very significant. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation, amortization, restructuring costs and other expenses, or EBITDA, the Illustrative Aggregated Selected Financial Information is also subject to the limitations with respect to non-IFRS measures described below.

Pro Forma Financial Information

The Listing Particulars includes:

(i) the unaudited pro forma consolidated financial statements of the Issuer as of and for each of the nine months ended September 30, 2013 and 2014, and

(ii) the unaudited pro forma consolidated financial statements of the Issuer as of and for the year ended December 31, 2013.

In addition, these Listing Particulars includes:

(a) unaudited pro forma consolidated interim financial statements of Altice International as of and for each of the nine-months periods ended September 30, 2013 and 2014,

(b) the unaudited pro forma consolidated financial statements of Altice International for the year ended December 31, 2013.

each giving effect to each of the significant acquisitions described above as if such acquisitions had occurred by January 1, 2013, January 1, 2014 or September 30, 2014 (as the case may be) (but without giving effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake and, except as described below, without giving effect to the Tricom Acquisition or the Mobius Acquisition and, in the case of Altice International, without giving effect to the 2014 Numericable Acquisition or 2014 SFR Acquisition) (the financial statements in (i) and (ii) above, the "Pro Forma Financial Information of the Issuer", the financial statements in (a) and (b) above, the "Pro Forma Financial Information of Altice International", and, collectively, the "Pro Forma Financial Information").

These Listing Particulars includes certain pro forma financial information derived from:

(i) the Pro Forma Financial Information of Altice International after giving effect to each of the significant acquisitions described above but without giving effect to the ODO Acquisition, the Tricom Acquisition, the Mobius Acquisition, the 2014 Numericable Acquisition (which is not within Altice International's scope of consolidation), the 2014 SFR Acquisition (which is not within Altice International's scope of consolidation), the PT Portugal Acquisition, or the disposal of our assets in Réunion and Mayotte (the "Pre-PT/ODO Transactions Pro Forma Financial Information");

(ii) the Pro Forma Financial Information of Altice International after giving effect to each of the significant acquisitions described above (including the ODO Acquisition and the disposal of our assets in Réunion and Mayotte, but without giving effect to the 2014 Numericable Acquisition (which is not within Altice International's scope of consolidation), 2014 SFR Acquisition (which is not within Altice International's scope of consolidation), PT Portugal Acquisition, Tricom Acquisition or Mobius Transaction) (the "Pre-PT Transaction Pro Forma Financial Information"); and

(iii) the Pro Forma Financial Information of the Issuer after giving effect to each of the significant acquisitions described above (including the ODO Acquisition, the 2014 Numericable Acquisition, 2014 SFR Acquisition and PT Portugal Acquisition, but without giving effect to the Tricom Acquisition, Mobius Transaction, or the disposal of our assets in Réunion and Mayotte) (the "Post Transaction Pro Forma Financial Information").

In addition, these Listing Particulars includes certain information derived from the Pro Forma Financial Information of the Issuer, which reflects the financial information of the Altice France Group after giving effect to the 2014 Numericable Group Transactions (the "Altice France Group Pro Forma Financial Information").

The financial information of Tricom has been consolidated in the historical consolidated financial statements of the Issuer and of Altice International with effect from March 12, 2014, and the financial information of Mobius has been consolidated in the Historical Consolidated Financial Information with effect from January 1, 2014. As a result, the Pro Forma Financial Information also consolidates the financial information of Tricom and Mobius from March 12, 2014 and January 1, 2014, respectively, but does not give pro forma effect to the Mobius Acquisition or the Tricom Acquisition for any other periods. For the nine months ended September 30, 2014, Tricom contributed €82.0 million to pro forma revenue and €40.5 million to pro forma EBITDA and Mobius contributed €13.2 million to pro forma revenue and €3.1 million to pro forma EBITDA.

With effect from April 9, 2014, the financial information of ODO has been consolidated in the Historical Consolidated Financial Information. The Pre-PT/ODO Transactions Pro Forma Financial Information as of and for the nine months ended September 30, 2014 deducts the contribution of ODO and does not give pro forma effect to the ODO Acquisition during this period. The Pre-PT Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information as of and for the nine months ended September 30, 2014 includes ODO's contribution for the period between April 9, 2014 and September 30, 2014 and gives pro forma effect to the ODO Acquisition for the period between January 1, 2014 and April 8, 2014. See Note 2 to the Pro Forma Financial Information included elsewhere in these Listing Particulars.

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

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

- are based on available information and assumptions that we believe are reasonable under the circumstances;
- are presented for informational purposes only;
- have not been audited in accordance with any generally accepted auditing standards;
- have not been reviewed in accordance with any generally accepted review standards;
- do not purport to represent what our actual results of operations or financial condition would have been had the applicable significant acquisitions described above occurred with effect from the dates indicated; and
- do not purport to project our results of operations or financial condition for any future period or as of any future date.

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

The Pro Forma Financial Information includes the results of operations and financial condition of the acquired businesses and in the case of the Post- Transaction Pro Forma Financial Information, the results of ODO, the Numericable Group, SFR, and PT Portugal, as applicable, for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements.

ODO Financial Information

As of September 30, 2014, the Group owns approximately 97.2% of the equity interests in ODO. These Listing Particulars includes the audited stand-alone financial statements of ODO as of and for the years ended December 31, 2013 and 2012 and as of and for the nine months ended September 30, 2013. The financial information of ODO has been consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 9, 2014. Certain financial information of ODO for the nine months ended September 30, 2014 presented in these Listing Particulars for comparative purposes have been derived from the Historical Consolidated Financial Information of Altice International as of and for the nine months ended September 30, 2014 (including the notes thereto, which contain certain financial information of ODO for the period between January 1, 2014 and April 8, 2014).

PT Portugal Financial Information

Historically, the results of the former Portugal Telecom group were consolidated at the level of Portugal Telecom, SGPS, S.A., which was the holding entity and listed company for such group and which consolidated the results of the PT Portugal Group as well as the results of certain entities that are not a part of the PT Portugal Group and that will not be acquired pursuant to the PT Portugal Acquisition. These Listing Particulars includes the audited standalone financial statements prepared under Portuguese GAAP of PTC and Meo, S.A, which are the most significant subsidiaries of the PT Portugal Group, as of and for the years ended December 31, 2012 (including unaudited comparative information as of and for the year ended December 31, 2011) and 2013 and the unaudited condensed financial information of PTC and Meo, S.A. as of and for the nine months ended September 30, 2013 and 2014 (the "PT Historical Financial Information"). The PT Historical Financial Information does not consolidate the results of operations of the entire business undertaking of the PT Portugal Group as it existed as of December 31, 2011, 2012 or 2013 or September 30, 2013 or 2014 for all of the periods presented. Consequently, in addition to the PT Historical Financial Information and the Pro Forma Financial Information described below, certain unaudited illustrative aggregated selected financial information of the PT Portugal Group for each of the years ended December 31, 2011, 2012 and 2013 and for each of the nine months ended September 30, 2013 and 2014 has been included in these Listing Particulars. The illustrative aggregated selected financial information of the PT Portugal Group for each of the years ended December 31, 2011, 2012 and 2013, and the nine months ended September 30, 2013 and 2014, and information directly derived therefrom, are referred to herein as the "PT Portugal Combined Selected Financial Information". The PT Portugal Combined Selected Financial Information has been compiled by aggregating (subject to inter-company elimiations and certain other adjustments described under *Presentation of Financial and Other Information—PT Portugal Financial Information* extracted from (i) the audited standalone historical financial statements of PTC and Meo, S.A., prepared under Portuguese GAAP, for each of the years ended December 31, 2012 (including unaudited comparative figures for 2011) and 2013 and the unaudited historical condensed financial statements, prepared under Portuguese GAAP, for each of the nine months ended September 30, 2013 and 2014 and (ii) the unaudited historical condensed financial information of the other subsidiaries and assets included in the PT Portugal Group derived from the internal financial reporting systems of the PT Portugal Group. The PT Portugal Combined Selected Financial Information is subject to significant limitations similar to those described under "*—Illustrative Aggregated Selected Financial Information*" above and under "*—Non-IFRS Measures*" below. For the nine months ended September 30, 2014, PTC and Meo, S.A. represent over 97% of the PT Portugal Group's revenues as derived from the PT Portugal Combined Selected Financial Information described below.

Numericable Group Financial Information

The Issuer has control over Numericable as a result of the 2014 Numericable Acquisition. The Numericable Group was formed on August 2, 2013, by the contribution of Ypso Holding S.à r.l. and its subsidiaries (the "Ypso Sub-Group") and Altice B2B S.à r.l. and its subsidiaries (the "Altice B2B Sub-Group") to Numericable. Accordingly, these Listing Particulars includes English language translations of (i) the unaudited condensed consolidated financial statements of the Numericable Group as of and for the nine months ended September 30, 2014 (including the comparative financial information as of, and for the nine months ended, September 30, 2013), prepared in accordance with IAS 34, which have been reviewed by Deloitte & Associés and KPMG Audit, a department of KPMG S.A., and (ii) the audited consolidated financial statements of the Numericable Group as of and for the year ended December 31, 2013, prepared in accordance with IFRS as adopted in the European Union which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A. and (iii) and the audited combined financial statements of the Numericable Group as of and for the years ended December 31, 2011 and 2012, prepared in accordance with IFRS as adopted in the European Union which have been audited by Deloitte & Associés. These financial statements of the Numericable Group and information directly derived therefrom are referred to herein as the "Numericable Group Financial Information".

The Numericable Group Financial Information as of and for the year ended December 31, 2011 and 2012 has been prepared at the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Ypso Sub-Group and the Altice B2B Sub-Group, which were historically separate legal groups, under common control and management, and are based on the separate consolidated financial statements of each sub-group. For further information, *see* Note 1.4 to the Numericable Group's consolidated financial statements. All companies in which a sub-group has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are included in the scope of combination. The effects of transactions between the two sub-groups on assets, liabilities, revenue and expense for periods presented have been eliminated in full in the combined financial statements. Non-controlling interests in subsidiaries are identified separately from the Numericable Group's equity under "other financial assets" in the Numericable Group's combined financial statements.

SFR Financial Information

Following the completion of the 2014 SFR Acquisition on November 27, 2014, the Group indirectly owns 60.3% of the equity interests in SFR (through Altice France S.A.). SFR is a wholly owned subsidiary of Numericable, in which Altice France S.A. holds 60.3% of the equity interest.

These Listing Particulars includes English language translations of the following financial information of SFR referred to as the "Historical Financial Statements of SFR":

- (i) unaudited condensed combined financial statements of SFR as of and for the nine months ended September 30, 2014, prepared in accordance with IAS 34, which have been reviewed by KPMG Audit, a department of KPMG S.A.; and

- (ii) the audited combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013, which have been audited by KPMG Audit, a department of KPMG S.A. and Ernst & Young.

The combined financial statements of SFR includes SFR, SIG 50 and their subsidiaries which were transferred from Vivendi to the Numericable Group as part of the 2014 Numericable Group Transactions.

The above-mentioned Historical Financial Statements of SFR, and information directly derived therefrom, are referred to herein as the “Historical Financial Information of SFR”.

The Historical Financial Statements of SFR are prepared in accordance with IFRS that require the management of SFR to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information given in the appended notes. The management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the Historical Financial Statements of SFR concern the following:

- certain elements of revenue, particularly identification of the separable elements of a packaged offer and the duration of decreases in revenue linked to costs of access to the service;
- the amount of the provisions for risks and other provisions linked to the business of SFR;
- the assumptions used for calculating the obligations linked to staff benefits;
- the methods of valuation and impairment of goodwill;
- recognition of the deferred tax assets; and
- duration of the utility of intangible and tangible fixed assets.

In addition, until November 27, 2014, SFR has historically operated as a division within Vivendi. Accordingly, the Historical Financial Statements of SFR do not necessarily represent the results of operations, statement of financial position or cash flows of SFR if it had operated as a stand-alone consolidated group.

The estimates and management assumptions used by the management of SFR in the framework of the preparation of the Historical Financial Statements of SFR are described in detail in note 1.3 of the Historical Financial Statements of SFR.

Certain Adjusted Financial Information

These Listing Particulars also includes certain financial information on an as adjusted basis to give effect to the Transactions, including this offering and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on the Group’s indebtedness as if the Transactions had occurred on September 30, 2014 and the Group’s finance costs as if the Transactions occurred on January 1, 2013, January 1, 2014, or September 1, 2014, as applicable. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group’s indebtedness would have been had the Transactions occurred on such dates; nor does it purport to project the combined entities’ or the Group’s indebtedness or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Non-IFRS Measures

These Listing Particulars contain measures and ratios (the “Non-IFRS Measures”), including EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA (including synergies), Operating Free Cash Flow and cash flow conversion, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-IFRS measures because we believe that they are of interest for the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries’, operating results as reported under IFRS or other generally accepted accounting standards. The Non-IFRS measures may also be defined differently than the corresponding terms governing our indebtedness, including the Existing Indentures, the 2015 Indentures, and the Indenture. Non-IFRS measures and ratios such as EBITDA and Adjusted EBITDA are not measurements of our, Numericable’s, SFR’s, ODO’s, PT’s or any of our or their subsidiaries’, performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities' or PT Portugal's or any of their subsidiaries, operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, Numericable's, SFR's, ODO's, PT's or any of our or their subsidiaries' ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for, an analysis of the results of our operating entities as reported under IFRS or other generally accepted accounting standards. Some of these limitations are:

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

These Listing Particulars contain certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Tricom Acquisition, the ODO Acquisition, the 2014 SFR Acquisition and the PT Portugal Acquisition as well as related costs to implement such measures. The estimates present the expected future impact of these transactions and the integration of Tricom, ODO, SFR and PT Portugal into our existing business. Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Tricom Acquisition, the ODO Acquisition, the 2014 SFR Acquisition, and the PT Portugal Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

In these Listing Particulars, "Adjusted EBITDA" as presented by Altice S.A. and Altice International corresponds to "EBITDA" as reported by such entities for financial reporting purposes as of September 30, 2014.

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

SUBSCRIBER, MARKET AND INDUSTRY DATA

Key Operating Measures

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

Market and Industry Data

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

With respect to Israel, we calculate market share for each of our services by dividing the number of RGUs for such service by the total number of subscribers in Israel to such service, which is calculated based on our competitors' public filings and reported subscriber base, other public information and our internal estimates. Under HOT's mobile license, it is required to calculate market share of its mobile operations, which is calculated using different parameters than as described above. For more information see "*Description of Our Business—Material Contracts—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*". In footprint market shares in the jurisdictions in which we operate are calculated from our penetration data by extrapolating overall market penetration from industry sources to our footprint. Market and industry data relating to PT Portugal have been derived from public filings made by Portugal Telecom SGPS, S.A.

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

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

EXCHANGE RATE INFORMATION

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

	U.S.$ per euro			
	Period Average(1)(2)	High	Low	Period End(3)
Year				
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
2013	1.3300	1.3789	1.2819	1.3789
2014	1.3285	1.3925	1.2100	1.2100
Month				
September 2013	1.3354	1.3531	1.3127	1.3531
October 2013	1.3639	1.3804	1.3498	1.3599
November 2013	1.3497	1.3367	1.3605	1.3591
December 2013	1.3706	1.3803	1.3551	1.3789
January 2014	1.3620	1.3789	1.3505	1.3505
February 2014	1.3662	1.3802	1.3505	1.3802
March 2014	1.3830	1.3721	1.3733	1.3772
April 2014	1.3810	1.3887	1.3705	1.3866
May 2014	1.3731	1.3925	1.3592	1.3641
June 2014	1.3596	1.3690	1.3531	1.3690
July 2014	1.3535	1.3691	1.3379	1.3385
August 2014	1.3315	1.3431	1.3145	1.3145
September 2014	1.2899	1.3141	1.2629	1.2629
October 2014	1.2677	1.2825	1.2513	1.2531
November 2014	1.2471	1.2550	1.2388	1.2435
December 2014	1.2471	1.2509	1.2388	1.2435
January 2015 (through January 26, 2015)	1.1702	1.2099	1.1255	1.1280

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

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

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

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

As of	EUR per NIS	
December 31, 2011	€0.2024	NIS1.00
December 31, 2012	€0.2030	NIS1.00
December 31, 2013	€0.2093	NIS1.00
September 30, 2013	€0.2094	NIS1.00
September 30, 2014	€0.2150	NIS1.00

Average rate for the	EUR per NIS	
Year ended December 31, 2011	€0.2009	NIS1.00
Year ended December 31, 2012	€0.2018	NIS1.00
Year ended December 31, 2013	€0.2086	NIS1.00
Nine months ended September 30, 2013	€0.2086	NIS1.00
Nine months ended September 30, 2014	€0.2113	NIS1.00

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

December 31, 2013	€0.8161	CHF1.00
September 30, 2013	€0.8179	CHF1.00
September 30, 2014	€0.8294	CHF1.00

Average rate for the	**EUR per CHF**	
Year ended December 31, 2011	€0.8112	CHF1.00
Year ended December 31, 2012	€0.8296	CHF1.00
Year ended December 31, 2013	€0.8126	CHF1.00
Nine months ended September 30, 2013	€0.8119	CHF1.00
Nine months ended September 30, 2014	€0.8211	CHF1.00

As of	**EUR per DOP**	
December 31, 2013	€0.0168	DOP1.00
September 30, 2014	€0.0173	DOP1.00

Average rate for the	**EUR per DOP**	
Year ended December 31, 2011	€0.0188	DOP1.00
Year ended December 31, 2012	€0.0201	DOP1.00
Year ended December 31, 2013	€0.0183	DOP1.00
Nine months ended September 30, 2013	€0.0186	DOP1.00
Nine months ended September 30, 2014	€0.0172	DOP1.00

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance our existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- negative changes to our credit rating;
- risks associated with our structure, this offering, and our other indebtedness;
- the competitive environment and downward price pressure in the broadband internet communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;
- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;
- changes in consumer demand for cable-based and mobile products as well as the demand for bundled services and offerings;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;

- increases in operating costs and inflation risks;
- our ability to introduce new technologies or services and our ability to respond to technological developments;
- deployment of fiber or VDSL2 networks by competitors;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to maintain favorable roaming or network sharing agreements;
- our ability to achieve cost saving from network sharing arrangements for our mobile services in Israel;
- reduced interconnection rates in the countries in which we operate, including Portugal;
- the ability of third party suppliers and vendors to timely deliver products, network infrastructure, equipment, software and services;
- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;
- risks related to royalties payments and our licenses;
- technical failures, equipment defects, physical or electronic break- ins to the services, computer viruses and similar description problems;
- any negative impact on our reputation, including due to product quality issues;
- our ability to attract and retain customers;
- our ability to integrate acquired businesses and realize planned synergy benefits from past or future acquisitions (including, without limitation, SFR following the 2014 SFR Acquisition and PT Portugal following the PT Portugal Acquisition);
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the PT Portugal Acquisition, the Tricom Acquisition, the 2014 Numericable Acquisition, the 2014 SFR Acquisition, Mobius Acquisition, the ODO Acquisition and the cost savings we expect to realize from our Network Sharing Agreement in Israel;
- our ability to maintain adequate managerial controls and procedures as the business grows;
- our inability to provide high levels of customer service;
- the declining revenue from certain of our services and our ability to offset such declines;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to maintain subscriber data and comply with data privacy laws;
- the outcome of any pending or threatened litigation, including class action lawsuits in Israel and antitrust proceedings in Portugal;
- uncertainty over the legal framework within which we own and operate our networks, including in France, Belgium and Luxembourg;
- post retirement and healthcare benefit obligations (both funded and unfunded) of companies we have acquired or may acquire in the future, including PT Portugal;
- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;

- the regulatory environment in the countries in which we operate and changes in, or a failure or an inability to comply with, government regulations and adverse outcomes from regulatory proceedings;

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

- our ability to manage our brands;

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

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

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

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

- the entry of new operators into the telecommunications markets in which we operate, including France;

- risks related to the Transactions and our ability to execute the Transactions in the manner and within the timetable currently envisaged;

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

- other factors discussed in these Listing Particulars.

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

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

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

These Listing Particulars contain certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Tricom Acquisition, the 2014 Numericable Acquisition, the ODO Acquisition, the 2014 SFR Acquisition, and the PT Portugal Acquisition and estimates of cost savings we expect to realize from our Network Sharing Agreement in Israel as well as related costs to implement such measures. The estimates present the expected future impact of these transactions and the integration of Tricom, ODO, SFR and PT Portugal into our existing business. Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Tricom Acquisition, the 2014 Numericable Acquisition, the ODO Acquisition, the 2014 SFR Acquisition, and the PT Portugal Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates. Our estimates of cost savings from our Network Sharing Agreement assume, among other things, that our historical performance data will remain substantially unchanged and assumes certain capital expenditure savings.

AVAILABLE INFORMATION

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

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

TAX CONSIDERATIONS

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

TRADEMARKS AND TRADE NAMES

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

GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

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

In this section, unless the context otherwise requires, the terms "Altice Group", "Group", "we", "us" and "our" refers to the Issuer, its subsidiaries (and following the completion of the Transactions these terms will also include the PT Portugal Group); references to Altice International are to Altice International S.à r.l. and its subsidiaries (and following the completion of the Transactions this term will also include the PT Portugal Group); references to "Altice Portugal" are to our combined Portuguese business following the completion of the Transactions, including the PT Portugal Group, Cabovisao and ONI; the term "PT Portugal Group" refers to the entities that will be acquired pursuant to the PT Portugal Acquisition; references to "Numericable Group" are to Numericable-SFR S.A. (formerly known as Numericable Group S.A.) and its subsidiaries without giving effect to the 2014 Numericable Group Transactions; and references to "Altice France Group" are to Numericable-SFR S.A. and its subsidiaries after giving effect to the 2014 Numericable Group Transactions, including the acquisition of SFR and its subsidiaries, but without giving effect to the acquisition of Omer Telecom.

Altice Group Overview

We are a multinational cable and telecommunications company. We conduct our activities (i) in France through the Numericable Group, which completed its acquisition of SFR from Vivendi S.A. in November 2014 resulting in the combination of the sole major cable operator in France with France's leading integrated fixed and mobile network operator ("Altice France Group") and (ii) in Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland), Israel, and the Overseas Territories (comprising the Dominican Republic and certain French Overseas Territories in the Caribbean and the Indian Ocean regions) through Altice International S.à r.l. ("Altice International"). We provide cable and fiber-based services (high quality pay television, broadband internet and fixed line telephony) and mobile telephony services to residential and corporate customers.

We have expanded internationally through price-disciplined acquisitions and have recently entered into agreements to acquire from Oi S.A. 100% of the issued share capital of PT Portugal, and accordingly, the PT Portugal Group and its assets for an enterprise value of €7.4 billion on a cash and debt free basis (the "PT Portugal Acquisition"). See "The Transactions". The PT Portugal Group is a leading provider of integrated telecommunication services to residential and corporate customers in Portugal, including triple-play and quadruple-play services. It is the second largest pay television services provider and the market leading provider of broadband internet services and B2B services, which it provides through its fiber-to-the-home ("FTTH" or "fiber") and DSL networks. The PT Portugal Group is also the leading mobile services provider in Portugal. Based on the PT Portugal Combined Selected Financial Information, for the last twelve months ("LTM") ended September 30, 2014, the PT Portugal Group had revenues of €2,565 million, EBITDA of €997 million (EBITDA Margin of 38.9%), gross cash capital expenditure of €448 million and EBITDA less gross cash capital expenditure of €549 million (Margin of 21.4% and Cash Flow Conversion (which is defined as EBITDA less cash capital expenditure as a percentage of EBITDA) of 55.0%). This transaction is subject to regulatory approval and is currently expected to close in the second quarter of 2015.

Pro forma for the PT Portugal Acquisition, the 2014 SFR Acquisition and the ODO Acquisition, the Altice Group generated Pro Forma revenues of € 15,812.0 million and Pro Forma Adjusted EBITDA (including certain expected aggregated synergies and cost savings from these acquisitions) of €5,553.5 million for the LTM ended September 30, 2014, comprised of the following:

(i) Altice France Group generated Pro Forma revenues of € 11,251.4 million and Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of €3,562.7 million; and

(ii) Altice International generated Pro Forma revenues of € 4,560.6 million and Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of €1,990.7 million. See "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*".

As of the date of these Listing Particulars, the Altice Group owns 60.3% of the Altice France Group and 100% of Altice International.

Note:

- These results reflect the LTM results of the Altice Group pro forma for the acquisition of ODO, SFR and the PT Portugal Group but not the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Revenues exclude revenues generated by Tricom prior to the acquisition of Tricom (i.e. from October 1, 2013 to March 12, 2014). Pro Forma Adjusted EBITDA includes Tricom EBITDA for the entire LTM period.

- Altice International financial information has been derived from the Post-Transaction Pro Forma Financial Information.

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

(2) Excluding the value of the €750 million earnout payable to Vivendi if Altice France Group's EBITDA less capital expenditures reaches certain predefined targets.

(3) As at January 19, 2015.

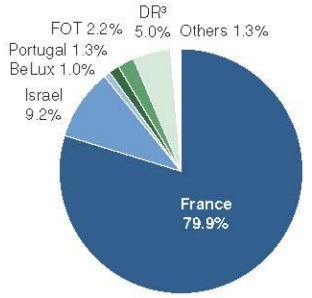
(4) Other includes the B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), the datacenter operations in France (Auberimmo) and the content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

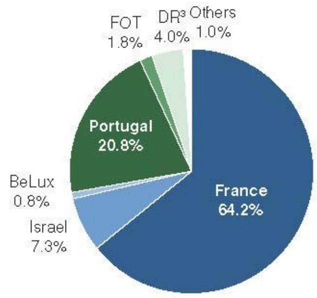
(5) Pro Forma Adjusted EBITDA includes management estimate of € 115 million of pro forma synergies expected to result in the medium term from the PT Portugal Acquisition and certain other expected synergies and cost savings. These synergies estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergies benefit estimates.

(6) Altice International indirectly owns 99.7% of the ownership interests in our French Overseas Territories subsidiaries and all of the remaining ownership interest is held by Altice S.A.

The table below shows our pro forma EBITDA both (i) before the PT Portugal Acquisition and (ii) pro forma for the PT Portugal Acquisition split by geography for the LTM ended September 30, 2014 (in each case giving pro forma effect to the 2014 SFR Acquisition and the ODO Acquisition).

Altice Group Pro Forma LTM ended September 30, 2014 Adj. EBITDA Split Pre PT Portugal Acquisition[(1)]	**Altice Group Pro Forma LTM ended September 30, 2014 Adj. EBITDA Split Post PT Portugal Acquisition**[(2)]





(1) Adjusted EBITDA includes management estimate of €365 million of pro forma synergies expected to result in the medium term from expected synergies and cost savings in France, Dominican Republic, Portugal and the French Overseas Territories.

(2) Adjusted EBITDA includes management estimate of €465 million of pro forma synergies expected to result in the medium term from the PT Portugal Acquisition and certain other expected synergies and cost savings in France, Dominican Republic, Portugal and the French Overseas Territories.

(3) Gives pro forma effect to the ODO Acquisition and the Tricom Acquisition for the entire LTM ended September 30, 2014.

We have a high quality cable-based and fiber-based network infrastructure. In the Altice France Group's footprint, in the portion of the Numericable Group's cable network that has been upgraded to Docsis 3.0 (approximately 5.2 million homes as of December 31, 2013, and 5.8 million homes as of September 30, 2014, representing 52% and 58% of total homes passed, respectively) we are able to offer download speeds of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited network and customer premises equipment upgrades. Numericable Group's cable footprint is complemented by SFR's near national DSL presence and SFR's fiber network, which comprises 1.5 million households passed with FTTH technology and offers download speeds of up to 200 Mbps (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). Altice International's fixed-line services are primarily delivered over hybrid fiber coaxial ("HFC") cable that are among the most technically advanced in the markets in which we operate and the PT Portugal Group's FTTH networks are among the most technically advanced in Portugal. Altice International's cable networks benefit from substantial spectrum availability and, on a blended basis, are 99% Docsis 3.0-enabled (before giving effect to the PT Portugal Acquisition) as of September 30, 2014. Together with PT Portugal Group's FTTH networks, which offer download speeds of up to 1 Gbps, this allows us to offer advanced triple-play services in a vast majority of Altice International's service areas. Outside the Overseas Territories, our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect that the substantial majority of our cable networks outside the Overseas Territories will offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades. We believe that our cable networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard while the PT Portugal Group's FTTH networks are already set up to provide download speeds of up to 1Gbps. In Portugal, the French Overseas Territories and the Dominican Republic we also provide fixed-line services to a portion of our customer base through a DSL network that we continue to upgrade to FTTH and HFC.

Prior to the 2014 SFR Acquisition, as of September 30, 2014, Numericable Group's network passed 10 million cable homes with 1.3 million Cable Customer Relationships, 3.3 million cable-based RGUs, an average of 2.4 RGUs per Cable Customer Relationship and 236,000 million mobile telephony RGUs. In addition, pro forma for the 2014 SFR Acquisition, the Altice France Group passed 2.0 million FTTH homes with 238,000 FTTH customer relationships and had 5.0 million xDSL broadband RGUs and 21.4 million mobile telephony RGUs, as at June 30, 2014. Prior to the PT Portugal Acquisition, Altice International passed 4.1 million cable/FTTH homes passed with 1.6 million Cable/FTTH Customer Relationships, 3.4 million cable/FTTH-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 4.7 million mobile telephony RGUs and had 0.5 million xDSL/non-cable/non-FTTH based fixed RGUs, as at September 30, 2014. In addition, as at September 30, 2014, the PT Portugal Group passed approximately 1.7 million homes with its FTTH network (including an approximate 36% overbuild of the 910,000 homes passed by our existing cable network in Portugal).

We are the largest or second largest cable/FTTH pay television operator and broadband internet services provider, and a leading provider of multiple-play services in our service areas. In France, through Numericable Group's 1.1 million digital multi-play subscribers, SFR's 238,000 FTTH subscribers and Numericable Group's 362,000 white label subscribers (through an agreement with Bouygues Telecom), the Altice France Group is the market leader in the fixed very high speed broadband internet market (which is defined by ARCEP as broadband internet with above 30 Mbps speed capability) representing 60% of the total very high speed connections in France as of December 31, 2013 (78% including white label subscribers). In addition, SFR is the second largest mobile operator in France by number of subscribers. Pro forma for the PT Portugal Acquisition, we believe that Altice Portugal will be the second largest service provider of B2C pay television services in Portugal and the largest broadband internet services provider. As of December 31, 2013, the PT Portugal Group had market share of 42% in B2C pay television and 51% in B2C broadband internet and Cabovisao had a market share of 7% in B2C pay television and 6% in B2C broadband internet according to Anacom. In addition, the PT Portugal Group is the largest mobile operator in Portugal by number of subscribers with a 47% market share as at December 31, 2013, according to Anacom. In most of the markets in which we operate, we offer bundled triple-play services, and where possible, quadruple-play services and focus our marketing on our multiple-play offerings.

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

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Geographic Area	Western Europe			Israel	Dominican Republic	French Overseas Territories[1,2]	Other[5]
Countries of Operation	France	Belgium and Luxembourg[1]	Portugal	Israel	Dominican Republic	French Overseas Territories	Various
Bundling Strategy	4P/3P	4P/3P	4P	3P + Mobile	4P	4P	NA
Cable/FTTH Services Offered	■ Pay television ■ Broadband internet ■ Fixed line telephony ■ B2B services	■ Pay television ■ Broadband internet ■ Fixed line telephony	■ Pay television ■ Broadband internet ■ Fixed line telephony ■ B2B services	■ Pay television ■ Broadband internet ■ Fixed line telephony ■ Infrastructure access ■ ISP	■ Pay television ■ Broadband internet ■ Fixed line telephony	■ Pay television ■ Broadband internet ■ Fixed line telephony	
Mobile Services Offered	■ Mobile	■ MVNO mobile services (Belgium only)	■ 2G mobile services ■ 3G mobile services ■ 4G-LTE mobile services	■ UMTS 3G Mobile services ■ B2B iDEN mobile services[3]	■ 2G mobile services ■ 3G mobile services ■ 4G-LTE mobile services	■ UMTS 3G mobile services[4]	
xDSL Based Services/ Other Services		■ B2B services	■ B2B services ■ Pay television ■ Broadband internet ■ Fixed line telephony	■ B2B services	■ B2B services ■ Pay television ■ Internet access ■ Fixed line telephony	■ B2B services ■ Pay television ■ Fixed line telephony	■ B2B services ■ Television content

(1) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand licensed from the Altice France Group.

(2) We provide pay television, fixed-line telephony and internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories. In Guadeloupe and Martinique we have begun to market these services under the Numericable brand which we have historically used for services provided via our cable network but we continue to use the ONLY brand in French Guiana and Mayotte, while in La Réunion we use the IZI brand.

(3) We continue to provide our iDEN mobile services under the "MIRS" brand. On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of a tender regarding 4G-LTE, it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval.

(4) In La Réunion, Mayotte and French Guiana, we continue to market our mobile services under the "ONLY" brand. However, in connection with the acquisition of SFR by Numericable (which is controlled by our parent Altice S.A., and therefore an affiliate of the Group), we have committed to the French Competition Authority to dispose of the mobile network assets in La Réunion and in Mayotte by mid-2015, which in aggregate contributed €10 million to aggregated and pro forma EBITDA for the fiscal year ended 2013.

(5) Includes business and datacenter operations in Switzerland (Green and Green Datacenter), datacenter operations in France (Auberimmo) and content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

Our cable and fiber technologies enable us to offer premium digital services, attractive interactive features and local content to our subscribers. We have leveraged our network advantage to drive our multiple-play strategy and offer an attractive combination of content, speed and functionality. Numericable Group experienced a significant increase in the number of multiple-play subscribers (double-play and triple-play), reaching 1,083,000 as of September 30, 2014, compared to 972,000 as of December 31, 2012 (without giving effect to the 2014 SFR Acquisition). We also expect to increase the number of SFR's 5.2 million DSL customers and 0.2 million FTTH customers as of September 30, 2014, to whom we expect to be able to upsell multiple-play products supported by the migration of part of SFR's DSL customers base to the Numericable Group's fiber network. Altice International experienced a significant increase in the percentage of triple play subscribers reaching 708,000 triple play customers as of September 30, 2014 compared to 622,000 triple play customers as of December 31, 2012 (including the Overseas Territories, but excluding the PT Portugal Group), translating into growth in RGU per unique cable customer relationship. We expect this trend of upselling to higher RGUs per subscriber to continue.

Cable-Based Services ARPU Growth and Triple Play Penetration

	2012	2013	Q3 2014
France (Numericable Group)[(1)]			
ARPU (€)[(2)]	40.7	41.5	42.4
Growth (%)[(3)]	0.7%	2.0%	2.2%
3P Penetration (%)[(9)]	73%	77%	80%
Portugal[(4)]			
PT Portugal Residential ARPU (€)	31.6	31.6	31.9
Growth (%)[(3)]	2.6%	0.0%	0.9%
3P/4P Penetration (%)	41%	45%	51%
Cabovisao Cable ARPU (€)	34.9	34.6	33.4
Growth (%)[(3)]	(5.4)%	(0.9)%	(3.5)%
3P Penetration (%)	58%	57%	59%
Israel[(5)]			
Cable ARPU (€)	44.4	47.6	48.8
Growth (%)[(3)]	4.7%	7.2%	2.5%
3P Penetration (%)	34%	40%	45%
Dominican Republic[(6)]			
Cable ARPU (€)[(7)]	21.5	19.7	21.1
Growth (%)[(3)]	(9.6)%	(3.7)%	7.1%
3P Penetration (%)[(8)]	13%	16%	13%

(1) Represents operating measures of the Numericable Group (over which we acquired control as a result of the 2014 Numericable Acquisition in January 2014), including the cable services provided to customers under the "Numericable" brand and B2B services offered under the Completel brand. For France (Numericable Group), ARPU does not reflect ARPU from white label end users or bulk subscribers but includes ARPU from mobile services. France (Numericable Group) does not include operating measures of SFR, which provides xDSL and FTTH based services.

(2) Represents individual digital subscribers ARPU.

(3) For 2012 and 2013, represents year on year growth. For Q3 2014, represents growth compared to 2013.

(4) Portugal represents operating measures of Cabovisao (in which we acquired a controlling interest in February 2012) and the PT Portugal Group (which we agreed to acquire on December 9, 2014).

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

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

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

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

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

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

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

PT Portugal Acquisition Overview

Subject to regulatory approval, the acquisition of PT Portugal will result in the combination of the assets of the PT Portugal Group, with our existing Portuguese businesses, Cabovisao (B2C business offering cable-based pay television, broadband internet and fixed-line telephony services) and ONI (B2B business). The businesses of the PT Portugal Group, Cabovisao and ONI are referred to in this section as "Altice Portugal". We believe that after completion of the PT Portugal Acquisition, Altice Portugal will be a leading telecommunications operator in B2C and B2B segments and the second largest service provider of B2C pay television services in Portugal. The PT Portugal Group had a market share of 42% in B2C pay television, 51% in B2C broadband internet, 47% in B2C mobile and 48% in B2B Enterprise, as of December 31, 2013, according to company disclosures, Anacom and Analysys Mason.

Based on the PT Portugal Combined Selected Financial Information, the PT Portugal Group generated revenues of €2,627.4 million for the year ended December 31, 2013 and €2,565.1 million for the LTM ended September 30, 2014, and EBITDA of €1,026.4 million for the year ended December 31, 2013 (EBITDA Margin of 39.1%) and of €997.2 million for the LTM ended September 30, 2014 (EBITDA Margin of 38.9%).

For further details, see "*Recent Developments*" and "*The Transactions*".

PT Portugal Expected Synergies

We believe that the PT Portugal Group will be in a position to realize substantial cost savings from the advantages of being a part of the broader Group. We expect that the PT Portugal Group will realize substantial cost savings in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in international content costs (brought in line with) the Altice Group's benchmarks, reduction in interconnection costs through re-routing to Altice Group's reduction in IT spending, simplification of operating practice and outsourcing of customer care. We also expect that Altice Group will realize capital expenditure savings through benefits of scale in procurement, adoption of Altice best practices in capital expenditure planning and efficiency savings in network speed.

Across our geographies, we have a successful track record of improving the performance of cable and telecommunication operators we acquire. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as we integrate the recently acquired businesses, including SFR, and the PT Portugal Group, into the Group. Furthermore, we expect to realize capital expenditures synergies as a result of increasing economies of scale and improved negotiating leverage with counterparties as the Group expands. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin.

Management estimates total annual cost synergies impacting EBITDA and total annual synergies impacting capital expenditure, which are expected to result in the medium-term from the PT Portugal Acquisition to be approximately €100 million and approximately €40 million, respectively. However, this synergies estimate is based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergies benefit estimates.

PT Portugal Group Overview

B2C Pay Television: The PT Portugal Group is the second largest pay television service provider in Portugal with 1.3 million subscribers and 42% market share as of December 31, 2013 according to Anacom. We believe that the PT Portugal Group offers exclusive and differentiated premium content, advanced functionalities, such as multiplatform support, and an interactive customer experience, through its FTTH network. Pay television penetration in Portugal stood at 85.9%, as per Ovum Research estimates for 2014. Following the PT Portugal Acquisition, we believe that Altice Portugal will be well placed to benefit from an increase in pay television penetration in Portugal, which is estimated to increase to 98.2% by 2017, according to Ovum Research.

B2C Broadband Internet: The PT Portugal Group is the market leader in Portugal in the provision of broadband internet to consumers, with 1.3 million subscribers and 51% market share, as of December 31, 2013, according to Anacom. Of the 3.9 million primary households in Portugal, PT Portugal Group covers almost all the homes with its copper network, and 1.7 million of the households are passed by PT Portugal Group's FTTH networks (which inculdes an approximate 36% overbuild of the 910,000 homes passed by Cabovisao's existing cable network in Portugal). The PT Portugal Group is the sole fixed infrastructure provider on a portion of its footprint, in mainly rural areas of Portugal where cable operators and Vodafone have no fixed network. The PT Portugal Group has made significant investments in its fiber transmission network that supports up to 100 Gbps and its FTTH access network that offers speeds of up to 1 Gbps.

B2C Mobile: The PT Portugal Group is the largest mobile operator in Portugal with 6.4 million subscribers and 47% market share as of December 31, 2013, according to Anacom. The PT Portugal Group has a state of the art 4G-LTE network, covering 95% of population and allowing speeds up to 150 Mbps, in addition to nationwide 3G and 2G networks.

B2C Bundling: We believe that Altice Portugal will be well placed to capitalize on the growing trend of bundling of telecom services, in triple and quadruple play packages. As of September 30, 2014, the PT Portugal Group had multiple-play penetration (3P/4P) of 51% (9 million customers) compared to 71% (3P/4P) for NOS based on its public filings and 59% for Cabovisao. In 2013, the PT Portugal Group introduced its quadruple-play (M_4O) and triple-play (M_3O) offers, which have been well received by the market with M_4O winning the Consumer Choice for best quadruple-play service in Portugal in 2013. For the nine months ended September 30, 2014, the PT Portugal Group's residential ARPU and personal ARPU amounted to €31.9 and €7.3 respectively, as compared to €31.7 and €7.7 for the nine months ended September 30, 2013. Through the development of its advanced fixed-mobile infrastructure, we believe that the PT Portugal Group is well placed to increase its penetration of triple play and quadruple play packages among its customer base.

B2B Enterprise: In the B2B Enterprise segment, the PT Portugal Group is the leading B2B player in the Portuguese market. The PT Portugal Group benefits from an extensive fiber and DSL network in Portugal, with a market share of approximately 48% based on revenues, according to Analysys Mason. A significant number of the PT Portugal Group's clients are connected through FTTH. We believe that the PT Portugal Group also benefits from strong customer relationships.

B2B Wholesale/Others: As the incumbent telecom provider in Portugal, the PT Portugal Group is the primary provider of wholesale telecom capacity to resellers in the Portuguese market. Altice Portugal, through its investments in infrastructure and telecom-IT convergence, will aim to develop and market advanced integrated solutions for the B2B segment that will include IT/IS services and value added services (such as cloud outsourcing and BPO).

Cabovisao/ONI

Cabovisao, our existing B2C operator in Portugal, is a triple-play provider of pay television, broadband internet and fixed-line telephony services. As of December 31, 2013, Cabovisao had 224,000 pay television subscribers, 156,000 broadband internet subscribers, and 223,000 fixed-line telephony subscribers, representing a 7%, 6% and 5% market share respectively, according to Anacom and Ovum Research. Cabovisao owns a fully upgraded (99%) Docsis 3.0 network capable of delivering speeds of up to 360 Mbps. The backbone of Cabovisao is spread over 3,647 kilometers with approximately 36% overbuild of the PT Portugal Group's FTTH network. Our existing B2B Enterprise business ONI, has a next generation network, with more than 9,000 kilometers of fibre and 427 points of presence, supporting 17,500 customers sites with fibre access.

Cabovisao and ONI generated cable-based revenues of €108.7 million for the year ended December 31, 2013 and of €101.0 million for the LTM ended September 30, 2014, B2B revenues of €100.9 million for the year ended December 31, 2013 and of €89.0 million for the LTM ended September 30, 2014, total revenues of €209.6 million for the year ended December 30, 2013, and of €190.1 million for the LTM ended September 30, 2014, and EBITDA of €58.3 million for the year ended December 31, 2013 (EBITDA Margin of 27.8%), and of €57.4 million for the LTM ended September 30, 2014 (EBITDA Margin of 30.2%).

Group Summary Financials

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

	Post-Transaction Pro Forma Financial Information[(1)]			
		For the nine months ended September 30,		
	For the year ended December 31, 2013	**2013**	**2014**	**LTM ended September 30[(6)]**
	€ in millions			
Revenue	15,972.2	11,926.5	11,699.4	15,812.0
of which Tricom adjustment[(7)]				*66.9*
Adjusted EBITDA[(2)]	5,230.4	4,054.9	3,889.5	5,088.5
of which Tricom adjustment[(7)]				*23.6*
Capital Expenditures[(3)]	2,862.5	1,891.5	1,790.7	2,778.7
of which Tricom adjustment[(7)]				*17.0*
Adjusted EBITDA—Capital Expenditures	2,367.9	2,163.4	2,098.8	2,309.8
of which Tricom adjustment[(7)]				*6.6*
Pro Forma Adjusted EBITDA[(4)]				5,553.5
of which Pro Forma Adjusted EBITDA (Altice France Group)[(5)]				3,562.7
of which synergies—Altice France				*350.0*
of which Pro Forma Adjusted EBITDA (Altice International)				1,990.7
of which synergies—Altice International				*115.0*
of which Intercompany Adjustments				*(6.0)*
Pro Forma Adjusted EBITDA—Capital Expenditures				2,774.8

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO, the Numericable Group, SFR and PT Portugal. Save for the LTM column, it does not give pro forma effect to the acquisition of Tricom or Mobius but includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively, following their consolidation into the Historical Consolidated Financial Information of Altice International. For details, see "*Pro Forma Financial Information of the Group*". Post-Transaction Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

(2) Adjusted EBITDA is defined as operating income before depreciation and amortization, goodwill impairment, management fees, other expenses, net and reorganization and non-recurring costs (EBITDA) and before equity based compensation expenses. Adjusted EBITDA is unaudited. We believe that these measures are useful to investors as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in our financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group, SFR and the PT Portugal Group). "Adjusted EDITDA" of Altice S.A. and Altice International presented herein corresponds to "EBITDA" as reported by Altice S.A. and Altice International for financial reporting purposes as of September 30, 2014.

(3) For the Post Transaction Pro Forma Financial Information, capital expenditures have been calculated by aggregating (i) the Group's cash capital expenditures based on the Pre Transaction Pro Forma Financial Information, (ii) the cash capital expenditures of ODO based on the

historical financial statements of ODO and for the nine-month period ended September 30, 2014 Altice International, (iii) the cash capital expenditures of the PT Portugal Group based on the PT Portugal Combined Selected Financial Information, (iv) the cash capital expenditures of the Numericable Group based on the historical combined financial statements of Numericable and (v) the cash capital expenditures of SFR based on the historical standalone financial statements of SFR.

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

(5) We own 60.3% of the Numericable Group.

(6) LTM is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA, as applicable, for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA, as applicable, for the nine months ended September 30, 2013 from such sum.

(7) For the purposes of the LTM ended September 30, 2014, only, pro forma effect is given to the acquisition of Tricom, including the non-consolidated portion of Tricom prior to Tricom's consolidation into the Historical Consolidated Financial Information of Altice International from March 12, 2014, which is accounted for under "Tricom adjustment", and the contribution of Tricom from March 12, 2014, following its consolidation into the Historical Consolidated Financial Information of Altice International.

Our Competitive Strengths

We believe that we benefit from the following key strengths:

We are one of the leading cable-based communications groups benefitting from significant scale. We are one of the largest cable groups in the world outside of North America. After giving effect to the PT Portugal Acquisition, the 2014 SFR Acquisition and the ODO Acquisition, we had €15,812.0 million of Pro Forma revenues and €5,553.5 million of Pro Forma Adjusted EBITDA (including certain expected aggregated synergies and cost savings from the SFR, the Numericable Group, PT Portugal, and ODO acquisitions) for the LTM ended September 30, 2014. In the same period, we have made Pro Forma cash capital expenditures of €2,778.7 million, resulting in a Pro Forma Adjusted EBITDA less Pro Forma cash capital expenditures balance of €2,774.8 million. We benefit from significant scale with 14.6 million cable/FTTH/DSL RGUs and 26.9 million mobile customers, after giving effect to the PT Portugal Acquisition, the 2014 SFR Acquisition and the ODO Acquisition. Our scale allows us to realize operational performance improvements, target operating margin increases and organic cash flow growth by sharing best practices across our regions and implementing group synergies.

We enjoy leading positions in the pay television and broadband internet markets in our service areas which have favorable dynamics for cable and fiber operators, with over 86.1% of our Pro Forma Adjusted EBITDA coming from Western Europe. After giving effect to the PT Portugal Acquisition and the 2014 SFR Acquisition, we are the largest or second largest cable/FTTH pay television operator and broadband internet services provider in our service areas. In a significant majority of our footprint outside of Portugal, we are the sole cable operator. We are located in markets that we believe have a number of attractive trends for cable and mobile operators. In France, we are the leading provider of very-high-speed (defined as speeds over 30 Mbps) internet services to residential customers, a nascent but growing market, as we leverage one of the most extensive last mile HFC and FTTH networks in Europe, and we are also the second largest mobile operator by number of subscribers. Cabovisao's network passes approximately 910,000 homes in Portugal through cable (with approximately 36% overbuild of the PT Portugal Group's FTTH network) and is 99% DOCSIS 3.0-enabled. The PT Portugal Group's mobile network in Portugal is already upgraded to 4G-LTE and currently covers 95% of the population allowing speeds up to 150 Mbps, in addition to nationwide 3G and 2G networks. In Israel, we are the leading cable operator with the number one market position in pay television and number two position in broadband internet and we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. All of the countries in which we currently operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. Broadband internet penetration in our footprint, and in particular in France, Israel, Belgium and Luxembourg, also compares favorably with most other West European markets. After giving effect to the PT Portugal Acquisition, the 2014 SFR Acquisition and the ODO Acquisition, our operations in Western Europe accounted for 89.4% of our Pro Forma revenues and 86.1% of our Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) for the LTM ended September 30, 2014.

We believe that we benefit from a fixed network advantage in each of our markets. We own our HFC networks that are Docsis 3.0-enabled for the majority of cable homes we pass, including 100% in Israel and 58% in France (before giving effect to the 2014 SFR Acquisition), which we believe allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. In France, we own a modern cable network and benefit from a first-mover advantage with respect to fiber in France. In the B2C segment, our FTTB/EuroDocsis 3.0-enabled network provides customers with a current download speed of up to 200 Mbps, passing approximately 5.8 million homes as of September 30, 2014, representing approximately 58% of the Numericable Group's total homes passed, while SFR's fiber network passed 2.0 million homes (although a significant portion of the existing fiber networks of the Numericable

Group and SFR overlap). In Portugal, the PT Portugal Group owns one of the largest FTTH networks by penetration in Europe reaching 1.7 million homes (43% penetration). Outside the Overseas Territories, where network upgrades are currently underway, we are able to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect to offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades across a substantial portion of our network. We currently have a network advantage in terms of download speed across a part of our cable service area across geographies (excluding the Dominican Republic and Portugal) and, specifically in Israel, where we expect to continue offering faster speeds than our competitor's legacy technology and at par with it in areas where it has deployed FTTH. We believe that with our HFC, and following the PT Portugal Acquisition, FTTH technologies we are well positioned for future technological developments making it possible for us to increase broadband internet download and upload speeds exceeding those offered by competing technologies without making significant additional investments. In addition, through the mobile network owned by SFR and the PT Portugal Group, we believe that we will have one of the broadest and most advanced mobile networks in France and Portugal respectively. As of December 31, 2013, SFR's network was comprised of more than 16,500 3G active antennas with 3G coverage of 99% of the French population, the highest 3G coverage in France, and 1,034 4G antennas on its 800 Mhz band offering with a 4G coverage of over 40% of the French population. The PT Portugal Group has a state of the art 4G-LTE network, covering 95% of population and allowing speeds up to 150 Mbps, in addition to nationwide 3G and 2G networks.

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

	Altice Key Geographies			European Peers		
	France (Numericable Group)	Israel	Dominican Republic	Ziggo	Telenet	KDG
Cable Network Capacity..	862MHz[1]	600 - 862 MHz	Primarily 750 - 1,000 MHz[2]	862 MHz	600 MHz	Mainly 640 MHz
Docsis 3.0 Upgrade (%)	58	100	100	100	100	95
Homes Passed per node	~200	~1,250	~750	1,500	~580	>1,500
Advertised Speed (Mbits).....................	30 - 200	30 - 100	1 - 100	20 - 150	60 - 120	10 - 100

	PT Portugal Group
Homes passed with FTTH Connections..	1.7 million

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

(2) 91% of Tricom's cable network as of September 30, 2014.

We are a leading multiple-play provider of cable and/or FTTH based services in our markets with substantial cross-sell and up-sell opportunities in fixed, mobile and B2B. Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multiple-play offerings by selling our differentiated pay television, high speed broadband internet, fixed line telephony and in most instances mobile telephony services as bundles. We believe that the strength of our pay television, broadband internet and fixed telephony businesses and our ability to offer advanced mobile telephony services makes us well positioned to increase penetration of multiple-play and premium packages. We believe that continued focus on our bundling strategy and increasing our triple-play or, where possible, quadruple-play penetration will enable us to grow our cable/FTTH-based services ARPU. The demand for high speed internet, fixed mobile convergence and high quality content together with opportunities provided by leveraging our networks as a result of the PT Portugal Acquisition, the 2014 SFR Acquisition and ODO Acquisition are key drivers of our cross-sell and up-sell strategy.

According to Ovum Research, worldwide subscribers for high-speed broadband internet are expected to increase at a 6.0% rate between 2013 and 2016. We believe that we are well positioned to capitalize on this trend as we offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint (other than the portion of homes passed in France and the Overseas Territories that are currently not Docsis 3.0-enabled). In France, we believe the strength of our pay television, broadband internet and fixed telephony businesses and the enhanced ability to offer advanced mobile telephony services positions us well to continue to increase the penetration of multiple-play and premium packages. In addition, we are the leading multi play provider of very high speed broadband internet services in France. We expect that through a bundling strategy and increasing the triple-play and quadruple-play penetration, the Altice France Group will be able to grow its cable/FTTH-based services ARPU. In addition, the Numericable Group's network is complimented by SFR's fiber network and will enable the Altice France Group to provide customers serviced by its cable network with very-high-speed broadband internet, currently with speeds of up to 200 Mbps, the highest available on a large scale in the French market. The Numericable Group's network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of our customers. The targeted migration of a part of SFR's 5.2 million fixed broadband internet customers onto the Numericable Group's network provides an opportunity to significantly grow penetration on the Altice France Group's network, to reduce cost for renting of the last mile and create upselling opportunities. In Portugal, the PT Portugal Group is a leading provider of multiple-play services and the market leading provider of broadband internet services, which we believe provides upsell opportunities in fixed telephony and mobile telephony. In Israel, HOT is the sole triple-play provider in the market and enjoys the leading market position in pay television and the number two market position in broadband and fixed telephony. In addition, we have been offering mobile services through our own mobile network since 2012, and we see the increase in penetration of mobile subscribers as a key potential upside.

Pro Forma for the PT Portugal Acquisition, we will have a fully integrated fixed mobile business in France, Portugal, Israel and the Overseas Territories. In France, through the acquisition of SFR's mobile network, the Altice France Group will be able to provide its customers with access to one of the most advanced 4G mobile offers in the market, offering significant increases in speed and benefits in terms of latency. Following the PT Portugal Acquisition, we believe that we will be well positioned to benefit from convergence between fixed and mobile service offerings in Portugal by leveraging the PT Portugal Group's high-speed fiber-based fixed network and 4G mobile network. The PT Portugal Group currently provides innovative triple-play and quadruple-play bundles through the MEO brand and we believe there are significant cross selling opportunities through increased penetration of converged services. We own and operate a 3G mobile network in Israel and in the French Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in Belgium we complement our fixed-line products with mobile offerings through an MVNO arrangement.

We have a premium, high quality content offering in all of our markets. We believe that Altice France Group will be able to offer its customers significant advantages in terms of content. It has direct long-term relationships with the major content providers and television channel suppliers, and is currently the only broadband internet provider contractually able to offer premium content in a single-bill bundle (shared exclusively with CanalSat). The Altice France Group's offerings will include an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 shows and movies available by aggregating all VOD packages available in France in a crisp, user friendly interface. In Portugal, the PT Portugal Group offers a high quality content package through more than 220 channels and a leading VOD library. In Israel, we co-develop and co-own high quality original local content together with local producers and broadcast it on our proprietary channels. We believe that our high quality proprietary local content, along with high quality local content we purchase and our distinctive brand enable us to attract new and retain existing subscribers to our cable based services.

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

We benefit from strong EBITDA margin and scalable capital expenditures translating into strong organic cash flow. On a historical consolidated basis, our Adjusted EBITDA as a percentage of revenues increased from 38.0% in fiscal year ended December 31, 2011 to 45.7% in the nine months ended September 30, 2014, primarily as a result of operational efficiencies implemented by us across the organization in addition to acquisitions of higher margin businesses. The operational efficiencies have been complemented by efficient capital expenditure as, on a blended basis, 99% of our cable networks outside France (before giving effect to the PT Portugal Acquisition) and 58% of our cable networks in France (before giving effect to the 2014 SFR Acquisition) are already upgraded to Docsis 3.0, making our cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. Pro forma for the PT Portugal Acquisition, we generated in the LTM ended September 30, 2014, Pro Forma Adjusted EBITDA as a percentage of revenues of 35.1% and Pro Forma Adjusted EBITDA less capital expenditure as a percentage of Pro Forma Adjusted EBITDA of 50% (including certain expected aggregated synergies and cost savings from the PT Portugal Acquisition and certain other recently completed transactions). We believe that we will benefit from the PT Portugal Group's well invested FTTH-based fixed network and 4G-LTE mobile network in Portugal, and we consequently expect to further improve our cashflow conversion as a result of the PT Portugal Acquisition. We expect our increased scale to enable us to further reduce operating expenses and capital expenditures through optimized purchasing. While we have already completed the main network investment cycle in France, we will continue to upgrade the portions of our cable network where we see strong return on investment. We will make similar upgrades to our cable networks in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic. We own 60.3% of the Altice France Group and can set its dividend policy and are entitled to receive dividends, if any, declared by the Altice France Group that reflect our proportionate ownership of the Altice France Group.

We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence. We believe that our entrepreneurial culture and efficient decision making processes allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We believe a key driver of our success is our ability to identify attractive acquisition targets and assess the associated potential for value creation, consummate the acquisitions on terms economically attractive to us and consistently and timely implement best operational practices that drive the previously identified improvements to the profitability of acquired businesses. We have historically been able to acquire fixed and mobile networks operators in our existing footprint and in new attractive markets and create value through operational synergies. We have expertise in operating cable operators in numerous countries and business environments, with consistent focus on fostering cash-flow growth. In our acquired businesses, we have been successful at optimizing costs, capital expenditures, internal processes and outsourcing certain functions while preserving and enhancing the quality of service we provide to our subscribers. For example, in France, we have played a key role in consolidating the fragmented cable sector around the Altice France Group, and successfully expanded into the B2B segment through the acquisition of Completel, driving combined EBITDA margin to 47% for the nine months ended September 30, 2014 (up 3.1% from the year ended December 31, 2011). Similarly, in our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's EBITDA margin increased to 49% for the nine months ended September 30, 2014 (from 39% for the year ended December 31, 2011); in our Portuguese business, following the acquisition of control by the Group over Cabovisao in February 2012, our Portuguese business's EBITDA margin increased to 32% in the nine months ended September 30, 2014 compared to 14% for the year ended December 31, 2011; in our BeLux business, following the acquisition of control by the Group over Numericable in 2011, Coditel's EBITDA margin increased to 67% for the nine months ended September 30, 2014, (from 62% for the year ended December 31, 2011); and in the Dominican Republic, our cost restructuring efforts following the acquisition of ODO in April 2014 have resulted in an increase in EBITDA margin from 39% for the year ended December 31, 2013, to 46% for the nine months ended September 30, 2014. Furthermore, we believe that the PT Portugal Acquisition and the 2014 SFR Acquisition will be synergistic with our existing Portuguese and French assets respectively and will additionally benefit from certain cost advantages as part of the broader Group, including technological know-how and improved procurement terms. We expect to realize operational synergies from the optimization of procurement, marketing spending, including the convergence to a unique brand, and IT through simplification of processes and offerings.

We have an experienced management team with a long term industry track record. We manage our business by combining the expertise of the Altice senior management team with the local expertise of the managers of our operating subsidiaries who have significant experience managing day-to-day operations at cable and telecommunications companies. We are supported by an entrepreneurial shareholder and executive chairman of our Board, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally. Among Mr. Drahi's achievements is the roll-up of the French cable and telecom market into the Altice France Group and Completel and, following the completion of the acquisition by the Numericable Group of SFR in November 2014. The Altice senior management team has extensive experience in the cable and telecommunications sectors. Before joining Altice in 2009, Dexter Goei (CEO) worked for 15 years in investment banking, most recently as Co-Head of the Media & Telecommunications Group for Europe, Middle-East and Africa at Morgan Stanley. Before joining Altice in 2012, Dennis Okhuijsen (CFO) worked for 17 years in the cable sector with UPC, UGC and Liberty Global, most recently as Group Treasurer of Liberty Global. Before joining Altice in 2005, Jérémie Bonnin (General Secretary) worked for 7 years at KPMG in Transaction Services. Before joining Altice in 2013, Max Aaron (General Counsel) was a partner at Allen & Overy for over 14 years focusing on capital markets transactions. The Altice France Group's management has extensive experience in the cable and telecommunications industry and in the French market in particular. Eric Denoyer has been CEO of Numericable since January 2011. Prior to this, he was general manager of Completel's wholesale division. Thierry Lemaitre has been Numericable's CFO since May 2010. Prior to joining Numericable, he acted as CFO of Rentabiliweb, Streamezzo and held various positions within the France Télécom Group.

Our Strategy

The key components of our strategy are to:

Grow operating margins and cash flow by leveraging our operational expertise and group synergies. We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as our Group develops. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin. Furthermore, we target further economies of scale in capital expenditures as our Group expands and our bargaining power increases. In addition, we believe in-market consolidation opportunities and related synergies will continue to drive our profitability and cash-flow expansion. For example, we believe our recent acquisition of SFR in France, the acquisitions of cable and mobile operators, Tricom and ODO, in the Dominican Republic, and the acquisition of PT Portugal following the completion of the PT Portugal Acquisition will be complementary to our existing cable operations in these geographies and allow us to generate synergies. In France, we expect the 2014 SFR Acquisition will create opportunities to realize both cost and capital expenditure synergies in various areas including network, B2C, B2B, and operations. In Portugal, we expect the PT Portugal Acquisition will result in the realization of operational synergies in the following areas: telecommunication, equipment procurement, content procurement, maintenance spend, customer care, IT, workflow processes, marketing and product offering. In addition, the high-quality, fiber based network we will acquire as part of the PT Portugal Acquisition could reduce the need for fiber roll-out expenditures currently planned by Altice Portugal.

We have an experienced management with a proven integration and synergy delivery track record. Management estimates that the total annual cost synergies impacting EBITDA which are expected to result in the medium term from the PT Portugal Acquisition and the 2014 SFR Acquisition are approximately €100 million and €350 million respectively.

With regard to the synergies relating to the 2014 SFR Acquisition, we will aim to leverage the combination of the state of the art networks of Numericable Group and SFR which are highly complementary and will create the most advanced wholly or partly fiber-based fixed network in France while optimizing the Altice France Group's cost structure. In addition, the Altice France Group will aim to leverage SFR's mobile network to offer customers the most compelling quadruple play offers in the market, in particular, through SFR's state of the art 4G network. In particular, we are targeting EBITDA synergies in the B2C market as a result of SFR DSL customers subscribing to cable or fiber offers of the Numericable Group. This increase in cable/fiber customer base and decrease in DSL customer base of the Altice France Group should generate cost savings (particularly with respect to local loop unbundling fees paid to Orange), and, since ARPU of Numericable Group's customers is currently higher than that of SFR's, the increase in the cable/fiber base and decrease in the DSL base should allow for an overall increase in the ARPU of the Altice France Group. Further synergies are also expected due to the concentration of marketing efforts in the zones where cable/fiber have been deployed, thanks to the strength of the SFR brand and the development of the range and quality of the services offered. We are also targeting synergies in the B2B market by more effective marketing through the redeployment of our sales force, enabling better customer coverage, leading to a lower churn rate and increasing the sale of high value-added products. Network synergies resulting from the optimization of (i) data transfer between network terminals, principally SFR mobile antennae, and the core network (SFR uses third-party infrastructure for this transport, and we intend to use Numericable Group's infrastructure in the future, thus generating cost savings); (ii) the DSL networks of Completel and SFR; and (iii) SFR's fiber deployment. EBITDA and capital expenditure synergies are also expected to result from the optimization of (i) procurement, (ii) marketing expenses and the brand portfolio, and (iii) IT costs. However, these synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergies benefit estimates.

In the Dominican Republic, in March 2014, we completed the acquisition of Tricom, a cable and fixed line as well as mobile services provider, and in April 2014 we completed the ODO Acquisition, a mobile and wireless broadband internet services provider, which we believe will enable us to build an integrated fixed line and mobile infrastructure and provide us with substantial cross-sell and up-sell opportunities. In addition, we believe that our recent acquisition of Outremer Telecom (a mobile and fixed-line player in the French Overseas Territories) will enable us to benefit from cross-selling and up-selling opportunities between our cable, DSL and mobile customer bases. Following these acquisitions, we have realized certain operating expense and capital expenditure savings and we expect to benefit from approximately €15 million of incremental total annual cost synergies impacting EBITDA in the medium-term as a result of these transactions.

Further increase our multiple-play penetration and ARPU by providing new and existing customers with additional products and services, including attractive mobile products wherever profitable. We believe that our state-of-the-art cable and fiber networks across our markets provide us with a strong technological infrastructure for delivering high-quality television, higher speed internet and triple and, where permitted, quadruple-play services at attractive prices. We believe that fixed network leadership, operational excellence and multiple-play strategy are key success factors in our end markets. We have successfully increased triple-play penetration, as reflected by the growing number of RGUs per customer relationship outside France from 2.0x as of December 31, 2012 to 2.1x as of September 30, 2014 (without giving effect to the PT Portugal Acquisition). The number of our multiple-play subscribers in France has increased from 972,000 as of December 31, 2012 to 1,083,000 as of September 30, 2014. Our strategy is to continue to increase our multiple-play customer penetration by attracting new customers and cross-selling our mobile services to our existing cable-based services customers in the countries in which we offer those services. In France, following the 2014 SFR Acquisition we have an attractive opportunity to migrate part of SFR's 5.3 million fixed broadband customers onto the Numericable Group's cable network. This will allow us to leverage our network infrastructure, access to premium content and SFR's large customer base and premium brand name, to offer our existing and new B2C customers compelling bundled triple and quadruple play packages in the French market, where we will be the only player in our coverage area capable of bundling the highest broadband speeds in the market and premium pay television content into single-bill packages. We also plan to leverage up-selling opportunities to maximize ARPU by increasing penetration of certain services, such as higher speed broadband internet, premium content or value added interactive services, such as VoD and PVR. We believe that we will be able to convert a significant part of SFR's existing xDSL customer relationships into cable-based customer relationships with additional services and potentially higher ARPU. Following the PT Portugal Acquisition, we believe we have the potential to increase penetration of both fixed and mobile services in Portugal, by leveraging the PT Portugal Group's state-of-the-art FTTH broadband network and 4G mobile network, and our innovative triple-play and quadruple-play bundles. The PT Portugal Group's mobile strategy will focus on driving growth through mobile data offers based on its high quality network, delivering best in class coverage, capacity and quality of service to customers. The PT Portugal Group is focused on increasing smartphone penetration through a broad portfolio of handsets, and simplification of tariff plans to reinforce our post-paid value proposition and consequently encourage customer migration from prepaid to post-paid plans, which typically results in lower churn.

Leverage our networks to address new growth opportunities including B2B and mobility. We believe that our dense cable/FTTH network infrastructures supported by fiber backbones will position us ideally to service new demand from corporate customers and to benefit from the convergence of fixed-mobile usage without significant capital investment. We aim to leverage our well-invested infrastructures to offer tailored data solutions and capture profitable growth in these markets, thereby maximizing the return on our network assets. As the B2B telecommunications market shifts to next generation services, including IP VPN, hosting or cloud services, which are more bandwidth-intensive and complex, we will look to expand opportunistically in the B2B businesses, which offer important economies of scale and synergies with our B2C operations. We plan to continue to expand our presence in the B2B segment in France as a result of the 2014 SFR Acquisition by providing next generation services which require high bandwidth, and offer potential for higher margins. We intend to capitalize on the combination of our modern cable network and expertise in critical network architecture to grow our customer base and increase our offering of higher margin data products in France. We target increasing our market share in the B2B segment from approximately 20% (according to our internal estimates) by strategically redeploying our sales force in order to fully address all B2B market sub-segments. In addition, as mobile internet traffic is expected to grow at an average 68% growth rate between 2012 and 2017 (according to a Cisco VNI 2013 study) primarily driven by development of smart devices supporting multiple wireless technologies, we believe that our high capacity backbone will be a differentiating factor as it enables us to offer a compelling backhaul offload offering to MNOs. We are the second leading mobile operator in France with 21.4 million subscribers as of June 30, 2014. We believe that this will enable the Altice France Group to drive growth by leading the French market in quadruple play, convergence and innovation, supported by the power of the SFR brand and our multi-channel presence.

In Portugal, following the PT Portugal Acquisition, we will benefit from a leading enterprise telecom infrastructure (including one of the largest data centers in the world) and strong customer relationships, as well as from the PT Portugal Group's number one mobile telecom position with its 4G mobile network and superior scale as a mobile operator. We believe we can further grow this business by leveraging know-how between our Portuguese businesses and implementing best practices from the broader Group.

Generate value through disciplined acquisition strategy and proven integration capabilities. We deploy capital opportunistically across our portfolio through value enhancing acquisitions with the aim of generating strong cash flow and operational synergies in the cable and telecommunication sector. We target operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and seek to create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with FTTH, B2B, DSL and mobile add-on opportunities. Our acquisition strategy also benefits from our flexible capital structure, which features no material near term maturities and allows us to make investments. The terms of the agreements governing our debt have historically allowed us to execute our acquisition strategy enabling us to be agile and opportunistic in a fast evolving environment. We have a strong track record of integrating acquired businesses having completed over ten transactions in the last three years. The PT Portugal Acquisition represents a further meaningful extension of this strategy and we believe will enable us to to realize value through significant expected operational synergies.

Recent Developments

PT Portugal Acquisition

On December 9, 2014, the Issuer, through its subsidiary Altice Portugal, entered into an agreement with Oi S.A. (the "PT Portugal Acquisition Agreement") relating to the purchase of all of the outstanding equity interests in PT Portugal (the "PT Portugal Acquisition") for an enterprise value of €7,400 million on a debt and cash free basis, as adjusted for estimated net post retirement benefit obligations post tax of € 957 million and other non financial debt purchase price adjustments (including working capital adjustments and certain tax liabilities) of € 339 million (price paid will be after deduction of net financial debt at closing and difference to normative level of working capital, as defined in the PT Portugal Acquisition Agreement) payable in cash upon completion of the PT Portugal Acquisition, which includes an earn out of €500 million, payable in the event the consolidated revenues of the PT Portugal Group for any financial year between 2015 to 2019 achieves a specified target. In order for PT Portugal to exceed such specified revenue target by the end of the specified period, its revenue growth will need to materially exceed the best-in-class compound annual revenue growth rate currently expected by the market from incumbent telecommunications companies in Europe. Prior to the Completion Date, Oi S.A. shall cause a reorganization of PT Portugal and its subsidiaries to be completed (the "Carve

Out Reorganization") so that, among other things, upon the completion of the PT Portugal Acquisition, PT Portugal shall no longer own any interests in the entities and assets or in the financing vehicle that are currently parts of the PT Portugal perimeter. In particular, the commercial paper and any other securities issued by Rio Forte Investments S.A shall not be included in the assets comprising the PT Portugal Group.

The consummation of the PT Portugal Acquisition is subject to certain conditions, including merger control from the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules) and relevant authorizations and clearances from the Portuguese ISP (*Instituto de Seguros de Portugal*).

The PT Portugal Acquisition is expected to be completed in the second quarter in 2015.

2014 SFR Acquisition

The 2014 SFR Acquisition was completed on November 27, 2014. Following the 2014 SFR Acquisition, the capital of the Numericable Group is owned as follows: (i) Vivendi: 20%, (ii) Altice France S.A.: approximately 60.3% and (iii) free float: approximately 19.7%. On November 27, 2014, the Issuer, Altice France S.A. and Vivendi entered into a shareholders' agreement governing the relationship between Altice France S.A. and Vivendi as shareholders of Numericable (the "Altice Vivendi Shareholders' Agreement"). For further details, refer to "*Description of Our Business—Material Contracts—Altice Vivendi Shareholders' Agreement*".

Virgin Mobile Acquisition

On December 4, 2014, the Altice France Group acquired 100% of Omer Telecom (the holding company of a telecom operator that provides services under the Virgin Mobile brand in France).

Merger between PTC and Meo, S.A.

On December 29, 2014, Meo, S.A. and PTC, the two most material subsidiaries in the PT Portugal Group merged with PTC as the surviving entity. PTC was renamed MEO—Serviços de Comunicações e Multimédia, S.A. ("PT OpCo"). For the avoidance of doubt, when we refer to "PTC" and "Meo, S.A." in a historical context, we are referring to PTC and Meo, S.A. as separate entities prior to the merger.

Merger between Altice France S.A. and Fiderman

On December 31, 2014, Fiderman SCA merged into Altice France S.A., with Altice France S.A. as the surviving entity.

Coditel

Proposed Merger

It is intended that each of Coditel Holding Lux S.à.r.l. and Coditel Holding Lux II S.à.r.l. will merge with and into Coditel Holding sometime in the first quarter of 2015, with Coditel Holding S.A. being the surviving entity once such merger has taken effect. Once such merger has taken effect we expect to cause Coditel Holding to accede as an additional guarantor in respect of indebtedness of the Senior Secured Notes Issuer and the Senior Notes Issuer (including the 2015 Senior Secured Notes).

Refinancing of the Existing Coditel Mezzanine Facility

The Existing Coditel Mezzanine Facility was refinanced on December 2, 2014 by €124 million (equivalent) of borrowings under the Existing Revolving Credit Facilities. We drew all of the 2013 Altice Financing Revolving Credit Facility and $56 million of the 2012 Altice Financing Revolving Credit Facility to repay the Existing Coditel Mezzanine Facility. On January 27, 2015, we repaid the $56 million outstanding under the 2012 Altice Financing Revolving Credit Facility. As of the date hereof, all of the 2013 Altice Financing Revolving Credit Facility has been drawn.

Our Principal Shareholders

Founded by telecom entrepreneur Patrick Drahi, Next L.P. is the principal shareholder of the Group with a shareholding of 56.8% of the Issuer's share capital. Next L.P. and its shareholders have significant experience identifying acquisition opportunities, structuring, financing and managing investments in the telecommunications industry, advising cable operators worldwide and creating value through operational excellence. Through Altice International and its subsidiaries, the Group has developed a strong presence in Israel, Portugal, Belgium, Luxembourg, Switzerland, the Dominican

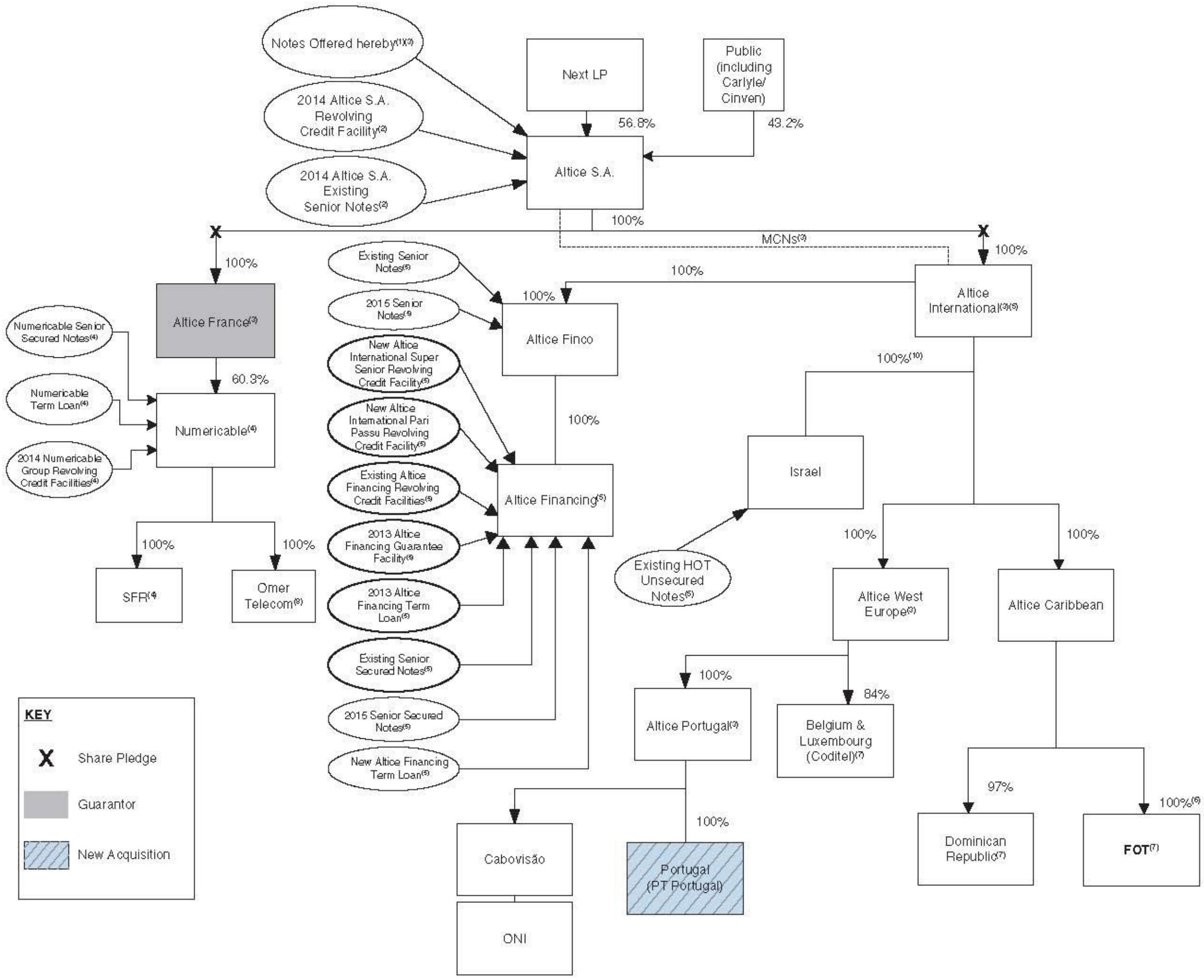
Republic and the French Overseas Territories. In addition, the Group has consolidated the cable and telecom market in France as a result of the roll up of the French cable and telecom market into the Numericable Group and Completel and, following the completion of the acquisition by the Numericable Group of SFR in November 2014, SFR.

The Issuer

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 3, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B183391. The Issuer's business operations are limited to the management of the operating activities of the Group. The Issuer's ability to pay principal, interest and premium, if any, on the Notes is dependent, in large part, upon payments received from its subsidiaries. See "*The Transactions*" and "*Simplified Corporate and Financing Structure*" for more information.

SIMPLIFIED CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our expected corporate and financing structure after giving effect to the Transactions, including the offering of the Notes, the PT Portugal Acquisition and the application of the proceeds therefrom as described in "*The Transactions*" and "*Use of Proceeds*". The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in these Listing Particulars. For a summary of the debt obligations referred to in the following diagram, see "*Description of Notes*" and "*Description of Other Indebtedness*".



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(1) In connection with the Transactions, the Issuer has issued €750 million in aggregate principal amount of the Euro Notes and $1,480 million in aggregate principal amount of the Dollar Notes. The Notes are senior obligations of the Issuer.

Pending satisfaction of the conditions to the release of the escrow proceeds as described in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*", the Initial Purchasers deposited the gross proceeds from the offering of the Notes into segregated escrow accounts for the benefit of the holders of the Notes. The escrow release conditions will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Issuer to the Escrow Agent stating that, among other things, the PT Portugal Acquisition Agreement shall not have been modified, amended or waived in any respect that is material and adverse to the holders of the Notes (subject to certain exceptions), the PT Portugal Acquisition Agreement remains in full force and effect and no insolvency related events have occurred with respect to the Issuer. If the conditions for the release of escrow proceeds are not satisfied prior to June 9, 2016 or upon the occurrence of certain other events, the Notes are subject to a special mandatory redemption at 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any. The Indenture requires the Issuer to consummate the PT Portugal Acquisition promptly upon release of the escrow proceeds (other than a release for purposes of investing the escrow proceeds in accordance with the terms of the Escrow Agreement). Prior to the Completion Date, the Notes are guaranteed, but are secured by a first-ranking pledge over the assets in the Escrow Accounts (as defined herein) and the Issuer's rights under the Escrow Agreement (as defined herein).

(2) In connection with the 2014 Numericable Group Transactions, the Issuer entered into the €200 million "super senior" 2014 Altice S.A. Revolving Credit Facility Agreement and issued € 4,172 million (equivalent) in aggregate principal amount of the 2014 Senior Notes, each of which are senior obligations of the Issuer.

(3) On the Completion Date, the Notes will be senior obligations of the Issuer and guaranteed by Altice France S.A. and will benefit from first-ranking pledges over (i) all of the capital stock of Altice France S.A. and Altice International and (ii) the AI Mandatory Convertible Notes (the "Collateral").

Under the terms of the Altice S.A. Intercreditor Agreement, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the 2014 Altice S.A. Revolving Credit Facility and counterparties to certain hedging agreements have been paid in full. Any proceeds received upon any enforcement over any Collateral, after all obligations under the Altice S.A. Revolving Credit Facility have been repaid and such hedging obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture, the Notes, the 2014 Senior Notes and obligations under the 2014 Senior Notes Indenture and any other Indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral on a pari passu basis pursuant to the Indenture and the Intercreditor Agreement. In addition, the security interests in the Collateral may be released under certain circumstances. See "*The Offering*", "*Risk Factors—Risks Relating to the Notes and the Structure*" and "*Description of Notes—Security*".

On or about the Completion Date, the Issuer will downstream the proceeds of the offering of the Notes by way of the AI Mandatory Convertible Notes into Altice International, which in turn will on-lend such proceeds to Altice Holding, which in turn will on-lend such proceeds (together with proceeds received from Altice Financing and Altice Finco from the proceeds of the issuance of the 2015 Senior Secured Notes and 2015 Senior Notes, borrowings under the New Altice Financing Term Loan and the amounts drawn under the New Altice International Super Senior Revolving Credit Facility) to Altice West Europe and then eventually to Altice Portugal for, amongst others, the payment of the purchase price under the PT Portugal Acquisition and fees and expenses related to the PT Portugal Acquisition.

(4) After giving effect to the 2014 Numericable Group Transactions, the Issuer indirectly owns approximately 60.3% of the common stock of Numericable which in turn owns all of the common stock of SFR (other than the 10 shares held by third parties). As part of the 2014 Numericable Group Transactions, Numericable issued the Numericable Senior Secured Notes and entered into the Numericable Term Loan Agreement and the 2014 Numericable Group Revolving Credit Facilities Agreement.

(5) Altice Finco has issued €903 million (equivalent) of senior notes and Altice Financing has issued €1,587 million (equivalent) of senior secured notes and has borrowed €813 million (equivalent) under the 2013 Altice Financing Term Loan. Altice Financing has also entered into the $80 million 2012 Altice Financing Revolving Credit Facility, the €80 million 2013 Altice Financing Revolving Credit Facility, the €15 million 2013 Guarantee Facility and the € 501 million New Altice International Pari Passu Revolving Credit Facility. We drew all of the 2013 Altice Financing Revolving Credit Facility and $56 million of the 2012 Altice Financing Revolving Credit Facility to repay the Existing Coditel Mezzanine Facility. On January 27, 2015, we repaid the $56 million outstanding under the 2012 Altice Financing Revolving Credit Facility. As of the date hereof, all of the 2013 Altice Financing Revolving Credit Facility has been drawn. In connection with the PT Portugal Acquisition, Altice Finco issued $385 million of its new senior notes and Altice Financing issued €2,317 million (equivalent) of its new senior secured notes and entered into the €330 million Altice Financing Super Senior Revolving Credit Facility and the €841 million (equivalent) New Altice Financing Term Loan. The Existing HOT Unsecured Notes are issued by HOT.

(6) Other than Altice West Europe and Altice Caribbean, Altice International owns directly or indirectly the following entities and therefore each of their subsidiaries: (a) HOT (Israel), (b) Cabovisão and ONI (Portugal), (c) Coditel Luxembourg and Coditel Belgium, (d) Outremer, La Cable and Mobius (French Overseas Territories), (e) Tricom and ODO (Dominican Republic), (f) Green (Switzerland), (g) Global Interlink (Bahamas), and (h) Ma Chaîne Sport and SportV (content).

(7) Our direct or indirect ownership percentage in these entities are: (a) HOT (100%), (b) Cabovisão and ONI (100%), (c) Coditel Luxembourg and Coditel Belgium (84%), (d) Outremer (99.85%), (e) Le Cable (99.85%), (f) Mobius (100%), (g) Tricom (97.2%), (h) ODO (97.2%), (i) Green (99.6%), (j) Global Interlink (100%), and (k) Ma Chaîne Sport and SportV (100%). After completion of the PT Portugal Acquisition, we will own 100% of the share capital of PT Portugal.

(8) On December 4, 2014, the Altice France Group acquired 100% of the shares of Omer Telecom (the holding company of a telecoms operator that provides services under the Virgin Mobile brand in France).

THE OFFERING

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

Issuer .... Altice S.A.

Notes Offered .... $1,480 million aggregate principal amount of 7⅝% senior notes due 2025 (the "Dollar Notes").

€750 million aggregate principal amount of 6¼% senior notes due 2025 (the "Euro Notes" and, together with the Dollar Notes, the "Notes").

Maturity Date

Dollar Notes.................................... February 15, 2025.

Euro Notes .... February 15, 2025.

Interest

Dollar Notes.................................... 7.625%.

Euro Notes .... 6.250%.

Interest Payment Dates .... Semi-annually in cash in arrears on each April 1 and October 1 commencing October 1, 2015. Interest will accrue from the Issue Date.

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

Issue Price

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

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

Ranking of the Notes

Notes... The Notes:

- are general obligations of the Issuer;
- will be secured as set forth under "—*Security*";
- rank pari passu in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the 2014 Altice S.A. Revolving Credit Facility, the 2014 Senior Notes and certain hedging obligations;
- rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- will be effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- will be effectively subordinated to all existing and future Indebtedness of the Issuer's Subsidiaries that do not guarantee the Notes.

Ranking of the Guarantee

Notes... The Notes have not been guaranteed on the Issue Date. Upon the release of the proceeds of the offering of the Notes from the applicable Escrow Accounts, the Notes will be guaranteed by Altice France S.A.

On the Completion Date, the Guarantee of Altice France S.A. will:

- be a general obligation of the Guarantor;

- rank pari passu in right of payment with any existing or future indebtedness of the Guarantor that is not subordinated in right of payment to the Guarantee, including Altice France's Guarantee under the 2014 Altice S.A. Revolving Credit Facility, the 2014 Senior Notes and certain hedging obligations;
- rank senior in right of payment to any existing or future indebtedness of the Guarantor that is expressly subordinated in right of payment to the Guarantee;
- be effectively subordinated to any existing or future indebtedness of the Guarantor that is secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be effectively subordinated to all existing and future indebtedness of the Guarantor's Subsidiaries that do not guarantee the Notes.

Security.. As of the Issue Date, the Notes were secured by a security interest over the rights of the Escrow Agent under the Escrow Agreement and the assets in the Escrow Accounts, as applicable. On the Completion Date, the Notes will be secured by a pledge over all of the share capital of each of Altice International and Altice France and a pledge over the AI Mandatory Convertible Notes.

Escrow of Proceeds; Special Mandatory Redemption........... The Initial Purchasers, concurrently with the closing of the offering of the Notes on the Issue Date, deposited the gross proceeds of the Notes into segregated escrow accounts (the "Escrow Accounts") pursuant to the terms of the Escrow Agreement, pending satisfaction of the conditions to the release of the escrow proceeds as set forth in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*". The Escrow Accounts are controlled by the Escrow Agent, and pledged on a first ranking basis in favor of the Trustee on behalf of the holders of the Notes.

If the conditions to the release of the escrow proceeds as set forth in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" are not satisfied prior to June 9, 2016 or upon the occurrence of certain other events, the applicable Notes are subject to a special mandatory redemption at a price equal to 100% of the initial issue price of each such Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. See "*The Transactions—Financing of the Numericable Group Transactions*" and "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Indenture requires the Issuer to consummate the PT Portugal Acquisition promptly upon release of the escrow proceeds (other than a release for purposes of investing the escrow proceeds in accordance with the terms of the Escrow Agreement).

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

Optional Redemption.................. Prior to February 15, 2020, the Issuer may redeem all or a portion of the Notes at a price equal to 100% of the principal amount plus a make whole premium. The Issuer may redeem some or all of the Notes at any time on or after, February 15, 2020, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. See "*Description of Notes—Optional Redemption*".

In addition, prior to February 15, 2018, the Issuer may redeem up to 40% of the aggregate principal amount of each series of the Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 107.625% of the principal amount of the Dollar Notes and 106.250% of the principal amount of the Euro Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. See "*Description of Notes—Optional Redemption*".

Additional Amounts; Tax All payments made under or in respect of the Notes or the Guarantee will be made

Redemption	without withholding or deduction for any taxes, except to the extent required by law. If such withholding or deduction is required by law in any relevant tax jurisdiction, the Issuer or the Guarantor will pay additional amounts so that the net amount received by each holder is no less than that which it would have received in the absence of such withholding or deduction. See "*Description of Notes—Withholding Taxes*". In the event of certain developments affecting taxation or certain other circumstances, the Issuer may redeem the relevant Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Changes in Withholding Taxes*".
Certain Covenants	The Issuer has issued the Notes under the Indenture. The Indenture limits, among other things, the ability of the Issuer and its restricted subsidiaries, as applicable, to: • incur or guarantee additional indebtedness; • make investments or other restricted payments; • create liens; • sell assets and subsidiary stock; • pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt; • engage in certain transactions with affiliates; • enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and • engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. For more details, see "*Description of Notes—Certain Covenants*".
Transfer Restrictions.....................	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*".
Absence of a Public Market for the Notes	The Notes are new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that a liquid market for the Notes will develop or be maintained.
Use of Proceeds	The gross proceeds from the sale of the Notes were deposited into the Escrow Accounts for the benefit of the relevant holders of the Notes and the Trustee, pending satisfaction of the conditions to release such proceeds. On or prior to the Completion Date, the Escrow Agent will transfer to the Issuer the gross proceeds from each of the Dollar Notes and the Euro Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*". Subject to the conditions to the release of the escrow proceeds as set forth in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is expected to use the proceeds of the Notes as set out under "*Use of Proceeds*". The Indenture requires the Issuer to consummate the PT Portugal Acquisition promptly upon release of the escrow proceeds.
Listing	Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See "*Description of Notes—Certain Covenants—Maintenance of Listing*".
Trustee	Deutsche Bank AG, London Branch.
Principal Paying Agent..................	Deutsche Bank AG, London Branch.

Euro Transfer Agent and Euro Registrar	Deutsche Bank Luxembourg S.A.
US Paying Agent, US Transfer Agent and US Registrar	Deutsche Bank Trust Company Americas.
Security Agent	Deutsche Bank AG, London Branch.
Governing Law	The Indenture and the Notes are governed by the laws of the State of New York. The Altice S.A. Intercreditor Agreement is governed by the laws of England and Wales. The security documents governing the Collateral are governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. See "*Description of Notes—Notes Security*". The application of the provisions set out in Articles 86 to 94 8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded.
Risk Factors	Please see "Risk Factors" for a description of certain of the risks you should carefully consider before investing in the Notes.
Certain U.S. Federal Income Tax Considerations	The Dollar Notes or the Euro Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined de minimis amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See "*Tax Considerations—Certain U.S. Federal Income Tax Considerations*".
Certain ERISA Considerations	The Notes and any interest therein may, subject to certain restrictions described herein under "Certain Employee Benefit Plan Considerations", be sold and transferred to ERISA Plans (as defined in these Listing Particulars). See "*Certain Employee Benefit Plan Considerations*".

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

Basis of Presentation

The Issuer is the holding company of the Group. Prior to the 2014 Numericable Acquisition (which was completed in February 2014) and the 2014 SFR Acquisition (which was completed in November 2014), the primary assets of the Group consisted of Altice International, a wholly-owned subsidiary of the Issuer and a holding company (which, since its formation in 2008, has from time to time made significant equity investments in a number of cable, media and telecommunication businesses in various jurisdictions), and its subsidiaries and the equity interests held by Altice France S.A., a wholly-owned subsidiary of the Issuer, in the Numericable Group prior to such date (which are accounted for in the Historical Consolidated Financial Information of the Issuer (as defined below) prior to the 2014 Numericable Acquisition using the equity method). The following is a summary of the key investments and disposals made through Altice International since 2011, which have had a significant impact on the Historical Consolidated Financial Information of the Issuer and Historical Consolidated Financial Information of Altice International (as defined below).

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

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

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

In 2014, Altice International consummated the acquisitions of (i) Tricom (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014), (ii) ODO (the financial information of which is consolidated in the Historical Consolidated Financial Information of with effect from April 9, 2014) and (iii) Mobius (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from January 1, 2014). On March 11, 2014, we entered into arrangements pursuant to which Altice Carribean, acquired a substantial proportion of the minority interests in Altice Blue Two (which owns 96% of Outremer, the remaining interest being owned by the Issuer) in exchange for ordinary shares of the Issuer and Altice Caribbean Warrants. On November 27, 2014, the Issuer, through Numericable (previously known as Numericable Group S.A.), completed the acquisition of SFR from Vivendi. In addition, in connection with the acquisition of SFR by Numericable, we entered into a commitment with the French Competition Authority to dispose of the mobile network assets of OMT in Mayotte and La Réunion (which are part of the French Overseas Territories). If this disposal is not completed by mid-2015, we are committed to appoint an independent agent (who must be approved by the French Competition Authority) to complete such disposal. Further, we have undertaken to ensure that the OMT mobile assets in La Réunion and in Mayotte mentioned above are managed independently from the other activities of the Altice France Group (including those of SFR). On December 4, 2014, the Issuer, through the Altice France Group, completed the acquisition of 100% of Omer Telecom, a telecom operator which provides services through the Virgin Mobile brand. For the avoidance of doubt, the disclosures and financial information (including the Pro Forma Financial Information) presented in these Listing Particulars do not include Omer Telecom.

On December 9, 2014, we entered into an agreement with Oi S.A. to purchase 100% of the issued share capital of PT Portugal.

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

(i) summary selected Historical Consolidated Financial Information of the Issuer derived from the (a) the unaudited condensed consolidated financial statements of the Issuer as of September 30, 2014 and for the three and nine months ended September 30, 2014, prepared in accordance with IAS 34, which have been reviewed by Deloitte Audit S.à.r.l.; and (b) audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2013 and the audited combined financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l.;

(ii) unaudited summary selected historical financial information of ODO derived from the audited standalone financial statements of ODO as of and for the years ended December 31, 2012 and 2013 and the unaudited stand-alone historical financial statements of ODO as of and for the nine months ended September 30, 2013 (and with respect to information relating to the nine months ended September 30, 2014, derived from the Historical Consolidated Financial Information of the Issuer as of and for the nine months ended September 30, 2014);

(iii) unaudited summary PT Portugal Combined Selected Financial Information as of and for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014;

(iv) summary selected Historical Financial Information of SFR as of and for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014;

(v) summary selected Numericable Group Financial Information as of and for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014;

(vi) summary Illustrative Aggregated Selected Financial Information of Altice International as of and for the years ended December 31, 2011 and 2012 (which does not aggregate the results of ODO, Tricom, Mobius Group, PT Portugal, Numericable Group (which is not within Altice International's scope of consolidation), or SFR (which is not within Altice International's scope of consolidation));

(vii) summary selected Pre-PT/ODO Transactions Pro Forma Financial Information of Altice International derived from the Pro Forma Financial Information of Altice International (giving effect to each significant acquisition by Altice International but excluding the ODO Acquisition, the PT Portugal Acquisition, the 2014 Numericable Acquisition (which is not within Altice International's scope of consolidation), the 2014 SFR Acquisition (which is not within Altice International's scope of consolidation) and the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake and, except as described elsewhere in these Listing Particulars, the Mobius Acquisition and the Tricom Acquisition) as of and for the year ended December 31, 2013;

(viii) summary selected Pre-PT Transaction Pro Forma Financial Information of Altice International derived from the Pro Forma Financial Information of Altice International (giving effect to each such significant acquisition by Altice International, including the ODO Acquisition) but not the PT Portugal Acquisition, the 2014 Numericable Acquisition (which is not within Altice International's scope of consolidation), the 2014 SFR Acquisition (which is not within Altice International's scope of consolidation), the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake or, except as described elsewhere in these

Listing Particulars, the Mobius Acquisition or the Tricom Acquisition) as of and for the nine months ended September 30, 2013 and 2014;

(ix) summary selected Post Transaction Pro Forma Financial Information derived from the Pro Forma Financial Information of the Issuer (giving effect to each such significant acquisition by the Issuer including the ODO Acquisition, the 2014 Numericable Acquisition, the 2014 SFR Acquisition and the PT Portugal Acquisition) (but not the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake or, except as described elsewhere in these Listing Particulars, not the Mobius Acquisition or the Tricom Acquisition) as of and for the year ended December 31, 2013, and as of and for the nine months ended September 30, 2013 and 2014; and

(x) summary selected Altice Group Pro Forma Financial Information derived from the Pro Forma Financial Information of the Issuer, reflecting the financial information of Numericable after giving effect to the 2014 SFR Acquisition.

For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, the PT Portugal Combined Selected Financial Information and the Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information, Notes to the PT Portugal Combined Selected Financial Information and Note 2 to the Pro Forma Financial Information included elsewhere in these Listing Particulars. The Illustrative Aggregated Selected Financial Information, the PT Portugal Combined Selected Financial Information and the Pro Forma Financial Information included in these Listing Particulars have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited or reviewed in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information, the PT Portugal Combined Selected Financial Information and the Pro Forma Financial Information are subject to significant limitations. See "*Presentation of Financial and Other Information" and "Risk Factors—The Pro Forma Financial Information, the Illustrative Aggregated Selected Financial Information, the Historical Consolidated Financial Information and the PT Portugal Combined Selected Financial Information presented in these Listing Particulars may not reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance. The Illustrative Aggregated Selected Financial Information, the PT Portugal Combined Selected Financial Information and the Pro Forma Financial Information included herein are subject to certain signification assumptions and limitations*".

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

Income Statement Data (Pre PT and SFR)

	Historical Consolidated Financial Information of the Issuer				
	For the year ended December 31,			**For the nine months ended September 30,**	
Statement of Income Items	**2011**	**2012**	**2013**	**2013**	**2014**
			€ in millions		
Revenue					
Cable based services	560.3	873.3	891.8	694.5	1,541.9
Mobile services	180.6	172.7	256.2	175.9	457.8
B2B and others	43.3	46.4	138.5	58	247.8
Total revenue	**784.2**	**1,092.4**	**1,286.8**	**928.4**	**2,247.4**
Purchasing and subcontracting services	(175.4)	(302.1)	(367.8)	(262.2)	(533.9)
Gross profit	**608.8**	**790.3**	**919.0**	**666.2**	**1,713.5**
Other operating expenses(1)	(195.4)	(307.9)	(320.9)	(134.6)	(297.5)
Staff costs and employee benefit expenses	—	—	—	(101.1)	(183.3)
General and administrative expenses	(51.3)	(33.3)	(36.2)	(24.1)	(68.7)
Other sales and marketing expenses	(64.4)	(45.9)	(43.9)	(29.4)	(144.3)
Operating income before depreciation and amortization(2)	**297.7**	**403.1**	**518.0**	**376.9**	**1,019.8**
Depreciation and amortization	(176.0)	(266.4)	(399.6)	(278.0)	(646.7)
Goodwill impairment	—	(121.9)	—	—	—
Management fees	(3.6)	(6.2)	(0.6)	(0.7)	(0.6)

Other expenses, net[3]	(5.6)	(29.8)	(15.1)	—	—
Restructuring and other non-recurring costs[3]	(7.6)	(20.8)	(61.2)	(12.3)	(78.5)
Operating profit/(loss)	**104.9**	**(42.0)**	**41.5**	**85.9**	**294.0**
Gain on step acquisition	134.8	—	—	—	256.3
Gain arising on settlement of financial instruments	—	—	255.7	—	—
Finance income	26.8	40.7	120.9	42.7	138.0
Finance costs	(130.6)	(225.4)	(376.6)	(196.6)	(983.1)
Share of profit of associates	58.6	20.4	15.5	14.5	1.3
Profit/(loss) before taxes on revenue	**194.5**	**(206.2)**	**57.0**	**(53.5)**	**(293.5)**
Income tax benefits/(expenses)	(32.5)	26.0	(7.4)	(27.5)	(50.5)
Profit/(loss) for the year/period	**162.0**	**(180.2)**	**49.6**	**(81.0)**	**(344.1)**

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

(2) Further referred to as EBITDA.

(3) With effect from January 1, 2014, "Other expenses, net" have been included in the "Restructuring and other non-recurring costs" line item.

Statement of Income Items (Combined including SFR and PT)	Post-Transaction Pro Forma Financial Information of the Issuer(1)		
		For the nine months ended September 30,	
	For the year ended December 31, 2013	2013	2014
	€ in millions		
Revenue			
Total revenue	**15,972.1**	**11,926.5**	**11,699.3**
Purchasing and subcontracting services	(7,794.5)	(5,671.3)	(5,637.4)
Other operating income	2.0	0.7	1.8
Other operating expenses(2)	(3,045.3)	(2,274.5)	(2,246.5)
Operating income before depreciation and amortization(3)	**5,134.2**	**3,981.4**	**3,817.3**
Depreciation and amortization	(3,317.6)	(2,400.8)	(2,473.9)
Management fees	(24.2)	(10.4)	(0.6)
Restructuring and other non-recurring costs	(408.3)	(260.5)	(371.4)
Operating profit	**1,384.1**	**1,309.7**	**971.4**
Gain on de-recognition of assets	255.7	255.7	256.3
Share of profit of associates	(8.0)	(3.2)	(4.6)
Finance income	136.3	54.0	145.6
Finance costs	(2,392.7)	(1,419.1)	(1,849.2)
Profit before taxes on revenue	**(624.6)**	**197.1**	**(480.6)**
Income tax expenses	(267.4)	(483.2)	(224.4)
Loss for the year	**(892.0)**	**(286.1)**	**(705.4)**

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO, the Numericable Group, SFR and PT Portugal. It does not give pro forma effect to the acquisition of Tricom or Mobius but includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively, following their consolidation into the Historical Consolidated Financial Information of Altice International. For details, see "*Pro Forma Financial Information of the Group*". Post-Transaction Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

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

(3) Further referred to as EBITDA.

Revenue and EBITDA

Altice International Group (Pre PT)

	Illustrative Aggregated Selected Financial Information[1]		Pre-PT/ODO Transactions Pro Forma Financial Information[2]	Pre-PT Transaction Pro Forma Financial Information[7]			
	For the year ended December 31,				For the nine months ended September 30,		
	2011	2012	For the year ended December 31, 2013	For the year ended December 31, 2013	2013	2014	LTM ended September 30[10] 2014
	€ in millions						
Revenue							
Israel	845.5	850.4	881.9	881.9	669.4	645.9	858.4
Belgium and Luxembourg	67.3	71.3	70.5	70.5	53.2	54.0	71.4
Portugal	238.8	235.4	209.6	209.6	159.9	140.4	190.1
French Overseas Territories	217.9	219.6	223.5	223.5	166.3	178.7[9]	236.0
Dominican Republic[8]	—	—	—	446.3	333.9	327.4	439.7
Tricom adjustment[11]	—	—	—	—	—	—	66.9
Others[6]	56.7	65.2	75.2	75.2	53.4	135.2	157.0
Total revenue	**1,426.2**	**1,441.8**	**1,460.7**	**1,906.9**	**1,436.1**	**1,481.6**	**2,019.4**
EBITDA[3]							
Israel	327.2	305.2	363.0	363.0	269.9	314.6	407.8
Belgium and Luxembourg	41.0	45.6	45.0	45.0	35.4	36.3	45.9
Portugal	39.0	48.0	58.3	58.3	45.1	44.3	57.4
French Overseas Territories	72.4	75.1	84.6	84.6	62.0	72.7[9]	95.3
Dominican Republic[8]	—	—	—	173.0	131.7	150.0	191.3
Tricom adjustment[11]	—	—	—	—	—	—	23.6
Others[6]	17.7	20.3	20.0	20.0	17.7	54.6	57.2
Total EBITDA	**497.2**	**494.2**	**570.9**	**743.9**	**561.5**	**672.3**	**878.5**
Equity based compensation[4]	6.0	3.8	—		—	—	—
Adjusted EBITDA[5]	**503.2**	**498.0**	**570.9**	**743.9**	**561.5**	**672.3**	**878.5**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom, ODO, Mobius, Numericable Group (which is not within Altice International's scope of consolidation), SFR (which is not within Altice International's scope of consolidation), and PT Portugal. For details, see "*Illustrative Aggregated Selected Financial Information of Altice International*". We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization.

(2) The Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, Numericable Group (which is not within Altice International's scope of consolidation), SFR (which is not within Altice International's scope of consolidation) or PT Portugal for the year ended December 30, 2013. For details, see "*Pro Forma Financial Information of the Group*". Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

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

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

(5) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses. Adjusted EBITDA is unaudited. We believe that these measures are useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies. "Adjusted EBITDA" of Altice International presented herein corresponds to "EBITDA" as reported by Altice International for financial reporting purposes as of September 30, 2014.

(6) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). For the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. We disposed of our interests in Valvision in 2013 (which was included in Others). Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. Valvision's and Auberimmo's contribution to our revenue and EBITDA was not material. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed

€4.3 million, €10.3 million and € 12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.2 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013 and 2014, Green Datacenter contributed €8.8 million and €8.2 million to pro forma revenue and €7.6 million and €6.9 million to pro forma EBITDA, respectively.

(7) The Pre-PT Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO. It does not give pro forma effect to the PT Portugal Acquisition, the acquisition of Tricom or Mobius, the 2014 Numericable Acquisition (which is outside the scope of Altice International's consolidation), the 2014 SFR Acquisition (which is outside the scope of Altice International's consolidation) nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake, but includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively, following their consolidation into the Historical Consolidated Financial Information. For details, see "*Pro Forma Financial Information*".

(8) Excludes Tricom.

(9) Also includes the contribution of Mobius.

(10) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum.

(11) For the purposes of the LTM ended September 30, 2014, only, pro forma effect is given to the acquisition of Tricom, including the non-consolidated portion of Tricom prior to Tricom's consolidation into the Historical Consolidated Financial Information of Altice International from March 12, 2014, which is accounted for under "Tricom adjustment", and the contribution of Tricom from March 12, 2014, following its consolidation into the Historical Consolidated Financial Information of Altice International.

ODO

The following table sets forth the revenues and EBITDA based on historical financial statements of ODO, other than the information for the nine months ended September 30, 2014 which has been derived from the Historical Consolidated Financial Information of Altice International.

	For the year ended December 31,			For the nine months ended September 30,		
	2011	**2012**	**2013**	**2013**	**2014**	**LTM ended September 30[(1)] 2014**
	€ in millions					
Revenue						
Dominican Republic (ODO)........	417.1	457.4	446.6	333.6	327.4	440.1
EBITDA						
Dominican Republic (ODO)........	—	166.7	173.0	131.7	150.0	191.3

(1) LTM ended September 30, 2014 is calculated by (i) adding the revenue, or EBITDA for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, or EBITDA for the twelve months ended September 30, 2013 from such sum.

PT Portugal

	PT Portugal Combined Selected Financial Information					
	For the year ended December 31,			For the nine months ended September 30,		
	2011	**2012**	**2013**	**2013**	**2014**	**LTM ended September 30[(2)] 2014**
	€ in millions					
Revenue						
Portugal (PT Portugal)........................	2,955.3	2,769.4	2,627.4	1,963.2	1,900.9	2,565.1
Intercompany Adjustments..................			(30.6)	(24.3)	(17.6)	(23.9)
EBITDA[(1)]						
Portugal (PT Portugal)........................	1,267.7	1,127.6	1,026.4	775.7	746.6	997.2

(1) For EBITDA reconciliation between Portuguese and International format, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the PT Portugal Group—Summary of Significant Differences between Portuguese GAAP and IFRS*".

(2) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the twelve months ended September 30, 2013 from such sum.

Altice International and PT Portugal

Post-Transaction Pro Forma Financial Information

Income Statement Data (Altice International including PT Portugal)

Statement of Income Items	Altice International Post-Transaction Pro Forma Financial Information[1] — For the year ended December 31, 2013	For the nine months ended September 30, 2013	For the nine months ended September 30, 2014
	€ in millions		
Revenue			
Total revenue	4,503.7	3,375.0	3,365.0
Purchasing and subcontracting services	(1,097.7)	(823.8)	(742.9)
Other operating income	—	—	—
Other operating expenses[2]	(1,635.2)	(1,214.0)	(1,203.2)
Operating income before depreciation and amortization[3]	**1,770.7**	**1,337.2**	**1,418.9**
Depreciation and amortization	(1,287.7)	(946.9)	(990.4)
Management fees	(12.9)	(10.2)	(0.6)
Restructuring and other non-recurring costs and other expenses	(267.6)	(189.2)	(84.1)
Operating profit	**202.5**	**190.9**	**343.7**
Finance income	94.3	36.9	34.8
Finance costs	(1,105.0)	(705.5)	(820.3)
Share of profit of associates	4.5	3.2	2.3
Loss before taxes on revenue	**(803.6)**	**(474.5)**	**(439.5)**
Income tax benefits/(expenses)	(114.6)	(90.9)	(27.6)
Loss for the year/period	**(918.2)**	**(565.4)**	**(467.0)**

(1) The Altice International Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO and PT Portugal. It does not give pro forma effect to the acquisition of Tricom or Mobius but includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively, following their consolidation into the Historical Consolidated Financial Information of Altice International. For details, see "*Pro Forma Financial Information of Altice International*". Post-Transaction Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

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

(3) Further referred to as EBITDA.

Altice France Group (Numericable Group and SFR)

The following table sets forth the revenues and Adjusted EBITDA based on historical financial statements of Numericable Group and SFR, and the Altice France Group Pro Forma Financial Information.

Altice France Group Pro Forma Financial Information contains intercompany and pro-forma adjustments that do not refer to Numericable-SFR S.A. only, but also include other adjustments relating to the Altice S.A. perimeter. Had Numericable-SFR S.A. prepared Pro Forma Financial Information at its level, there would have been differences between the figures. As such, Altice France Group Pro Forma Financial Information is not and should not be considered, for any period, as the Numericable-SFR Pro Forma Financial Information.

	Historical Financial Information of Numericable Group and SFR					Altice France Group Pro Forma Financial Information			
	For the year ended December 31,			For the nine months ended September 30,		For the year ended December 31,	For the nine months ended September 30,		LTM ended September 30[7]
	2011	2012	2013	2013	2014	2013	2013	2014	2014
	€ in millions								
Revenue									
Numericable Group	1,306.9	1,302.4	1,314.2	968.9	995.4	1,314.2	968.9	989.1[18]	1,334.4
SFR	12,183.0	11,288.0	10,199.0	7,616.2	7,396.4	10,199.0	7,616.2	7,396.4	9,979.2
Intercompany adjustments						(44.8)	(33.6)	(51.1)	(62.3)
Total	13,489.9	12,590.4	11,513.2	8,585.1	8,391.8	11,468.4[4]	8,551.5	8,334.4	11,251.4
Adjusted EBITDA[1]									
Numericable Group[2]	572.2	620.9	615.9	453.6	466.1	615.9	453.6	464.8[19]	627.1
SFR[3]	3,805.4	3,416.1	2,845.8	2,265.3	2,011.7	2,845.8	2,265.3	2,011.7	2,592.1
Total	4,377.6	4,037.0	3,461.7	2,718.9	2,477.8	3,461.7[5]	2,718.9	2,476.4	3,219.2
Synergies									350.0
Intercompany adjustments									(6.4)
Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)[6]									**3,562.7**

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

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

(3) For the year ended December 31, 2013 and the nine months ended September 30, 2013 and 2014 respectively, includes an add back for CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) amounting to € 53 million, €40.7 million and €46.2 million respectively. Adjusted EBITDA for nine months ended September 30, 2014, excludes a non-recurring charge of €196 million in relation to certain litigation matters disclosed in the financial statements of SFR, SIG 50 and their subsidiaries at September 30, 2014, December 31, 2013, 2012 and 2011.

(4) Includes (€44.8 million) in intercompany adjustments.

(5) Excludes (€1.6 million) in intercompany adjustments.

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

(7) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum.

Pro Forma Adjusted EBITDA (Altice Group including PT and SFR)

	Post-Transaction Pro Forma Financial Information[1]			
	For the year ended December 31, 2013	For the nine months ended September 30, 2013	For the nine months ended September 30, 2014	LTM ended September 30,[2] 2014
	€ in millions			
Revenue				
Numericable Group	1,314.2	968.9	989.1	1,334.4
SFR	10,199.0	7,616.2	7,396.4	9,979.2
Intercompany Adjustments	(44.8)	(33.6)	(51.1)	(62.3)
Total Altice France Group Revenue[16]	**11,468.4**	**8,551.5**	**8,334.4**	**11,251.4**
Israel	881.9	669.4	645.9	858.4
Belgium and Luxembourg	70.5	53.2	54.0	71.4
Portugal	2,806.3	2,098.8	2,023.7	2,731.3
of which Cabovisão and ONI	209.6	159.9	140.4	190.1
of which PT Portugal	2,627.4	1,963.2	1,900.9	2,565.1
Intercompany Adjustments	(30.6)	(24.3)	(17.6)	(23.9)
French Overseas Territories[14]	223.5	166.3	178.7	236.0
Dominican Republic[3]	446.3	333.9	327.4	439.7
Tricom adjustment[15]				66.9
Others[4]	75.2	53.4	135.2	157.0
Total Altice International Revenue	**4,503.7**	**3,375.0**	**3,365.0**	**4,560.6**
Total Altice Group Revenue	**15,972.2**	**11,926.5**	**11,699.4**	**15,812.0**
EBITDA[5]				
Numericable Group	599.6	444.4	452.1	607.3
SFR[17]	2,766.2	2,200.9	1,961.3	2,526.6
Intercompany Adjustments	(1.6)	(1.2)	(15.0)	(15.4)
Total Altice France Group EBITDA[16]	**3,364.2**	**2,644.1**	**2,398.4**	**3,118.5**
CVAE[13]	65.7	49.9	55.2	71.0
Equity based compensation[8]	30.2	23.7	16.7	23.2
Total Altice France Group Adjusted EBITDA[16]	**3,460.1**	**2,717.7**	**2,470.4**	**3,212.7**
Pro Forma Synergies for the Combination of Numericable[6]	—	—	—	350.0
Pro Forma Adjusted EBITDA (Altice France Group) (including Pro Forma Synergies)[12]				**3,562.7**
Israel	363.0	269.9	314.6	407.8
Belgium and Luxembourg	45.0	35.4	36.3	45.9
Portugal	1,084.7	820.8	790.9	1,054.6
of which Cabovisão and ONI	58.3	45.1	44.3	57.4
of which PT Portugal	1,026.4	775.7	746.6	997.2
Intercompany Adjustments	—	—	—	—
French Overseas Territories[14]	84.6	62.0	72.7	95.3
Dominican Republic[3]	173.0	131.7	150.0	191.3
Tricom adjustment[15]	—	—	—	23.6
Others[4]	20.0	17.4	54.6	57.2
Total Altice International EBITDA	**1,770.7**	**1,337.2**	**1,418.9**	**1,875.7**
Equity based compensation[8]	—	—	—	—
Total Adjusted EBITDA Altice International	**1,770.3**	**1,337.2**	**1,418.9**	**1,875.7**
Pro Forma Synergies for Previous Transactions[9]				15.0
Pro Forma Synergies for PT Portugal[10]				100.0
Pro Forma Adjusted EBITDA (Altice International) (including Pro Forma Synergies)[11]				**1,990.7**
Intercompany adjustments (net)				—
Total Adjusted EBITDA (Altice Group)[12]	**5,230.4**	**4,054.9**	**3,889.5**	**5,088.5**
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)[12]				**5,553.5**
of which Pro Forma Adjusted EBITDA (Altice France Group) (including Pro Forma Synergies)[7]				3,562.7
of which Pro Forma Adjusted EBITDA (Altice International) (including Pro Forma Synergies)				1,990.7

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"), the Numericable Group (which is included under "Numericable Group"), SFR (which is included under "SFR"), and PT Portugal (which is included under "Portugal"). Save for the LTM column, it does not give pro forma effect to the acquisition of Tricom or Mobius but includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively. For details, see "*Pro Forma Financial Information of the Group*". Post-Transaction Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Altice International EBITDA derived from the Post-Transaction Pro Forma Financial Information may vary by insignificant amounts compared to the corresponding amounts derived from the Pro Forma Financial Information of Altice International due to certain holding

company expenses incurred by Altice S.A. For details, see "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

(2) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum.

(3) Includes ODO but excludes Tricom.

(4) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). For the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. We disposed of our interests in Valvision in 2013 (which was included in Others) to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. Valvision's and Auberimmo's contributions to our revenue and EBITDA was not material. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.2 million to aggregated and pro forma EBITDA. For the nine months ended September 30, 2013 and 2014, Green Datacenter contributed €8.8 million and € 8.2 million to pro forma revenue and €7.6 million and € 6.9 million to pro forma EBITDA, respectively. This also includes the contribution made by Tricom from March 12, 2014.

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

(6) Gives effect to certain synergies expected to result over time from the 2014 Numericable Group Transactions, including (i) network synergies, which include the elimination of unbundling fees paid to Orange for access to the local loop in areas where the Numericable Group has fixed network coverage, closure of Completel's B2B DSL network, replaced by SFR's nationwide DSL network and optimization of SFR's backhaul on the Numericable Group's network, (ii) B2C synergies, which includes the overall simplification of the Altice France Group's product offering, sales and distribution and the sale of premium pay television and other services to SFR's existing customer base, (iii) B2B synergies, which includes improvements of the commercial and operational efficiency through strong economies of scale, redeployment of the B2B sales force in order to address new potential clients that are not currently covered by the Altice France Group and targeted churn reduction and (iv) other operational synergies, which includes expected savings from the combination of the information systems, financial control and accounting, customer service, sales operations, marketing and branding costs and technical costs of the Altice France Group. We may not be able to achieve all such synergies for a number of reasons. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(7) We now own 60.3% of Altice France Group following the completion of the 2014 Numericable Group Transactions.

(8) Equity based compensation consists of expenses pertaining to employee stock options provided to employees by the Numericable Group and SFR. For the year ended December 31, 2013, the €30.6 million equity based compensation for France relates to €27.0 million for SFR and €3.6 million for Numericable Group. For the nine months ended September 30, 2013, the €23.7 million equity based compensation for France relates to SFR. For the nine months ended September 30, 2014, the €16.8 million equity based compensation for France relates to €4.1 million for SFR, €3.7 million for Numericable Group and includes a €9 million adjustment at the Altice S.A. level.

(9) Giving effect to certain synergies expected to result from the 2013 June Transactions (including the Outremer Transaction and the ONI Transaction which were consummated in the third quarter of 2013) and to certain synergies expected to result over time from the ODO Acquisition and the Tricom Acquisition. See "*General Description of our Business—History*". We may not be able to achieve all such synergies for a number of reasons. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(10) Gives effect to certain synergies expected to result over time from the PT Portugal Acquisition, which is expected to result in the realization of operational efficiencies in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in interconnection costs through re-routing to Altice's international backbone, renegotiations of price lists with suppliers, reduction in IT spending, simplification of operating practices, and outsourcing of customer care. We also expect that Altice Group will realize capital expenditure savings through benefits of scale in procurement, adoption of Altice Group's best practices in capital expenditure planning and efficiency savings in network spread. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

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

(12) In connection with the approval of the Altice Group's acquisition of SFR, the French Competition Authority has required us to undertake divestitures of our mobile businesses located in La Réunion and Mayotte. The revenue and EBITDA generated by such business is not material, amounting to €49 million and €10 million, respectively, in 2013 and is included under "French Overseas Territories".

(13) CVAE is a business tax levied in France. For the year ended December 31, 2013, the €65.7 million CVAE for France relates to €53.0 million for SFR and €12.7 million for Numericable Group. For the nine months ended September 30, 2013, the €53.6 million CVAE for France relates to €40.7 million for SFR and € 9.2 million for Numericable Group. For the nine months ended September 30, 2014, the €55.2 million CVAE for France relates to €46.2 million for SFR and €9.0 million for Numericable Group.

(14) For the nine months ended September 30, 2014, "French Overseas Territories" also includes the contribution of Mobius. In connection with the acquisition of SFR by Numericable-SFR S.A. (which is controlled by the Issuer), we have entered into a commitment with the French Competition Authority to dispose of our mobile network assets in Mayotte and La Réunion (which are part of our Group's business in the French Overseas Territories) by mid-2015.

(15) For the purposes of the LTM ended September 30, 2014, only, pro forma effect is given to the acquisition of Tricom, including the non-consolidated portion of Tricom prior to Tricom's consolidation into the Historical Consolidated Financial Information of Altice International from March 12, 2014, which is accounted for under "Tricom adjustment", and the contribution of Tricom from March 12, 2014, following its consolidation into the Historical Consolidated Financial Information of Altice International.

(16) Altice France Group Pro Forma Financial Information contains intercompany and pro-forma adjustments that do not refer to Numericable-SFR S.A. only, but also include other adjustments relating to the Altice S.A. perimeter. Had Numericable-SFR S.A. prepared Pro Forma Financial Information at its level, there would have been differences between the figures. As such, Altice France Group Pro Forma Financial Information is not and should not be considered, for any period, as the Numericable-SFR Pro Forma Financial Information.

(17) The following table presents a reconciliation between SFR's EBITDA (which is the basis of the Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR presented elsewhere in this document) and SFR's EBITDA as it would appear if calculated using Altice S.A. Standards.

	For the year ended December 31, 2013	For the nine months ended September 30, 2013	For the nine months ended September 30, 2014
	€ in millions		
EBITDA-SFR Format	**2,766.2**	**2,200.9**	**1,778.8**
Provision for litigation	—	—	196.0
Other	—	—	13.5
EBITDA-Altice Format	**2,766.2**	**2,200.9**	**1,961.3**

(18) Is composed of: (1) the portion of the revenue contributed by the Numericable Group to the historical condensed consolidated accounts of Altice S.A. for the period ended September 30, 2014, amounting to €880.6 million and (2) the revenue generated by the Numericable Group for the period between January 1, 2014 to December 31, 2014, amounting to a total of € 108.5 million. The financial information of the Numericable Group is fully consolidated in in our consolidated accounts with effect from February 3, 2014.

(19) Is composed of: (1) the portion of the EBITDA contributed by the Numericable Group to the historical condensed consolidated accounts of Altice S.A. for the period ended September 30, 2014, amounting to €407.8 million and (2) the EBITDA generated by the Numericable Group for the period between January 1, 2014 to December 31, 2014, amounting to a total of €44.3 million. The Adjusted EBITDA also includes add backs of expenses related to equity based compensation for an amount of €3.7 million and CVAE for an amount of €9.0 million. The financial information of the NG is fully consolidated in our consolidated accounts with effect from February 3, 2014.

Certain As Adjusted Information**

Summary of Certain Key Items Impacting Cash Flow

€ in millions	LTM ended September 30, 2014[12]
Altice France Group	
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)[1]	3,563
Pro Forma Capex[2]	(1,874)
Pro Forma Adjusted Cash Interest Expense[5]	(625)
Pro Forma Adjusted EBITDA—(Pro Forma Capex + Pro Forma Adjusted Cash Interest Expense)[11]	1,063
Altice S.A. Ownership	60.3%
Altice S.A. Proportionate Share[13]	641

Altice International	
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)(6)	1,991
Pro Forma Capex	(905)
Capex Synergies	40
Pro Forma Cash Interest Expense(8)	(489)
Cash out flows on post-retirement benefits at PT	(180)
Pro Forma Adjusted EBITDA—(Pro Forma Capex + Cash out Flows on post-retirement benefits at PT + Pro Forma Cash Interest Expense)(9)	457
Altice S.A. Ownership	100%
Altice S.A. Proportionate Share(11)	457
Total Altice S.A. Proportionate Share(11)	1,098
Pro Forma Adjusted Cash Interest Expense at Altice S.A.(10)	(463)

** Assumes that the 2014 SFR Acquisition, the 2014 Numericable Acquisition, the PT Portugal Acquisition and the ODO Acquisition were consummated October 1, 2013. The completion of the PT Portugal Acquisition is subject to certain conditions, including the separate approval by the competent regulatory authorities in Portugal and merger-control clearance from the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules). For further details, see "*Capitalization*".

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

(2) Represents the aggregation of the LTM ended September 30, 2014, capital expenditures of €364.1 million by Numericable Group and €1,510 million as reported by SFR.

(3) Represents change in working capital as reported by SFR. As we did not own SFR prior to November 27, 2014, we cannot assure you that change in working capital is reported in a manner that is fully comparable with change in working capital information presented by Altice.

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

(5) Represents the gross cash interest expense, which is calculated using the cash interest expense in connection with the outstanding pro forma indebtedness of the Altice France Group after the 2014 Numericable Group Transactions as if the 2014 Numericable Group Transactions occurred on October 1, 2013. It is presented for illustrative purposes only and does not purport to represent what the interest expense of the Altice France Group would actually have been had the 2014 Numericable Group Transactions occurred on such date nor does it purport to project the interest rate of the Altice France Group for any future period or financial condition at any future point in time. Cash interest expense excludes (among other items) (a) other financing costs relating to (i) foreign exchange transactions, collection costs, hedging contracts and imbedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs, (b) interest income and (c) the impact of hedging transactions.

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

(7) Represents change in working capital as reported by ODO that has not been consolidated into the Historical Financial Information of Altice International from September 30, 2013 to April 8, 2014. The ODO change in working capital is reported in DOP and has been converted into euro at an average exchange rate of 0.0183 Dop/EUR for the period. Does not include change in working capital for Tricom.

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

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

(10) Represents the gross cash interest expense, which is calculated using the cash interest expense in connection with the outstanding indebtedness of the Issuer on a standalone basis, and giving pro forma effect on the gross interest expense of the 2014 Senior Notes offered on May 8, 2014 and the Notes offered hereby as if the offering of the 2014 Senior Notes and the Notes offered hereby had occurred on October 1, 2013. It is presented for illustrative purposes only and does not purport to represent what the interest expense of Altice S.A. would actually have been had the offering of the 2014 Senior Notes and the Notes offered hereby occurred on such date, nor does it purport to project the interest rate of Altice S.A. for any future period or financial condition at any future point in time. Cash interest expense excludes (amongst other items) (a) other financing costs relating to (i) foreign exchange transactions, collection costs and imbedded

derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs, (b) interest income and (c) the impact of hedging transactions.

(11) Represents a mathematical illustration of the relevant metric pro rata to anticipated Altice S.A. ownership post-Transactions. It is not, and should not be taken as, a measure of cash flows that may be available to service indebtedness of Altice S.A., including the 2014 Senior Notes and the Notes. In addition, Altice International does not wholly own all of its subsidiaries (see "*Simplified Corporate and Financing Structure*").

(12) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum. For the purposes of the LTM ended September 30, 2014, only, pro forma effect is given to the acquisition of Tricom, including the non-consolidated portion of Tricom prior to Tricom's consolidation into the Historical Consolidated Financial Information of Altice International from March 12, 2014, following its consolidation into the Historical Consolidated Financial Information of Altice International.

(13) Represents a mathematical illustration of the relevant metric pro rata to Altice S.A. ownership. It is not, and should not be taken as, a measure of cash flows that may be available to service indebtedness of Altice S.A., including the 2014 Senior Notes and the Notes.

Key Subsidiary Restricted Payment Covenant Exceptions and Carve-outs

The debt instruments governing outstanding indebtedness of the Issuer's subsidiaries include, and the debt instruments to be entered into in connection with the Transactions will include, in the relevant "Restricted Payments" covenant, general limitations on the ability of such subsidiaries to pay dividends or make other distributions directly or indirectly to the Issuer. However, these limitations are subject to certain exceptions and carve-outs.

Under certain of Altice International's existing debt instruments, these exceptions and limitations generally include, among other things, the ability to make dividends and distributions out of a "build-up" basket of cumulative consolidated EBITDA less 1.5x consolidated interest expense of Altice International and its restricted subsidiaries, in each case, since December 12, 2012, plus the net cash proceeds and the fair market value of assets received from the issuance of equity interests in Altice International, plus certain other items less the amounts of certain other restricted payments and a general restricted payments basket. Dividends from the "build-up" basket may be paid if each of the consolidated senior secured leverage ratio and the consolidated leverage ratio of Altice International and its subsidiaries is equal to or less than 3x and 4x, respectively, *provided* that, in each case, no default or event of default is outstanding (or would result therefrom) under the relevant debt instrument.

Under the terms of the 2015 Indentures governing the Altice International New Notes, these exceptions and limitations generally include, among other things, the same "build-up" basket described in the immediately preceding sentence, from which dividends may be paid if the consolidated net leverage ratio of Altice International and its subsidiaries is equal to or less than 4x, *provided* that, in each case, no default or event of default is outstanding (or would result therefrom) under the relevant debt instrument. In addition, the 2015 Indentures allow for unlimited dividends to be paid if the consolidated leverage ratio is equal to or less than 4x, *provided* that, in each case, no default or event of default is outstanding (or would result therefrom) under the relevant debt instrument. Furthermore, for so long as no payment block events (as defined in such instruments) have occurred and are continuing, Altice International may pay dividends or other distributions to the Issuer for the payment of regularly scheduled interest as such amounts come due under the Notes. In addition, the 2015 Indentures contain a provision allowing for dividends (in addition to the foregoing) to be paid in an amount not to exceed the greater of €250 million and 2.0% of Altice International Total Assets.

In addition to the foregoing, the "Restricted Payments" covenants in each of the 2015 Indentures and certain of Altice International's existing debt instruments also include other exceptions and carve-outs that are expected to provide additional capacity to Altice International for the making of payments and distributions to the Issuer.

In addition, the debt instruments of Numericable also provide that, for so long as no payment block events (as defined in such instruments) have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the 2014 Senior Notes and the 2014 Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Numericable at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less. Furthermore, Numericable is entitled to pay any amount of dividends or other distributions to its shareholders as long as its consolidated net leverage ratio is 4.0x or less (on a pro forma basis), provided that no default or event of default is outstanding under the relevant debt instrument. Although the debt instruments of the Issuer's subsidiaries are expected to provide for a significant amount of future dividend capacity, any such payments would be subject to, among other things, distributable reserves of the relevant subsidiaries at the time of such payments and available cash.

Summary Selected Credit Data and Ratios**

	LTM ended September 30, 2014[3]
	€ in millions
As adjusted Altice France Group Consolidated Net Debt[1]	11,678
As adjusted Altice International Consolidated Net Debt[1]	7,319
As adjusted Altice S.A. Standalone Net Debt[1]	5,370
As adjusted Altice S.A. Consolidated Net Debt[1]	**24,367**
Altice France Group LTM Pro Forma Adjusted EBITDA	3,563
Altice International LTM Pro Forma Adjusted EBITDA	1,991
Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies)	5,553

Pro Forma Adjusted Consolidated Altice S.A. Cash Interest Expense(2)	1,577
Ratio of as adjusted Altice France Group Consolidated Net Debt to Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)	3.3x
Ratio of as adjusted Altice International Consolidated Net Debt to Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies)	3.7x
Ratio of as adjusted Altice S.A. Consolidated Net Debt to Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies)	4.4x
Ratio of Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies) to Pro Forma Adjusted Consolidated Altice S.A. Cash Interest Expense(2)	3.5x

** Assumes that the 2014 SFR Acquisition, 2014 Numericable Acquisition, PT Portugal Acquisition and ODO Acquisition were consummated October 1, 2013. The completion of the PT Portugal Acquisition is subject to certain conditions, including regulatory clearances in France. For further details, see "*Capitalization*".

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

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

(3) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum. For the purposes of the LTM ended September 30, 2014, only, pro forma effect is given to the acquisition of Tricom, including the non-consolidated portion of Tricom prior to Tricom's consolidation into the Historical Consolidated Financial Information of Altice International, and the contribution of Tricom from March 12, 2014, following its consolidation into the Historical Consolidated Financial Information of Altice International.

Capital Expenditures

Altice International (Pre-PT/ODO Transactions)

The following table sets forth cash capital expenditure by geography:

	Illustrative Aggregated Selected Financial Information[(1)]											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**
Mobile services	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	**173.9**	**10.6**	**34.4**	**53.5**	**21.5**	**293.8**	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**
EBITDA—total capital expenditures	**153.3**	**30.4**	**4.6**	**19.0**	**(3.8)**	**203.2**	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.4**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom, ODO, Mobius, Numericable Gr consolidation), SFR (which is not within Altice International's scope of consolidation) or PT Portugal. For details, see "*Illustrative Aggregated Selected Finan*

(2) The Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, Numericable consolidation), SFR (which is not within Altice International's scope of consolidation) or PT Portugal for the year ended December 31, 2013. For details, Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and L years ended December 31, 2012 and 2013, ODO's total capital expenditures were €73.2 million and €58.5 million, respectively. For the year ended De approximately $35 million (approximately €27 million), in each case according to unaudited and unreviewed management accounts.

Altice International (Pre-PT Transactions)

	Pre-PT Transaction Pro Forma Financial Information[(1)]													
	For the year ended December 31, 2013							For the nine months ended September 30, 2013						
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[(1)]	Dominican Republic[(2)]	Others[(1)]	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[(1)]	Dominican Republic[(2)]	Others[(1)]	Total
	€ in millions													
Capital expenditures														
Cable based services	155.3	21.5	18.3	9.5	—	0.3	204.8	100.0	13.5	14.7	8.4	—	—	136.6
Mobile services	53.6	—	—	8.3	58.5	—	120.4	36.0	1.2	—	8.9	38.9	—	85.0
B2B and others	—	1.4	5.7	18.5	—	21.8	47.4		—	3.6	9.8	—	13.4	26.8
Total capital expenditures	208.9	23.0	24.0	36.2	58.5	22.1	372.6	**136.0**	**14.7**	**18.3**	**27.1**	38.9	**13.4**	248.4
EBITDA—total capital expenditures	154.1	22.0	34.3	48.4	114.5	(2.1)	371.2	**133.9**	**20.7**	**26.8**	**35.0**	93.8	**4.0**	**314.2**

(1) Excludes Tricom, Mobius, Numericable Group (which is not within Altice International's scope of consolidation), SFR (which is not within Altice Internati contribution of Tricom (in Others) and Mobius (in French Overseas Territories) from March 12, 2014, and January 1, 2014, respectively, following the Information of Altice International.

(2) Excludes Tricom.

ODO

The following table sets forth the cash capital expenditures and EBITDA less capital expenditures based on historical financial statements of ODO, other than the information for the nine months ended September 30, 2014 which has been derived from the Historical Consolidated Financial Information of Altice International and the historical financial statements of ODO.

	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
	€ in millions				
Capital expenditures[(1)]	70.8	73.2	58.5	38.9	48.4
EBITDA—total capital expenditures	**—**	**93.5**	**114.5**	**92.8**	**101.6**

(1) In addition, for the years ended December 31, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, Tricom's total capital expenditures were approximately $71 million (approximately €56 million) of which approximately $23 million (approximately €18 million) was spent on 4G/LTE technology upgrades, approximately $35 million (approximately €27 million), approximately $28.0 million (approximately €21.0 million) and approximately €13.2 million, respectively. Tricom's capital expenditures have been consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014.

PT Portugal

The following table sets forth the gross cash capital expenditures and EBITDA less capital expenditures of the PT Portugal Group based on the PT Portugal Combined Selected Financial Information.

	PT Portugal Combined Selected Financial Information				
	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
	€ in millions				
Total gross cash capital expenditures[(1)]	670.1	763.6	560.0	428.1	316.9
EBITDA—total capital expenditures	**597.6**	**364.0**	**466.4**	**347.6**	**430.2**

(1) The capital expenditures figures included are on a cash basis. For the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014, the accrued capital expenditures of the PT Portugal Group based on the PT Portugal Combined Selected Financial Information were €798.6 million, €571.7 million, €520.3 million, €356.3 million and €231.0 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the PT Portugal Group—Capital Expenditures*".

Altice France Group (Numericable Group and SFR)

	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
	€ in millions				
Numericable Group	242.7	285.7	319.8	205.9	250.2
SFR[(1)]	1,809.0	2,736.0	1,610.0	1,009.0	909.0
Total Capital Expenditures	**2,051.7**	**3,021.7**	**1,929.8**	**1,215.0**	**1,159.2**
Adjusted EBITDA—Total Capital Expenditures	**2,325.9**	**1,015.3**	**1,531.9**	**1,503.9**	**1,318.6**

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

Cash Flow Data

Altice Group

	Historical Consolidated Financial Information of the Issuer				
	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
	€ in millions				
Cash and cash equivalents at beginning of year/period	26.9	24.2	129.7	129.7	61.6
Net cash provided by/(used in) operating activities	306.1	464.5	439.1	288.8	961.6
Net cash provided by/(used in) investing activities	(576.6)	(574.2)	(2,157.5)	(502.2)	(14,097.5)
Net cash provided by/(used in) financing activities	268.7	215.1	(1,649.8)	145.4	(13,613.7)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1	—	0.7
Cash and cash equivalents at end of year/period	**24.2**	**129.7**	**61.6**	**61.9**	**540.1**

Balance Sheet Data

Altice Group

	Historical Consolidated Financial Information the Issuer				Post-Transaction Pro Forma Financial Information
	As of December 31,			As of September 30,	
	2011	2012	2013	2014	2014(1)
	€ in millions				
Total current assets	165.1	334.7	1,562.2	15,228.5	5,980.0
Total non-current assets	2,531.7	2,602.9	3,614.4	9,404.3	35,817.6
Total assets	**2,696.8**	**2,937.6**	**5,176.6**	**24,632.8**	**41,797.7**
Total current liabilities	569.5	583.3	737.0	2,428.3	8,415.1
Total non-current liabilities	1,409.1	2,076.1	4,344.2	21,355.7	28,848.8
Total liabilities	**1,978.6**	**2,659.4**	**5,081.2**	**23,784.0**	**37,263.9**
Total equity	**718.3**	**278.1**	**95.3**	**848.8**	**4,533.8**

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO, the Numericable Group, SFR and PT Portugal and includes the contribution of Tricom and Mobius from March 12, 2014, and January 1, 2014, respectively, following their consolidation into the Historical Consolidated Financial Information of Altice International. For details, see "*Pro Forma Financial Information of the Group*". Post-Transaction Pro Forma Financial Information does not give pro forma effect to the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

Combined Key Operating Measures

Pre-SFR/PT Portugal Operating Data

The following key operating data gives effect to the ODO Acquisition, Tricom Acquisition, Mobius Acquisition, 2014 Numericable Acquisition, but does not give effect to the 2014 SFR Acquisition or the PT Portugal Acquisition.

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated					As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated					As of and for the nine months ended September 30, 2014 in thousands except percentages and as otherwise indicated				
	Numericable Group	**Israel**	**Dominican Republic[8]**	**Other[13]**	**Total[14]**	**Numericable Group**	**Israel**	**Dominican Republic[8]**	**Other[13]**	**Total[14]**	**Numericable Group**	**Israel**	**Dominican Republic[8]**	**Other[13]**	**Total[14]**
CABLE-BASED SERVICES															
Market and Network															
Homes Passed	9,875	2,243[7]	372[9]	1,293	**13,783**	9,940	2,282[7]	456[9]	1,295	**13,973**	9,975	2,329[7]	473[9]	1,321	**13,973**
Docsis 3.0 Upgraded	48%	100%	33%	88%	**60%**	53%	100%	100%	94%	**66%**	58%	100%	100%	95%	**70.4%**
Unique Customers															
Cable Customer Relationships[1]	1,331	1,198	136	414	**3,079**	1,264	1,127	103	391	**2,885**	1,285	1,088	119	379	**2,871**
Triple-Play Cable Customer Relationships	—	413	—	209	**622**	1,041	452	45	202	**1,740**	1,083	484	15	209	**1,791**
RGUs & Penetration[2][3]															
Total RGUs	3,095	2,343	169	954	**6,561**	3,218	2,295	165	916	**6,594**	3,535	2,270	198	904	**6,907**
Pay Television RGUs	1,163	896	136[2]	420	**2,615**	1,140	875	108[2]	393	**2,516**	1,134	862	114	378	**2,488**
Pay Television Penetration	12%	40%	37%	32%	**19%**	11%	38%	24%	30%	**18%**	32%	37%	24%	29%	**18%**
Broadband internet RGUs	2,058	985	771	22	**226**	2,004	1,054	744	30	**230**	1,095	727	41	237	**2100**
Broadband internet Penetration	10%	34%	6%	17%	**15%**	11%	33%	7%	18%	**15%**	31%	31%	9%	18%	**15%**
Fixed-Line Telephony RGUs	946	676	12	308	**1,942**	1,024	676	26	293	**2,019**	1,070	681	42	291	**2,084**
Fixed-Line Telephony Penetration	10%	30%	3%	24%	**14%**	10%	30%	6%	23%	**14%**	30%	29%	9%	22%	**15%**
RGUs Per Cable Customer Relationship[4]	2.3x	2.0x	1.2x	2.3x	**2.1x**	2.5x	2.0x	1.6x	2.3x	**2.3x**	2.8x	2.1x	1.7x	2.4x	**2.4x**
ARPU[5]															
Cable ARPU(€)	40.7	44.4	21.5	—	—	41.5	47.6		—	—	42.4	48.8	—	44.5	—
MOBILE-BASED SERVICES															
Market and Network															
UMTS Mobile Coverage of Territory	—	41%	—	—	—	—	61%	—	—	—	—	56.3%	77%	—	—
Subscribers															
Total Mobile Subscribers[6]	113	766	3,372[10]	387	**4,638**	186	810	3,615[10]	378	**4,989**	236	932	3,391[10]	368	**4,927**
Post-paid	—	738	608[10][11]	185	—	—	801	648[10][11]	200	—	—	927	702[10][11]	208	—
Prepaid	—	28	2,764[10][12]	203	—	—	9	2,968[10][12]	178	—	—	5	2,690[10][12]	160	—
ARPU[5]															
Mobile ARPU(€)	—	19.4	—	—	—	12.5	16.8	—	—	—	11.1	15.0	9.21	—	—
xDSL/NON-CABLE BASED SERVICES															
RGUs															
Total RGUs	—	—	351	140	**491**	—	—	484	133	**617**	—	—	336	152	**488**
Broadband internet RGUs	—	—	96	57	**153**	—	—	236	56	**292**	—	—	97	54	**151**
Fixed-Line Telephony RGUs	—	—	255	83	**338**	—	—	248	78	**326**	—	—	239	90	**329**

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

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

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

(4) For France, the Numericable Group reported a "Number of individual RGUs per individual user" of 2.53x, 2.41x and 2.61x respectively for the years en September 30, 2014. However, Mobile RGUs are included in the calculation of the "Number of individual RGUs per individual user" in Numericable Group separate basis (and these are not included in the "Total individual RGUs" definition).

(5) For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2013, €0.2086 = 2012 €0.2018 = NIS1.00, and (ii) average rate for the nine months ended September 30, 2014, €0.2113 = NIS1.00. For the Numericable Group, operating data VAT) for the periods indicated and does not reflect ARPU from white label end users or bulk subscribers but includes mobile services. For the Dominican Re related to pay television services and also revenues from additional set top boxes and other value added and premium services, and does not include ARPU fro

(6) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. For the Numericable Group, only Dominican Republic (Tricom), mobile subscribers does not include wireless data subscribers. In Israel, the total number of mobile subscribers for our iDEN a

	As
	2011
Mobile Subscribers	
iDEN	444
UMTS	—
Total	**444**

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

(8) Includes Tricom and ODO.

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

(10) Includes subscribers through resellers (dealers and franchises) as ODO enters into direct contractual arrangements with custo considered as active. Includes exclusively mobile subscribers (does not include mobile broadband internet subscribers). Does n

(11) Includes both post-paid residential subscribers and post-paid business subscribers for ODO.

(12) Active prepaid residential subscribers only for ODO. Prepaid subscribers are considered as inactive when connected on the l outgoing traffic events or with fewer than four incoming traffic events.

(13) Includes Belgium and Luxembourg (BeLux), Portugal and the French Overseas Territories (FOT). In connection with the acc have entered into a commitment with the French Competition Authority to dispose of our mobile network assets in Mayotte business in the French Overseas Territories) by mid-2015.

(14) Total represents the aggregate of the respective key operating measures across all of the operating subsidiaries of the Group e such business for the entire duration of the period presented. The Numericable Group represents the operating measures of th controlling interest as a result of the 2014 Numericable Acquisition in February 2014); Israel represents operating meas Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg; Portugal represents operating m controlling interest in February 2012); French Overseas Territories represents operating measures of Le Cable and in respect acquired a controlling interest in July 2013).

PT Portugal Operating Data

	As of December 31,			As of September 30,	
	2011	2012	2013	2013	2014
	in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated				
PTC					
Fixed retail accesses (residential and enterprise):					
PSTN/ISDN[1]	2,648	2,604	2,549	2,564	2,503
Broadband customers	1,105	1,225	1,294	1,280	1,354
Pay-TV customers	1,042	1,223	1,315	1,294	1,387
Total fixed retail accesses	4,795	5,052	5,158	5,137	5,244
Triple or Quadruple Play customers	679	833	952	921	1,065
Unique customers	2,851	2,814	2,745	2,766	2,670
Total fixed retail accesses/unique customer	1.68	1.80	1.88	1.86	1.96
Non-voice revenues as % of revenues	46.2	51.2	53.2	53.0	55.2
Net additions:[2]					
PSTN/ISDN	(48)	(43)	(55)	(40)	(46)
Broadband customers	104	119	69	55	60
Pay-TV customers	212	181	91	70	73
Total fixed retail accesses net additions	268	257	105	85	87
Residential[3]					
Fixed retail accesses (residential only)					
PSTN/ISDN	1,674	1,692	1,646	1,652	1,631
Broadband customers	911	1,015	1,027	1,019	1,075
Pay-TV customers	972	1,135	1,157	1,146	1,209
Total fixed retail accesses	3,557	3,841	3,830	3,817	3,915
Triple or Quadruple Play customers	623	769	824	803	912
Unique customers	1,881	1,881	1,818	1,830	1,779
Total fixed retail accesses/unique customer	1.89	2.04	2.11	2.09	2.20
ARPU (€/month)	30.8	31.6	31.6	31.7	31.9
Non-voice revenues as % of revenues	58.5	63.4	65.7	65.4	68.2
Net additions[2]					
PSTN/ISDN	1	18	(22)	(16)	(15)
Broadband customers	102	104	29	22	48
Pay-TV customers	198	162	43	31	52
Total fixed retail accesses net additions	300	284	50	36	85
Enterprise[7]					
Fixed retail accesses (enterprise only)					
PSTN/ISDN	826	725	720	727	695
Broadband customers	193	207	264	258	276
Pay-TV customers	68	86	155	146	176
Total fixed retail accesses net additions	(30)	(68)	60	51	8
Unique customers	846	745	724	730	724
Total fixed retail accesses/unique customer	1.28	1.37	1.57	1.55	1.58
Non-voice revenues as % of revenues	46.4	50.3	55.0	53.9	58.4
Meo, S.A.					
Total mobile customers (personal and enterprise)	7,444	7,598	7,896	7,807	7,881
Post-paid	2,378	2,469	2,925	2,782	3,554
Prepaid	5,066	5,129	4,971	5,025	4,327
Data as percentage of mobile services revenues	27.7	32.6	36.5	36.2	39.2
Net additions:[2]					
Total mobile customers	24	154	298	209	(15)
Post-paid	87	91	456	313	629
Prepaid	(63)	63	(158)	(104)	(644)
Personal[4]					
Total mobile customers (personal only)	5,932	6,024	6,390	6,320	6,336
Post-paid	1,064	1,093	1,570	1,457	2,132
Prepaid	4,868	4,931	4,820	4,863	4,205
Minutes of Usage (MOU) (m)[5]	89	93	98	96	106
ARPU (€/month)	9.7	8.7	7.6	7.7	7.3
Customer	8.7	8.0	7.1	7.2	6.7

Interconnection	1.0	0.7	0.5	0.5	0.6
SARC[6] (€)	27.8	27.9	24.6	24.7	23.4
Data as % of mobile service revenues	30.9	33.2	35.8	35.6	38.2
Net additions[2]					
Total Mobile Customers (Personal only)	(31)	92	312	243	(53)
Post-paid	42	30	441	328	562
Prepaid	(73)	62	(129)	(85)	(615)
Enterprise[7]					
Total mobile customers (enterprise only)	1,445	1,514	1,457	1,433	1,503
Net additions[2]					
Total mobile customers	55.6	68.7	(3.8)	(28.2)	45.7

(1) The public switched telephone network, or PSTN, is the traditional telephone system that runs through copper lines. The integrated digital services network, or ISDN, is the digital telecommunications network that allows simultaneous voice and data transmission over an access line.

(2) The net additions figures for the nine months ended September 30, 2013 and 2014 are calculated on a nine-month basis from December 31, 2012 and 2013, respectively.

(3) The PT Portugal Group's residential customer category provides fixed line telephone and broadband services, pay-TV (IPTV over ADSL and fiber and DTH satellite TV) services and internet access services to residential customers. PTC is the primary operating company through which the PT Portugal Group provides such residential services.

(4) The PT Portugal Group's personal customer category provides telecommunications and mobile data services for a variety of personal devices, including tradtional cell phones, smartphones, tablets and laptops through our mobile business. Meo, S.A. is the primary operating company through which the PT Portugal Group provides its mobile services.

(5) Minutes of Usage represents the monthly average of outgoing traffic in minutes divided by the average number of users in the period.

(6) Subscriber Acquisition and Retention Cost, or SARC, equals the sum of 70% of marketing and publicity costs *plus* commissions *plus* subsidies, divided by gross additions *plus* upgrades.

(7) The PT Portugal Group's enterprise customer category provides enterprise services (including integrated voice, data and image solutions, virtual private networks, convergence solutions, consultancy and outsourcing) to corporate, SMEs and SoHo customers that need diversified telecommunications solutions and integration with IT services through service packages. PTC and, to a lesser extent, Meo, S.A., are the primary operating companies through which the PT Portugal Group provides its enterprise services.

SFR Operating Data

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

	As of, or for the year ended, December 31,		As of nine months ended September 30,
	2012	**2013**	**2014**
	(Unaudited) (in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated)		
B2C Operating Data:			
Footprint[1]			
SFR Operating Data:			
Total Mobile customers[2]	15,057	14,555	14,182
Total Mobile subscribers[3]	11,194	11,381	11,315
Smartphone penetration rate[4]	51.2%	64.1%	69.3%
12-month rolling Mobile ARPU[5] (€)	28.3	24.1	22.8
Number of broadband internet customers	5,039	5,209	5,217
FTTH customers	126	197	249
Quadruple-play customers ("MultiPack") (as % of customer base)	35%	45%	49.4%
Broadband internet ARPU[5] (€)	33.3	32.5	32.2

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

(2) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The customers base as at September 30, 2014 and December 31, 2013, integrates a technical purge of 92,000 inactive lines in 2013, which was related to a

migration of invoice system (without impact on revenues). The customers base as at December 31, 2012, is the published base (before such technical purge).

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

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

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

RISK FACTORS

An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in these Listing Particulars. If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on our business, prospects, results of operations and financial condition and our ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes. Described below and elsewhere in these Listing Particulars are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. These Listing Particulars also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in these Listing Particulars. See "Forward-Looking Statements".

In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries (including PT Portugal and the Numericable Group but excluding SFR). For a description of the principal risks and uncertainties relating to SFR, see "—Risks Relating to the 2014 SFR Acquisition, SFR's Business and the Integration of SFR into our Business," "—Risks Relating to SFR's Industry and Markets" and "—Risks Relating to SFR's Regulatory Environment and Legal Matters". As a result of this presentation, some risks applicable to Altice, the Numericable Group and/or SFR may be discussed multiple times in this section.

Risks Relating to Our Financial Profile and the Transaction

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the Notes or the ability to raise additional capital to fund our operations.

We have significant outstanding debt and debt service requirements and may incur additional debt in the future. As of September 30, 2014, (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of € 3,730 million on a consolidated basis, (ii) the Altice France Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €11,750 million and (iii) the Issuer had total third party debt of €4,172 million. As adjusted to give effect to the Transactions (including this Offering) and to the repayment of the Existing Coditel Mezzanine Facility with proceeds from our Existing Altice Financing Revolving Credit Facilities which occurred on December 2, 2014, (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €7,460 million on a consolidated basis, (ii) the Altice France Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of € 11,760 million and (iii) the Issuer had total third party debt of €6,227 million. In addition, the Issuer will be able to draw € 200 million in total under the 2014 Altice S.A. Revolving Credit Facility, the Altice France Group will be able to draw €750 million under the Numericable Group Revolving Credit Facilities Agreement (of which €50 million has been drawn as of September 30, 2014) and the Altice International Group will also have the ability to draw up to $80 million under the 2012 Altice Financing Revolving Credit Facility and €80 million under the 2013 Altice Financing Revolving Credit Facility (all of which has been drawn as of the date hereof), up to €180 million under the New Altice International Super Senior Revolving Credit Facility (of which it is expected that €330 million will be drawn to complete the PT Portugal Acquisition), up to €501 million under the New Altice International Pari Passu Revolving Credit Facility and up to € 15 million under the 2013 Guarantee Facility (pursuant to which, as at the date hereof, one request for a guarantee of up to approximately € 6.8 million has been made). For a description of such changes to our financial profile and our third party indebtedness, see "Description of Other Indebtedness".

Although the Altice International Group and the Altice France Group are both controlled by Altice S.A., the Altice International Group is currently financed, and will be financed following the consummation of the Transactions, on a standalone basis and constitute a separate financing group from the Altice France Group. Each of these financing groups are subject to covenants that restrict the use of their respective cash flows outside their respective restricted group (including between the Altice International Group and the Altice France Group and between the Issuer and either of the two groups). Consequently, cash flows from operations of the Altice International Group may not be able to be applied to meet the obligations of the Altice France Group or the obligations of the Issuer and other members of the Altice Group and cash flows from operations of the Altice France Group may not be able to be applied to meet the obligations of the Altice International Group, the Issuer and other members of the Altice Group.

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

- making it more difficult for us to satisfy our obligations under the Notes;

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

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

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

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

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

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

- adversely affecting public perception of us and our brands.

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

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

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

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

- our future operating performance;

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

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

- our ability to successfully introduce new products and services;

- our ability to reduce churn;

- general economic conditions and other conditions affecting customer spending;

- competition;

- sufficient distributable reserves, as required under applicable law;

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

- legal, tax and regulatory developments affecting our business.

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

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

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

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

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

All of these limitations will be subject to certain exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we are also subject to the affirmative covenants contained in certain of the debt agreements we are party to, including the Existing Altice Financing Revolving Credit Facility Agreements, the 2013 Guarantee Facility and the Existing HOT Unsecured Notes, the 2014 Altice S.A. Revolving Credit Facility and the Numericable Group Revolving Credit Facilities Agreement which require us to maintain specified financial ratios. Upon entry into the New Altice International Revolving Credit Facilities, we will also be required to maintain certain specified financial ratios under these agreements. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

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

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

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

Of the €25,447 million of total borrowings we would have had outstanding as of September 30, 2014 (excluding other liabilities, but including finance leases), as adjusted to give effect to all changes to our capital structure since September 30, 2014, including the Transactions, €23,270 million (equivalent) of our borrowings, will mature prior to the maturity dates of the Notes.

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

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

As adjusted to give effect to all changes to our capital structure since September 30, 2014, including the Transactions (including this Offering, the borrowing under the New Altice Financing Term Loan and the offering of the 2015 Senior Notes and 2015 Senior Secured Notes), as of September 30, 2014, we would have had €5,929 million of floating rate debt. In addition, any amounts we borrow under the Revolving Credit Facility agreements, the New Altice International Revolving Credit Facilities or the 2013 Guarantee Facility bear or will bear interest at a floating rate. Further, as of September 30, 2014, we had an amount equivalent to € 148.0 million outstanding under Series A of the HOT Unsecured Notes which is linked to the consumer price index in Israel. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

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

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

Negative changes in our credit rating and future ratings downgrades of sovereign debt (such as of Portugal) may have a material adverse effect on our financial condition.

A downgrade in our credit rating (including due to the effects of the economic conditions described below) may negatively affect our ability to obtain future financing (including from financial institutions, retail investors and banks) to fund our operations and capital needs. Any downgrade of our ratings could have even more significant effects on our ability to obtain financing and therefore on our liquidity. It may increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt.

Our credit rating may be impacted by a number of factors, including the effects of the economic conditions in the countries in which we operate and any future rating downgrades of sovereign debt of these countries. For example, against the backdrop of the Eurozone crisis, the increased risk perception also led to consecutive downgrades of Portuguese sovereign debt by the rating agencies. In 2011, Portugal was downgraded (1) by 4 notches at Moody's Investors Service, or Moody's, from A1 on December 21, 2010 to Ba2 on July 5, 2011; (2) by 3 notches at Standard & Poor's Ratings Services, or S&P, from A− on November 30, 2011 to BBB− on December 5, 2011; and (3) by 6 notches at Fitch Ratings, or Fitch, from A+ on December 23, 2010 to BB+ on November 24, 2011. In 2012, Portugal was downgraded (1) by 1 notch at Moody's from Ba2 to Ba3 on February 13, 2012; and (2) by 2 notches at S&P from BBB to BB on January 13, 2012. On January 13, 2012, S&P downgraded France's sovereign debt rating by one notch to AA+. On December 13, 2014, France was downgraded by Fitch by one notch to AA.

Because the financial condition, revenues and profitability of PT Portugal, which contributed 16.2% of Pro Forma revenues and 18.0% of pro forma adjusted EBITDA (on a last twelve months basis) after giving Pro Forma effect to the PT Portugal Acquisition, are closely linked to the Portuguese economy, we expect that the ratings under Moody's and S&P's ratings methodologies of the Altice International Group and of the Issuer will also be impacted by the Portuguese sovereign debt rating. Any deterioration in the economic condition of Portugal or the other countries in which we operate or any ratings downgrade of sovereign debt of these countries may have a material adverse impact on our financial conditions.

Risks Relating to Our Business, Technology and Competition

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

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

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

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

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

In addition, new players from sectors that are either unregulated or subject to different regulations (including Internet players such as Yahoo, Google, Microsoft, Amazon, Skype, Apple, YouTube, Netflix and other audiovisual players, media players and over-the-top (of an existing broadband internet network) players) have emerged as competitors to our content offering. These players are taking advantage of improved connectivity and platform-agnostic technologies to offer over-the-top and cloud-based services. Telecommunications operators are expected to maintain traditional access services and billing relationships over which users access services from adjacent players such as well-known companies offering music, video, photos, apps and retail. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the network, which would put pressure on the revenues and margins of operators like our Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

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

France

Pay television. In the French pay-television market, we compete with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free and Bouygues Telecom, which provide IPTV, and providers of pay-DTT (Canal+, which operates across multiple formats: IPTV, paid DTT, satellite and cable). The growth of IPTV has changed the market, opening up the provision of pay-television services beyond the traditional methods of cable and satellite, which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris. According to ScreenDigest, in 2013, television distribution by IPTV was the most popular pay-television distribution platform in France ((49.8%) of overall pay- television subscriptions), ahead of satellite (32.5%), cable (12.6%) and DTT (5.1%). We also compete with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for lower prices than the prices of our cable pay television services. Any increase in market share of satellite distribution may have a negative impact on the success of our digital cable television services. We also face competition from satellite distribution of free-to-air television programming. To receive free-to-air programming, viewers need only to purchase a satellite dish and a set-top box. The impact of these market evolutions can be seen in the decline in our stand-alone pay television RGUs in France from 1,292,000 as of December 31, 2010 to 1,134,000 as of September 30, 2014. While pay-DTT's share (which only includes Canal+ Group currently) of the pay-TV market is currently low, providers of pay-DTT may in the future be able to offer a wider range of channels to a larger audience for lower prices than the prices we charge. Furthermore, the number and quality of channels offered in non-premium television packages in France have significantly increased in recent years. If our premium television packages are not seen by our subscribers as having a better cost-benefit profile than non-premium television packages (either the ones offered by us or those offered by our competitors), our subscribers may opt for our or our competitors' non-premium television packages. Finally, the provision of audiovisual content over-the-top of an existing broadband Internet network by providers such as Amazon and Apple by-passes the traditional networks discussed above (including ours) and is an increasing source of competition.

Broadband Internet. In France, we compete primarily with xDSL providers which is currently the most widespread technology used to access broadband Internet in France. Orange is the leading DSL provider, followed by Free, SFR and Bouygues Télécom. In 2013, Orange, Free, SFR and Bouygues Télécom had high-speed and very-high-speed Internet access market shares of approximately 41%, 23%, 21% and 8%, respectively, based on the total number of subscribers in France (Source: Group estimates). While we believe that the superior performance and capacity of our cable network compared to our competitors' xDSL networks currently places us at a competitive advantage to exploit the increased demand in France for very high speed Internet, such competitive advantage may diminish to the extent that xDSL operators roll out FTTH or VDSL2 networks. See "*—The deployment of fiber or VDSL2 networks by our competitors* *may reduce, and ultimately eliminate, the speed and power gap between our cable network and the DSL networks of our main competitors*". In addition, our xDSL competitors' networks cover more French homes than our network and pricing is very competitive. Orange's fixed-line network includes a local loop covering all French homes, and unbundling provides competitors such as Bouygues Télécom and Free with access at a price regulated by ARCEP to all homes where unbundling has occurred (over 85% of French homes), compared to approximately 35% of French homes covered by our network. In addition, we could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to our fiber network. In certain cases, the regulation of FTTH may create opportunities for DSL unbundlers to significantly reduce their wholesale prices. We also compete with service providers that use other alternative technologies for Internet access, such as satellite technologies or mobile standards such as UMTS and 4G mobile technologies. These mobile broadband Internet high speed Internet access technologies may enable both incumbent and new broadband Internet access providers to provide high bandwidth connection services for voice and data. Furthermore, additional access technologies may be launched in the future that will further increase competition or lead us to increase capital expenditure for additional upgrades. Providers of mobile broadband Internet access may be able to offer fast Internet access speeds at a competitive cost, with the additional possibility of allowing customers to access the Internet remotely.

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

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

Business services. Competition in the French B2B market, though not as intense as in the residential market, is strong and may increase. B2B customers, including SMEs, tend to focus on "infrastructure as a service," integrated solutions for data availability, storage, and security. B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption, which increases competitive pressure on market participants. Our competitors in France may have more effective customer relations teams or a more established presence in certain regions than us. Our main competitors in this segment are Orange (Orange Business Services) and Colt. Bouygues Telecom Enterprises is also a competitor in the SME segment. As of September 30, 2014, Orange and Colt had market shares of 70% and 3%, respectively, and we believe that we had a market share of approximately 7% (4% for medium-sized businesses and approximately 8% for large businesses and public sector entities) and SFR had a market share of approximately 12%. The French B2B market for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (typically one year) contracts, and vulnerable to cuts in MTR rates. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive and denser network than us. In the French B2B market for data services, network power and capacity and access to the latest technologies are very important to customers. Our competitors in France may invest more heavily in network power and technological advancements and therefore compete more effectively for B2B customers than us. In the data market, customers also often seek combined infrastructure and software solutions. As a result, we also compete with software and other IT providers of data and network solutions, which may decrease the value customers place on our infrastructure solutions, leading to a reduction in our prices and margins. IT providers may also partner with our infrastructure telecommunications competitors.

Wholesale services. The French wholesale telecommunications market is dominated by Orange and SFR, although their market shares vary depending on the segment, with SFR dominating the voice wholesale segment with an estimated 60% market share as of December 31, 2012 and Orange dominating in the data wholesale segment with an estimated 60% market share as of December 31, 2012. In the fiber wholesale segment, Orange is the dominant player, with a market share that we believe to be approximately 70% as of December 31, 2013. We estimate that we have a market share between 10% and 20% in the three wholesale sectors of voice, data, and fiber. We also face competition from consortiums of telecom operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market). The wholesale market for voice services in France is extremely volatile. Operators generally launch offers to tender each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators in this sub-segment. Competition is therefore based primarily on price and network capillarity. The wholesale market for data services in France is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement. The wholesale market for dark fiber infrastructure in France is more open than for wholesale voice and data carriage, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e. they rent the fiber to telecommunications operators).

Israel

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

Broadband Internet Infrastructure Access. Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband Internet access over DSL, holds the highest market share in broadband Internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL-based broadband Internet infrastructure access service to very high bitrate DSL ("VDSL") and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations which it has announced could have a negative impact on our competitive position in the broadband Internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. Further, the Israeli Ministry of Communications has issued regulatory instructions, including the method of setting wholesale service rates and, in the case of Bezeq, the maximum rates that can be collected by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018, in an attempt to create a wholesale market for broadband internet infrastructure access and fixed line telephony services which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. In addition, the Israeli Ministry of Communications has issued an order requiring HOT to fulfill the universal service obligation. We are currently evaluating the impact of the Israeli Ministry of Communication's decisions on our business in Israel and while we have not yet made a full assessment of such impact, it is possible that this may result in increased competition. See See "*Regulatory—Israel—Obligation to Extend Services*", and "*Regulatory—Israel—Broadband Internet Infrastructure Access and Fixed Line Telephony—Decision Regarding the Creation of a Wholesale Market*". Competition may also increase following the creation of a public private joint venture in June 2013 between the government owned Israeli Electric Corporation ("IEC") and a private company, which proposes to use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers via optical fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers.

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

Mobile Services. The mobile market in Israel is characterized by saturation and a very high penetration level in excess of 100%, as a result of which competition is focused primarily on customers moving from one mobile operator to another. Our mobile service competes with three principal mobile network operators in Israel, who between them are currently estimated to directly represent over 86% of the total market for mobile services in Israel as of December 31, 2013, by number of mobile customers, and with an additional new mobile network operator (as well as several MVNOs). As such, the brand names of the three principal mobile network operators in Israel are better recognized as mobile service providers than our brand, they have better established sales, marketing and distribution capabilities, and are more experienced in the provision of mobile services. While we acquired HOT Mobile in November 2011, which had an existing iDEN-based mobile network and service offering, we only began offering our 3G based mobile services under the HOT brand in May 2012 and expect that we will continue to face the challenge that the brand names of our competitors are better recognized as mobile service providers and that these competing providers are part of larger, more established companies than us. We may be required to invest significantly in marketing, other promotional activities and our infrastructure to overcome this challenge. We may also face increased competition in the future from Golan Telecom, which launched its services at the same time as HOT Mobile, and MVNOs that provide mobile services under their own brand using the network infrastructure of another service provider. In addition, on November 21, 2012, the Israeli Ministry of Communications issued a policy that permitted VoIP service providers to provide VoC (VoIP over Mobile) services. A licensed VoC service improves user experience, since it has a standard phone number and can be ported in and out with number portability. If the VoC marketing experiment is successful, demand for our mobile services may be reduced, which would negatively impact revenues and profits from that segment. On July 2, 2014, the Israeli Ministry of Communications published a tender for a mobile phone license for the provision of advanced services using 4G-LTE technology, through which a total of eight frequency bands in the area of 1,800 MHz will be allocated. HOT Mobile has submitted its offer for a part of the spectrum in response to the tender. The draft tender clarified that a licensee may enter into a network sharing agreement with another licensee, and that HOT Mobile may request to replace the deployment plan they attached to the tender for the UMTS frequencies with a deployment plan for 4G, in each case subject to certain conditions. As a result, HOT Mobile has updated its request for approval by the Ministry of Communication of the Network Agreement with Partner accordingly.

On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval. In the event that the Minister of Communications approves such additional spectrum and we decide to accept the terms on which it is offered to us, we would need to deploy 4G-LTE infrastructure within the arrangements we have entered into with Partner (which have been approved by the Israeli Antitrust Authority and are pending final approval from the Israeli Ministry of Communications) in order to commercialize such services. If we are not granted such permission or the regulatory approval for our Network Sharing Agreement with Partner is delayed, we could incur significant delays in rolling out our 4G-LTE network. Mobile service providers have been permitted to use temporary frequency bandwith to use LTE technology until the end of the tender proceedings pursuant to which certain providers have launched LTE based services. We intend to launch such services in the coming months. Any delay in the introduction of 4G-LTE services or a failure on our part to provide such services at all could negatively affect our ability to compete with mobile operators who can provide such services to Israeli subscribers.

On December 29, 2014, Cellcom, an Israeli telecommunication company, which also offers mobile services, announced the launch of "Cellcom TV", its new service for offering television over the internet. Cellcom TV services include the Israeli DTT broadcasting television channels, VOD services and additional advanced features and viewing capabilities. Although this service was only recently introduced (and, as such, we are unable to fully anticipate the effect that this development may have on HOT), we expect that it may increase the competition in the television services market in which HOT currently operates, and as such could have a material effect on our business, financial condition and results of operations.

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

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

Dominican Republic

We began operations in the Dominican Republic as a result of the acquisition of Tricom (which was completed in March 2014) and ODO (which was completed in April 2014). Tricom, which provides cable and fixed line services as well as mobile services, and ODO which provides mobile services and broadband Internet services, currently face significant competition in their respective markets.

In the mobile market, ODO's and Tricom's key competitors are Claro, the incumbent with a 53% market share and Viva with a 7% market share. ODO and Tricom have recently been subject to decreasing mobile termination rates which continue to be significantly higher than in other regions such as Western Europe. While voice to data substitution resulting from increased smartphone penetration should help mitigate the impact of voice ARPU deterioration, ODO and Tricom may not be able to successfully capture wireless market share, due to competition in particular from Claro, the incumbent owned by the Mexican telecom operator America Movil with a 67% market share, and also Wind Telecom, a local wireless player with an 8% market share (as of June 2014).

Key competitors of Tricom's pay television business are Claro (approximately 26% market share), cable operator Aster (approximately 12% market share) and Wind Telecom (approximately 9% market share) (as of September 30, 2014). While the market remains relatively fragmented, significant consolidation opportunities exist, in particular between some of the smaller cable operators and we therefore expect increased competition going forward.

Concentration in the fixed telephony market is also high, with Claro and Tricom together accounting for a market share of over 90% (approximately 65% and 22% market shares, respectively) (as of December 2013). However, revenues and fixed line telephony subscribers have seen declines in recent years, due to mobile substitution. These trends are in line with those witnessed in most Western European countries and are expected to continue in the future, with multiple play uptake only expected to mitigate this deterioration in part. In addition, termination rates continue to be significantly higher than in other countries, with any reductions likely to impact Tricom negatively.

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

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

Portugal

In Portugal, we currently operate through our Cabovisão and ONI brands which face similar risks to those described below. Following the PT Portugal Acquisition, we will also provide telecommunication services through the PT Portugal brand. The competitive risks PT Portugal faces are described below.

Multiplay offerings. In 2008, PT Portugal launched a nationwide Pay- TV service under the "MEO" brand, primarily using its fixed network (IPTV over ADSL2+ and FTTH and direct-to-home, or DTH satellite technology). This service required PT Portugal to make significant investments in its network in order to increase the bandwidth and offer a better service quality than their competitors. In January 2013, PT Portugal announced the rebranding of MEO and the launch of a quadruple-play service as "M4O", offering Pay-TV broadband internet, fixed telephone and mobile telephone services. This launch has required additional marketing expenditures and will entail ongoing investments in infrastructure to remain competitive with other market participants.

Notwithstanding gains in PT Portugal's revenues and market share from Pay-TV services in recent years and the quality of its service, PT Portugal has experienced pressure from its competitors to reduce monthly subscription fees. In addition, PT Portugal's efforts to build scale to enable it to negotiate better programming costs with content suppliers, especially certain premium content owned by one of its competitors, may not prove successful.

The competitive landscape has changed significantly in Portugal as a result of the merger in 2013 of ZON Multimédia—Serviços de Telecomunicações e Multimédia, SGPS, S.A., or ZON, the largest cable operator, and Optimus SGPS, S.A., or Optimus, the third-largest mobile operator, to create NOS SGPS, S.A. ("NOS"), a new integrated telecommunications operator in Portugal. This transaction has further increased the focus on bundled offers and the evolution from triple-play to quadruple-play services as NOS has leveraged its position as an integrated telecommunications operator and a content distributor. Cabovisão also offers triple-play services.

PT Portugal's revenues from residential services, enterprise services (where bundled offers are becoming increasing important) and its financial position could be significantly affected if it is not successful in competing to provide these bundled services, particularly as its Pay-TV services have become increasingly important as a retention tool of its fixed line and broadband internet customers. PT Portugal's revenues from enterprise services could also be significantly affected by the competition presented by NOS, which has announced its strategy to grow its enterprise services.

Fixed-Lined Telephony. As a result of the trend toward the use of mobile services instead of fixed telephone services (mobile usage grew 63% between 2007 and 2013, whereas fixed traffic reduced by 2.5% in the same period), combined with the increase in competition from other operators, PT Portugal has experienced, and may continue to experience, erosion of market share of both access lines and of outgoing domestic and international traffic. Additionally, all mobile players have launched fixed telephony services based on their mobile networks, which are directly competing for the same customers. Competition is intensified by mobile operators NOS and Vodafone with large mobile operations but a limited (although growing) fixed line network. Mobile operators can bypass PT Portugal's international wireline network by interconnecting directly with fixed line and mobile networks either in its domestic network or abroad. Competition is also forcing down the prices of fixed line voice services for long-distance and international calls, as operators have been offering unlimited voice communications for all national and several international fixed destinations. Lowering international call prices has caused a decline in PT Portugal's revenues from international fixed line voice services. We expect competition from operators with services based on Voice over Internet Protocol, or VoIP, also to place increasing price pressure on voice tariffs. In addition, ANACOM decided to heavily reduce fixed termination fees, from €0.1114 to €0.068, effective as of October 1, 2013. This has contributed to a decrease in our revenues from fixed telephone services. The decrease in fixed line voice traffic and lower tariffs resulting from competition has significantly affected PT Portugal's overall revenues, and we expect these factors to continue to negatively affect revenues.

Broadband Internet. We believe that competition in broadband internet access in Portugal is intensifying. The intensification of competition is driven by the development of technologies such as broadband wireless access through 3G and 4G, as well as high-speed broadband supported by the deployment of a fiber optic network. PT Portugal may have increased competition from Vodafone Portugal, which intends to expand its currently limited FTTH footprint from 700,000 homes as of March 2014, to 1.5 million homes by mid-2015, as well as NOS whose high-speed broadband coverage (including HFC and FTTH) as of March 2014 was larger than that of PT Portugal. As the result of such intensified competition, PT Portugal may face additional pricing pressure on its services, which could result in the loss of revenues from both residential and enterprise customers.

Mobile Services. We believe that PT Portugal's existing mobile competitors, Vodafone and NOS, will continue to market their services aggressively, resulting in similarly priced offers for all major mobile players in the market. These aggressive pricing strategies have boosted voice and data usage at the expense of eroding retail revenues. A clear example was the launch, in 2008, of the so-called "tribal plans." Although initially designed to provide special calling and texting advantages for "restricted" user groups, their widespread success soon resulted in a significant pressure on revenues. We believe that PT Portugal's success against competitors will depend on its ability to differentiate its products based on services offered, quality, simplicity and targeting of pricing plans, and it may not be successful in doing so. We also believe quadruple-play will play a major role in the mobile Portuguese market. Although PT Portugal was the first operator to launch a quadruple-play offer, in January 2013, it will be increasingly difficult to sustain this competitive advantage, particularly following the merger resulting in the creation of NOS.

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

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

Negative developments in, or the general weakness of, the economy in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or the Dominican Republic, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of any of these economies will not lead to a higher number of non-paying customers or generally result in service disconnections. Similarly, a deterioration in economic conditions in the countries in which we offer B2B services (Portugal, Belgium, Luxembourg, Switzerland, the French Overseas Territories and the Dominican Republic) or wholesale services would be likely to adversely affect the demand for and pricing of such services. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations. We are currently unable to predict the extent of these potential adverse effects. Recently, the general economic, political, labor market and capital market conditions in the EMEA region (including Israel), including certain of the jurisdictions in which we operate, and other parts of the world have undergone significant turmoil. In addition, general market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Cyprus, Greece, Portugal, Spain, Ireland and Italy may default on their financial obligations. This loss of confidence led to rescue measures for Greece, Ireland and Portugal by the EU, the EBC and the IMF and a bailout of the Spanish banking sector by the EU. These issues, along with the re- pricing of credit risk and the difficulties currently experienced by financial institutions, have made it difficult for companies to obtain financing. In Portugal, government economic policy over the last three years has focused on implementing the measures agreed to as part of the €78 billion financial support package from the European Union/European Commission, the ECB and the IMF. Following an assessment of the current economic situation and future prospects, as well as the situation in the financial markets (notably the successful issuance of long-term debt), and the existence of a cash buffer that covered the government's funding needs for the 12-month period beginning May 17, 2014, the Portuguese government concluded and exited the three-year-long adjustment programme without requesting any further external financial assistance. As the result of extensive structural reforms implemented during the adjustment programme period and projected for coming years, Portuguese real GDP is forecasted by IMF to grow by 1.0% in 2014 (as compared to 1.4% decline in 2013). In 2014, the IMF expects the government deficit to remain at approximately 4.1% of GDP (as compared to 5.1% in 2013). As one of Portugal's largest companies and employers, PT Portugal's financial condition, revenues and profitability are closely linked to circumstances affecting in the Portuguese economy. The recession in Portugal has had a direct effect on demand for PT Portugal's products and services, contributing to a decline in revenues in 2011, 2012 and 2013 across most of the customer categories of PT Portugal's business. In addition, the outcome of the Portuguese general elections scheduled for September and October 2015 may result in political, economic or regulatory changes in Portugal. Furthermore, continued hostilities in the Middle East and recent tensions in North Africa could adversely affect the Israeli economy. Additionally, the Dominican Republic economy depends to a significant degree on global tourism and the health of the US economy and remains vulnerable to external shocks (e.g. economic declines in other emerging market countries). Any decrease in visitors, a downturn in the US economy or such external shocks could have a material adverse effect on economic growth in the Dominican Republic. These conditions could also adversely affect access to capital and increase the cost of capital. As a result of the disruptions in the credit markets, many lenders have increased interest rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts) or refused to refinance existing debt at all or on terms similar to pre-crisis conditions. Changes in interest rates and exchange rates may also adversely affect the fair value of our assets and liabilities. If there is a negative impact on the fair values of our assets and liabilities, we could be required to record impairment charges.

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

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

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

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

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

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

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

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

SFR's and the PT Portugal Group's revenues and EBITDA have decreased over the past years and this trend may continue.

SFR's revenue decreased from €12,183 million in 2011 to € 11,288 million in 2012 to €10,199 million in 2013 and from €7,616 million for the nine months ended September 30, 2013, to €7,396 million for the nine months ended September 30, 2014. SFR's EBITDA decreased from €3,800 million in 2011 to € 3,301 million in 2012 to €2,766 million in 2013 and from € 2,200 million for the nine months ended September 30, 2013, to €1,777 million for the nine months ended September 30, 2014 (in each case without an add back for CVAE). We believe that the decreases in revenue have resulted primarily from decreases in mobile prices due to a highly competitive marketplace and lower tariffs imposed by ARCEP and that the decreases in EBITDA reflect its declining revenues, which have not been fully offset by decreased costs. Though SFR has been implementing since 2012 a multi-year plan designed to adapt its organization to the changing market environment, adverse economic developments may occur, price competition may continue and even intensify and regulators may continue to impose lower tariffs, any or all of which could have a significant material adverse effect on Altice France Group's business, financial condition and results of operations. In addition, the PT Portugal Group's revenue decreased from €2,955.3 million in 2011 to €2,769.4 million in 2012 to €2,627.4 million in 2013 and from €1,963.2 million for the nine months ended September 30, 2013 to €1,900.9 million for the nine months ended September 30, 2014. The PT Portugal Group's EBITDA decreased from €1,267.7 million in 2011 to € 1,127.6 million in 2012 to €1,026.4 million in 2013 and from €775.7 million for the nine months ended September 30, 2013 to €746.6 million for the nine months ended September 30, 2014. We believe that the decrease in revenues and EBITDA of the PT Portugal Group have resulted primarily from lower revenues in the enterprise customers category as a result of cost-cutting initiatives by clients driven by the macro-economic and financial conditions in Portugal and due to lower mobile termination rates imposed by the regulator and decreases in mobile prices due to a highly competitive marketplace. We expect this trend of declining revenue and EBITDA for SFR and the PT Portugal Group to be reflected in their respective results for the fourth quarter of 2014 and, while we expect to implement business plans and cost reduction measures to address this trend, SFR and the PT Portugal Group may continue to see declining revenue and EBITDA in the 2015 fiscal year and beyond, which could have an adverse effect on our business. SFR and the PT Portugal Group accounted for 63.1% and 16.2% respectively of the pro forma consolidated revenue of the Group and 46.6% and 18% respectively of the pro forma consolidated EBITDA of the Group for the last twelve months ended September 30, 2014.

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

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

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

The pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. In Israel, we recently completed an upgrade to our cable network that made our entire network Docsis 3.0- enabled, which enables us to expand the transfer volume on the network to improve the provision of services that require substantial bandwidth like VoD and increase the number of channels that we can offer our subscribers. We are also in the process of selectively rolling out "FTTx" improvements to our last mile fixed-line network and may need to make similar capital expenditures in the future to keep up with technological advancements. In addition, we are continuing to invest in the expansion of our UMTS mobile network in Israel to provide 3G mobile services, which we launched on May 15, 2012 and which offers subscribers faster network capabilities and better roaming coverage as compared to our iDEN platform and the ability to use 3G phones. In addition, the relevant authorities in Israel have initiated an application process to award spectrum for the provision of LTE mobile telephony services. We have submitted our offer in response to this tender. On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval and in case of such approval, we will need to upgrade our mobile network and roll out an LTE network, which could involve a significant amount of capital expenditure (which we expect will be made through investment in the newly formed limited partnership to be set up pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In France, we are seeking to upgrade and expand our network and expect to incur substantial capital expenditure in the process. We intend to keep upgrading our cable network to fiber in order to make them compatible with Docsis 3.0, which we expect will require significant capital expenditure. We also expect to develop our FTTH networks in the context of public-private partnerships in France, such as our DSP 92 project. For a description of our DSP 92 project, see "*Description of Our Business—Products and Services—Business- to-Business Services—Infrastructure Wholesale Services*".

We have, in recent years, also made significant investments in cable and mobile networks in Belgium and Luxembourg, the French Overseas Territories and Portugal. PT Portugal has also made significant investments in its network, in particular in connection with the commencement of Pay-TV services in 2008 and quadruple play services in 2013. No assurance can be given that our recent or future capital expenditures will generate a positive return or that we will have adequate capital available to finance future upgrades or acquire additional licenses. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned capital expenditures, our growth and our competitive position may be materially adversely affected.

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

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

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

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

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

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

We believe that one of our core competitive advantages in the majority of our geographies is the strength and speed of our fiber/cable networks. On a blended basis, approximately 99.5% of the Altice International Group's networks is Docsis 3.0-enabled and over an aggregate of approximately 85% of the Altice France Group's networks is Docsis 2.0- or Docsis 3.0-enabled, in each case as of September 30, 2014. Following the PT Portugal Acquisition we will also benefit from PT Portugal's FTTH network. The parts of our networks that have been upgraded to FTTx and use Docsis 3.0 technology allow for speed levels that cannot currently be matched by xDSL networks that have not been upgraded to fiber, which is the technology deployed by most of our competitors, and allows for the connection of several devices without impairing the quality of the television signal.

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

Bezeq, through its DSL network, is the leading broadband Internet infrastructure access provider in Israel with 1.3 million subscriptions as of December 31, 2013 including business and residential customers. Based on Bezeq's public filings, Bezeq is currently rolling out FTTH/FTTB infrastructure. Bezeq has reported that, as of December 31, 2013, approximately 98% of its 1.2 million broadband internet customers have been migrated to its next generation network. On August 29, 2012, Bezeq announced its decision to broaden the deployment of optical fibers to reach as close as possible to its customers through FTTH or FTTB, in an effort to form the basis of the future supply of advanced communications services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had deployed FTTH to 200,000 households and businesses in Israel, reached 400,000 households and businesses in Israel by end of 2013, and was aiming to reach more than one million homes and businesses with fiber by the end of 2014.

In Portugal, the company formed by the combination of Zon and Optimus and which was subsequently rebranded to NOS operates the largest high-speed broadband network (including HFC and FTTH). It passed approximately 3.3 million homes as of September 30, 2014, with approximately 71% of triple-play and quadruple-play customer penetration. As of February 2014, NOS's 4G network covered 87.6% of the population (with 46.6% coverage at 150 Mbps). Following the merger, NOS has stated it aims to increase market share from 25% in 2012 to approximately 30% in 2018 (source: NOS Strategy Day presentation).

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

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

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

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

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

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

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

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

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

In Portugal, the National Regulatory Authority, ICP-ANACOM ("ANACOM") issued a regulation pursuant to Decree Law No. 11/2003, which requires entities, including PT Portugal, that are qualified to install and use radio communication stations for public broadcasting, to submit to ANACOM for approval an annual plan that monitors and measures the intensity levels of the electromagnetic waves emitted from these radio communication stations, especially stations located near the general population. Further, the Portuguese government adopted an ordinance that limits emission and exposure to electromagnetic fields with frequencies between 0 kHz and 300 GHz. Although we believe that these regulations or ordinances do not have a material impact on PT Portugal, the Portuguese government may adopt new laws or regulations regarding electromagnetic emissions and exposure, which could have an adverse effect on PT Portugal's business.

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

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

In November 2013 we entered into a Network Sharing Agreement with Partner Communications Company Ltd. ("Partner") pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement has been approved by the Israeli Antitrust Authority subject to certain conditions. One such condition is that from May 22, 2021, or six years from the date on which the final approval of the Ministry of Communications is given, whichever is earlier, the approval may be revoked if the Commissioner finds the partnership, its existence or its actions harms competition. The Network Sharing Agreement remains subject to final approval from the Israeli Ministry of Communications, the decision of which is expected to be made after the outcome of the 4G-LTE tender process is decided. Once approved, the Network Sharing Agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum.

The Network Sharing Agreement is valid until December 31, 2028, and provides for automatic renewals in five year increments after December 31, 2028 but may be terminated in the event of a material breach and certain other specific events. In the interim, HOT Mobile has entered into a RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nationwide mobile coverage to our customers. The RoU Agreement with Partner is valid until January 4, 2017. If we are unable to obtain the final approval for the Network Sharing Agreement or otherwise implement the arrangements we have entered into with Partner in a timely or cost effective manner we may be unable to achieve some or all of the anticipated benefits of these arrangements and our business and results of operations may be negatively affected. We have also entered into an agreement with Vodafone for roaming services outside Israel and which automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

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

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

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

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

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

Reduced interconnection rates have negatively affected PT Portugal's revenues for its Portuguese telecommunications businesses and will continue to do so in 2015.

In recent years, ANACOM has imposed price controls on interconnection rates for the termination of calls on mobile networks. These reductions have had a significant impact on interconnection revenues of PT Portugal's mobile subsidiary, Meo, S.A., and, consequently, on its earnings.

ANACOM has issued successive decisions that have reduced mobile termination rates over time. Most recently, in March 2012, ANACOM issued a final decision reducing mobile termination rates progressively to € 0.0127 by December 2012. The reductions in mobile termination rates have had and will continue to have a negative effect on PT Portugal's cash flows and revenues.

The Portuguese Competition Authority also completed an analysis of mobile rates for originating calls to non-geographic numbers in January 2012, finding origination rates to be excessive, and issued a recommendation that mobile operators must reduce their rates to a level reflecting their costs or face the possibility of being sanctioned. In March, 14, 2014, the Portuguese Competition Authority requested Meo, S.A. information regarding its mobile origination rates for calls to non-geographic numbers. Meo, S.A. responded to this request in April, 1, 2014, and there are no further developments since then.

With respect to the wholesale market for voice call termination on individual public telephone networks at a fixed location (Relevant Market 3), on March 7, 2013, ANACOM published a draft decision, proposing to set an average symmetrical fixed termination rate, or FTR, of €0.1091 from October 1, 2013, to July 1, 2014. This rate was calculated as the average FTR of the countries that had already notified the European Commission of their decisions with respect to their national markets based on pure Bottom Up Long-Run Average Incremental Cost, or BU-LRIC, cost models. In August 2013, after the European Commission expressed serious concerns in respect of ANACOM's draft decision, ANACOM decided to withdraw its decision and instead to impose interim and urgent measures. Under its revised measures, ANACOM determined that the maximum average prices to be adopted by operators identified as having significant market power in Relevant Market 3 should be €0.1114 per minute as of October 1, 2013, and that as of July 1, 2014, the price will be set using a pure LRIC cost model that is being developed. In November 2013, ANACOM issued a new decision imposing additional interim and urgent measures for the termination market (this decision has defined the prices PTC must adopt regarding each of the three levels of interconnection of the termination services provided and imposed similar obligations on the remaining operators who have complex prices), and launched a consultation regarding the development and implementation of a cost model for the fix termination market. On July 10, 2014, ANACOM approved (i) a draft decision regarding the definition of the fix termination wholesale market, the evaluation of significant market power in that market and the imposition, maintenance, modification and suppression of regulatory obligations in that market, and (ii) a draft decision regarding the cost model for the fixed termination market (which had been preceded by a public consultation launched in November 2013). Pursuant to Portuguese law, both draft decisions were submitted for public consultation for a period of 30 business days. We expect a final report to be published by ANACOM in the near future.

ANACOM's interconnection price controls may also negatively affect PT Portugal's revenues from fixed line residential services because it is required to reflect the reduction in these interconnection charges in our retail prices for calls from its fixed line network in Portugal. We expect ANACOM to lift these price controls following the designation of NOS as the universal service obligation, or USO, provider for fixed lines. We expect that the reduction in interconnection charges will continue to have an impact on PT Portugal's revenues from fixed line residential services in Portugal.

In addition, the lower interconnection rates have slightly reduced revenues for PT Portugal's wholesale business, which records revenues from international incoming calls transiting through its network that terminate on the networks of mobile and other fixed operators. The prices PT Portugal charge to international operators (and hence its revenues) also depend on the interconnection fees charged by mobile and fixed operators for international incoming calls terminating on their networks, and these fees have been decreasing. We expect that lower interconnection rates will continue to have a negative impact on PT Portugal's wholesale revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired the HOT Telecommunications group in Israel, Cabovisão and ONI in Portugal, Outremer Telecom and Mobius in the French Overseas Territories, Tricom and ODO in the Dominican Republic, as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg, the Numericable Group in France and Tricom and ODO in the Dominican Republic. In addition, we entered into agreements to acquire SFR which completed on November 27, 2014. On December 9, 2014, we entered into an agreement with Oi S.A. to purchase 100% of the issued share capital of PT Portugal. The PT Portugal Acquisition is subject to certain conditions including regulatory approval in Portugal and merger-control clearance by the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules). We expect to continue growing our business through acquisitions of cable and telecommunications businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies.

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

There can be no assurance that we will receive the required governmental approvals and meet the other conditions required to consummate the PT Portugal Acquisition. Furthermore, acquisitions of additional telecommunications companies may require the approval of governmental authorities (either at country or, in the case of the EU, European level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations. In connection with the acquisition of SFR by Numericable, we have entered into a commitment with the French Competition Authority to dispose of our mobile network assets in Mayotte and La Réunion (which are part of our Group’s business in the French Overseas Territories). If this disposal is not completed by mid-2015, we are committed to appoint an independent agent (who must be approved by the French Competition Authority) to complete such disposal. Further, we have undertaken to ensure that such mobile assets in La Réunion and in Mayotte are managed independently from the other activities of the Altice France Group (including those of SFR) prior to such disposal.

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

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

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

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

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

Pressure on customer service could adversely affect our business.

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

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

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

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

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

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

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

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

Our brands are subject to reputational risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil proceedings related to our cable and mobile services, which may result in civil liabilities against us or our officers and directors. These include, amongst others, consumer claims regarding, for example, our tariff plans and billing methods and claims by competitors, which may result in significant monetary damages and civil penalties. The costs that may result from these lawsuits are only accrued when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded in our historical consolidated financial statements as of December 31, 2013, in respect of each lawsuit, which in the aggregate amounted to €18 million, is based on a case-by-case assessment of the risk level of each individual lawsuit, and events arising during the course of legal proceedings may require a reassessment of this risk. Our assessment of risk is based both on the advice of legal counsel and on our estimate of the probable settlement amounts that are expected to be incurred, if such a settlement will be agreed by both parties.

In Portugal, in January 2011, the European Commission opened an investigation into an agreement between Telefonica and PT Portugal Telecom SGPS allegedly not to compete in the Iberian telecommunications markets. In January 2013, the EC adopted a decision finding that Portugal Telecom SGPS and Telefonica had infringed Article 101 of the Treaty on the Functioning of the European Union with reference to Portugal Telecom's July 28, 2010, agreement with Telefònica concerning the acquisition by Telefonica of Portugal Telecom SGPS's stake in Brazilian operator Vivo. In accordance with this decision, Portugal Telecom SGPS was fined in the amount of €12.29 million. The January 2013 decision ended the investigation which began in January 2011, in which the European Commision analysed the relationship between both companies since 1996.

On April 9, 2013, Portugal Telecom SGPS brought an action for annulment before the General Court of European Union (the first level of appeal of the EU courts) and will continue to vigorously defend the matter. The matter is now waiting to be tried before the General Court. We note that the EU appeal courts have unlimited jurisdiction to review decisions where the EC has fixed a fine (including cancelling, reducing or increasing the fine).

Although the European Commission's decision was addressed to Portugal Telecom SGPS, PT Moveis, SGPS, S.A. was expressly mentioned in the decision as being involved in the alleged infringement (even though it is not the addressee of the European Commission decision). Portugal Telecom SGPS is therefore solely responsible for the payment of the fine. While the appeal is pending the payment of the fine was secured with a bank guarantee (with an initial term of one year that is automatically extended for additional periods of one year each). While this bank guarantee is in place, the European Commission will not enforce their decision in order to collect the fine. Accordingly, no provision has been recorded with regards to this matter.

In Israel, plaintiffs in these proceedings are often seeking certification as class actions. These claims are generally for significant amounts and may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims.

If any of these claims or claims that may arise in the future succeed, we may be forced to pay damages or undertake other actions which could affect our business and results of operations. See "*Description of our Business—Legal Proceedings*" and "*Description of PT Portugal's Business—Legal Proceedings*".

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

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

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

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

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

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

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

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

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

Unfunded post retirement benefits obligations may put PT Portugal at a disadvantage to its competitors and could adversely affect our financial performance

Following the PT Portugal Acquisition, PT Portugal will become a part of the Group. The PT Portugal Group has unfunded post retirement benefits obligations that may limit its future use and availability of capital and adversely affect its financial and operating results. Although in December 2010, PTC transferred to the Portuguese government the post retirement benefits obligations relating to regulated pensions of Caixa Geral de Aposentações and Marconi, it retained all other obligations, including (1) salaries to suspended and pre-retired employees amounting to €808.1 million as of September 30, 2014, which PT Portugal must pay monthly directly to the beneficiaries until their retirement age and (2) €516.4 million in obligations related to pension supplements and healthcare as of September 30, 2014, which are backed by plan assets with a market value of €252.6 million, resulting in unfunded obligations of €1,071.8 million as of September 30, 2014.

Any decrease in the market value of PT Portugal's plan assets relating to its pension supplements and healthcare obligations could increase its unfunded position. Although there is an investment policy in place with capital preservation targets, in the current economic and financial crisis, in particular, the market value of its plan assets is volatile and poses a risk. In addition, PT Portugal's obligations to pay salaries to suspended and pre- retired employees are unfunded. The value of the obligations referred to above may also fluctuate, depending on demographic, financial, legal or regulatory factors that are beyond our control. For example, the Portuguese government has recently announced that the retirement age will be raised to 66 in 2015 and 66 and two months in 2016 and may raise it further in the future. A rise in the retirement age would increase our obligations to pay salaries to suspended and pre-retired employees. Any significant increase in PT Portugal's unfunded obligations could adversely affect its ability to raise capital, require it to use cash flows that it would otherwise use for capital investments, implementing its strategy or other purposes and adversely affect perceptions of its overall financial strength.

See "Management is Discussion and Analysis of Financial Condition and Results of Operations of the PT Portugal Group" for a description of PT Portugal's transfer of pension obligations to the Portuguese government.

PT Portugal and PT OpCo have significant post-retirement benefit and healthcare obligations the payment of which may have an adverse effect on its business and, therefore, the ability of the Issuer to make payments of principal and interest on the Notes.

As of September 30, 2014, the projected benefits obligations of PTC's post-retirement benefits, including pension supplements, healthcare benefits and salaries payable to pre-retired and suspended employees amounted to €1,316.4 million (€112.9 million for pension supplements, €402.0 million for healthcare benefits and €801.5 million for salaries payable to pre-retired and suspended employees). Salaries payable to pre-retired and suspended employees are obligations under individual agreements with employees to pay employees a significant portion of their existing salary to not work (or work part-time) until retirement.

The market value as of September 30, 2014 of the funds related to PTC's pension supplements and healthcare benefits amounted to €94.2 million and €158.5 million. In Portugal, there is no legislation on the establishment of funds to cover the healthcare obligations and the salaries for pre-retired and suspended employees, and PTC (and now PT OpCo) is required to pay for these benefits only when the salaries are paid to pre-retired and suspended employees, or when healthcare expenses are incurred. Accordingly, there is no requirement to fund these benefits obligations at present. Although the PT Portugal Group has set up a fund managed by a subsidiary, PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A., or PT Prestações, to finance the Group's healthcare post-retirement liabilities, no similar fund has been established to pay salaries owed to pre-retired and suspended employees.

The payment of these obligations by PTC may have an adverse effect on its business, the performance of the Altice International Group and, therefore, the Issuer to make payments of principal and interest on the Notes.

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

The Group consists of the Issuer and its subsidiaries or entities over which the Issuer exercises control, comprising (i) Altice International and its subsidiaries (the "Altice International Group") (in which the Issuer holds 100% of the share capital of the parent entity) and (ii) the Altice France Group (in which the Issuer indirectly through Altice France S.A. holds 60.3% of the share capital of Numericable, the parent entity of the Altice France Group. Pursuant to the Altice Vivendi Shareholders' Agreement, Altice France S.A. holds the majority vote at meetings of Numericable's board of directors. For further details, see "*Description of Our Business—Material Contracts—Altice Vivendi Shareholders' Agreement*". Prior to the reorganisation of the Group prior to the Issuer's initial public offering in January 2014, each of Altice International and Numericable were wholly controlled subsidiaries of Next L.P and were historically separate legal and reporting entities, under common control and management. Therefore, the historical combined financial statements of the Issuer do not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of these Listing Particulars. As a result, the Historical Consolidated Financial Information has been included in these Listing Particulars to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to each of the Altice International Group and Altice France S.A., and are based on the separate Historical Consolidated Financial Statements of Altice International and the annual standalone accounts of Altice France S.A.

Since its formation in 2007, Altice France S.A. has been the holding entity for the Group's shareholding in the Numericable Group (and, following the 2014 SFR Acquisition, the Altice France Group), which represents substantially all of its assets and business. For each of the periods for which the Historical Consolidated Financial Information of the Issuer is presented, the financial statements of Altice France S.A. used to account for the Numericable Group prior to the 2014 Numericable Acquisition as an investment in an associate using the equity method. Following the consummation of the 2014 Numericable Group Transactions, Altice France S.A. holds 60.3% of the shares in Numericable and has entered into a new shareholders' agreement with Vivendi S.A. providing, *inter alia*, that Altice France S.A. will keep such majority of votes in the board of directors of Numericable. As a result, the Issuer is required to consolidate Numericable in its financial statements in accordance with IFRS (the "Numericable Group Consolidation"). In addition, Altice International is a holding company of the Altice International Group which, since its formation in 2008, has from time to time made significant equity investments in a number of cable and telecommunication businesses in various jurisdictions. The Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Altice International Group as it exists at the date of these Listing Particulars for any period for which our historical consolidated financial information has been presented herein. As a result, the Historical Consolidated Financial Information included in these Listing Particulars may not accurately represent the results of operations and financial condition of the entire business undertaking of the Group as it exists as of the date of these Listing Particulars and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Accordingly, the Historical Consolidated Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

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

The Illustrative Aggregated Selected Financial Information has been compiled by aggregating selected aggregated financial information extracted from (i) the audited Historical Consolidated Financial Information of Altice International for each of the years ended December 31, 2011 and 2012, and (ii) the historical financial information of each of the business undertakings the acquisition of which was consummated by Altice International prior to December 31, 2013 for each of the years ended December 31, 2011 and 2012 (or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking are not included in the audited Historical Consolidated Financial Information of Altice International). Adjustments have been made to the resulting aggregation in instances where the audited historical financial information of a business undertaking acquired by Altice International and included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union, or where such acquired business undertaking was utilising accounting policy elections that differ substantially from those adopted by Altice International for the purposes of the Historical Consolidated Financial Information of Altice International. Therefore, among other things, the Illustrative Aggregated Selected Financial Information does not reflect several effects of the relevant acquisitions prior to the dates on which the financial information of the relevant acquired business undertakings were consolidated within the consolidated financial information of Altice International. The Illustrative Aggregated Selected Financial Information is provided with respect to certain limited statement of income and cash flow items and accordingly does not include all the information that would usually be included in a statement of income or statement of cash flows or any information that would usually be included in a statement of other comprehensive income, statement of financial position or statement of changes in equity, in each case prepared in accordance with IFRS. The Illustrative Aggregated Selected Financial Information has not been audited in accordance with any generally accepted auditing standards and it has not been reviewed in accordance with any generally accepted review engagement standards. The Illustrative Aggregated Selected Financial Information does not purport to present the operations of the Altice International Group as they actually would have been had the relevant acquisitions occurred with effect from any relevant dates indicated or to project the operating results or financial condition of the Altice International Group for any future period. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by the Altice International Group for any other periods for which Historical Consolidated Financial Statements of Altice International or Pro Forma Financial Information of Altice International has been included in these Listing Particulars.

We have also included in these Listing Particulars the Pro Forma Financial Information which gives effect to each of the significant acquisitions the Issuer, through its subsidiaries (including Altice International) has made since January 1, 2013 (but except as described in these Listing Particulars, without giving effect to the Tricom Acquisition or the Mobius Acquisition, or to the disposal of our assets in Réunion that we have committed to undertake).

The Pro Forma Financial Information has not been audited in accordance with any generally accepted auditing standards and it has not been reviewed in accordance with any generally accepted review engagement standards. The Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results. The Pro Forma Financial Information is based on certain assumptions that we believe are reasonable. Our assumptions may prove to be inaccurate over time. Accordingly, the Pro Forma Financial Information may not reflect what our results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations and financial condition of the acquired businesses (and in the case of the Post Transaction Pro Forma Financial Information, the results of the Numericable Group, ODO, PT Portugal and SFR as well) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we have acquired control over the Numericable Group, ODO and SFR and have entered into agreements that will enable us to control PT Portugal, we consolidate 100% of their revenue and expenses in the Post Transaction Pro Forma Financial Information for each of the periods presented, despite the fact that third parties owned significant equity interests therein, as applicable. As we currently have the ability to control Coditel Holding, through which we conduct our operations in Belgium and Luxembourg, we consolidate 100% of its revenues and expenses in the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011, despite the fact that third parties own significant interests in the entity. The non-controlling interests in the operating results of the Numericable Group, ODO and SFR in the Post Transaction Pro Forma Financial Information and the non-controlling interests in the operating results of Coditel Holding in the Historical Consolidated Financial Information and Pro Forma Financial Information are reflected in the line item profit or loss attributable to non-controlling interests in the relevant statements of income and financial position. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation. amortization, restructuring costs and other expenses, or EBITDA, the non controlling owners' interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests amounted to negative €1.9 million in the nine months ended September 30, 2014, based on the Pre Transaction Pro Forma Financial Information. The Illustrative Aggregated Selected Financial Information is also subject to the limitations generally attributable to non IFRS measures. For further details regarding the presentation of financial information in these Listing Particulars, including their limitations, please see "*Presentation of Financial and Other Information*".

We have also included in these Listing Particulars the PT Portugal Combined Selected Financial Information which represents the arithmetical sum of selected financial information extracted from (i) the audited historical financial statements of PTC and Meo, S.A. as of and for the years ended December 31, 2012 and 2013; (ii) the unaudited historical condensed financial information of PTC and Meo, S.A. as of and for the nine months ended September 30, 2013 and 2014 and (iii) the unaudited historical condensed financial information of the other subsidiaries in the PT Portugal Group derived from the internal financial reporting systems of the PT Portugal Group. The PT Portugal Combined Selected Financial Information is subject to significant limitations similar to those described above.

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

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

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

We conduct our business in multiple jurisdictions, including in Portugal, France, Israel, the Dominican Republic, Belgium, the French Overseas Territories, Luxembourg and Switzerland. In addition, we may expand into additional markets in the future by entering into acquisitions or other strategic transactions. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets (which may be more vulnerable to volatility as well as political and economic instability than developed markets). These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability (including expropriation and political violence or disturbance);
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment and/or governmental policies;
- varying tax regimes;
- fluctuations in currency exchange, interest rates and inflation (particularly in emerging markets, such as the Dominican Republic, which has historically experienced high rates of inflation);
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;
- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force;
- significant oil price increases; and
- challenges caused by distance, language and cultural differences.

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

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

Certain of our operations including our operations in the Dominican Republic, France, Belgium and Luxembourg are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. In France, we control the Altice France Group. Further, Vivendi holds certain limited protective rights in SFR. Our equity interests in certain of the subsidiaries, in which third parties hold a minority equity stake, are subject to shareholder agreements partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. We have also entered into certain shareholder arrangements with the Outremer Minority Shareholders at the Altice Caribbean level. Most of these agreements subject the transfer of such equity interests to consent rights, pre-emptive rights or rights of first refusal of the other shareholders or partners. Our equity interest in Numericable is subject to a 180-day lock-up period pursuant to the terms of the Numericable Rights Issue which commenced on the date of the payment and delivery of the Numericable shares under the Numericable Rights Issue. Some of our subsidiaries are parties to loan agreements and indentures that restrict changes in ownership of the borrower without the consent of the lenders or noteholders. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold. In addition, the present or potential future shareholders in our subsidiaries have the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business.

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

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

The Tricom Acquisition and the ODO Acquisition completed on March 12, 2014, and April 9, 2014, respectively. We expect to achieve certain synergies relating to the operations of Tricom and ODO as they are one part of the Group. We may not realize any or all of the anticipated synergies of the Tricom Acquisition and the ODO Acquisition that we currently anticipate. Among the synergies that we currently expect are cross selling opportunities to existing customers of Tricom and ODO, network synergies and other operational synergies. The merger application of ODO and Tricom is still pending due to which these entities currently operate as distinct businesses. If such merger approval is not received on a timely basis or at all, or is granted subject to conditions, our operations in the Dominican Republic, including any plans to integrate the operations of Tricom and ODO, may be adversely affected. In addition, until the merger application has been approved, uncertainty remains as to the ability for ODO to utilize Tricom's excess spectrum, which could impact 4G-LTE deployment and therefore increased data demand from our customers. There can be no assurance that we will receive such approval at all or on a timely basis.

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

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

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

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

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

Further, ODO has entered into various agreements with suppliers, including a variety of handset device suppliers, outsourcing suppliers and other services suppliers of software licenses, call center support, data management and human resources, consulting, among others, which have terminated following the completion of the ODO Acquisition, as a result of a change in control in ODO's corporate structure. ODO currently sources its handsets and such other services on the basis of temporary arrangements with suppliers, while the Group is negotiating contractual arrangements to replace the agreements that have been terminated. These temporary arrangements which primarily include the sourcing of suppliers on the basis of individual purchase orders may be terminated at any time. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these will be successful.

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

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

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

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

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

Risks Relating to Legislative and Regulatory Matters

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

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

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

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

European Union

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

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

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

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

Belgium and Luxembourg. In Belgium and Luxembourg, telecommunication activities are subject to significant regulation and supervision by various regulatory bodies. In addition, specific requirements can also be imposed in

Belgium and Luxembourg on entities that are deemed, by the Belgium Institute for Postal Services (the "BIPT") or the Luxembourg Regulatory Institute (the "LRI") and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including grant of access, non-discrimination and transparency obligations.

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

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

For an overview of the regulatory landscape in Belgium and Luxembourg, see "*Regulatory—Belgium and Luxembourg.*"

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

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

- rules regarding authorizations, information duties and specific rights of use for number assignments;
- price regulation with respect to fixed call termination charges;
- number portability obligations;
- rules regarding the interconnection of our network with those of other network operators (capacity interconnection);
- requirements that a network operator carry certain channels (the must carry obligation);
- rules and regulations relating to subscriber privacy;
- regulations governing the limitation of exit-fees or cancellation charges;
- default barring of value-added services;
- rules and regulations imposing co-installation and co-location obligations with regard to our network (including our submarine cable landing stations), the scope of which can be subject to interpretation;

- obligation to contribute to the universal service fund; and
- sector specific charges (e.g. annual charge and investment obligations created by Law 55/2012 of Portugal).

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

Israel

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

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

The Israeli Ministry of Communications has recently taken active steps to increase competition in the fixed-line and mobile telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and prohibiting the linkage of the price and terms of handsets to the services or benefits of the mobile contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. Further, the Israeli Ministry of Communications has issued regulatory instructions, including the method of setting wholesale service rates and, in the case of Bezeq, the maximum rates that can be collected by Bezeq from other license holders who make use of its infrastructure for the yeas 2014 to 2018, in an attempt to create a wholesale market for broadband internet infrastructure access and fixed line telephony services which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations.

Due to concerns over "margin squeeze" practices by HOT and Bezeq, the Ministry of Communications has proposed to review every new retail offer made by HOT and Bezeq to new or existing subscribers. Under the proposal, the Ministry may notify an infrastructure owner, if there is a concern over margin squeeze, that it is forbidden to offer the proposed package. HOT is currently studying the terms of the proposal and, at this time, is unable to evaluate the effect the proposal would have on its ability to compete if approved.

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

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

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

- rules regarding declarations and registrations with telecommunication regulatory authorities;
- individual requirements associated with commitments made in the context of authorizations granted by telecommunication regulatory authorities for the use of frequencies;
- price regulation with respect to call termination charges;
- rules regarding the interconnection of our network with those of other network operators;
- requirements that a network operator carry certain channels (the must carry obligation);
- rules relating to the quality of the landline networks;
- specific rules relating to the access to new-generation optical fiber networks;
- rules relating to the content of electronic communications, antitrust regulations; and
- specific tax regimes.
- taxes imposed on our public rights of way;
- other taxes imposed on our operations including a 0.9% tax levied on electronic communication services related revenues (excluding VAT) in excess of €5,000,000 (subject to certain deductions and exclusions, and with specific rebate for bundled offers) of all telecommunication operators, which was introduced by the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*); and
- other requirements covering a variety of operational areas such as land use and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards, subscriber service requirements and the implementation of data retention obligations in France.

In addition, the expiry of one of Le Cable Guadeloupe's 28 cable network agreements (that of Pointe-à-Pitre) was due on November 22, 2014. On October 1, 2014, Guadeloupe's Town Hall approved the assignment of the cable networks to WSG ("World Services Guadeloupe", a 100% owned subsidiary of Altice Blue Two) for €400,000.

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

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

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

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

The Roaming III regulations have had, and are expected to continue to have an adverse effect on the revenues of our mobile businesses in the European Union (including PT Portugal upon the consummation of the PT Portugal Acquisition and SFR following the consummation of the 2014 SFR Acquisition) and on our results of operations. In addition, the EC's proposed "*Connected Continent*" legislation, which is described in the next risk factor, could lead to the elimination of roaming charges for calls within the EU, which would similarly have an adverse effect on us.

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

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

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

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

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

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

The Portuguese electronic communications sector is fully open to competition. However, many regulatory restrictions and obligations are still imposed on PT Portugal. Pursuant to the European Relevant Markets Recommendation issued in 2007, which significantly reduced the number of markets subject to regulation, ANACOM is re-analyzing the retail and wholesale markets to identify which markets are still relevant for regulatory intervention and which electronic communications operators and service providers, if any, it considers to have significant market power in those markets. Additionally, ANACOM is determining the regulatory remedies that should be imposed on those operators and service providers. ANACOM has not indicated when it will conclude this round of market analysis, but it is expected to be concluded by the end of 2015. On October 9, 2014, the European Commission adopted a new European Relevant Markets Recommendation that replaces the 2007 Recommendation and further reduced the number of relevant markets subject to *ex ante* regulation.

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

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

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

With respect to the wholesale leased line markets, in which PTC was declared an operator with Significant Market Power, ANACOM decided to make ethernet circuits subject to a retail-minus rule and approved a final decision amending PTC’s leased lines reference offer (*oferta de referência de circuitos alugados*), or “ORCA” and ethernet accesses reference offer (*oferta de referência de circuitos Ethernet*), or “ORCE” in 2012. At the same time, ANACOM extended PTC’s co-installation obligations under its regulated reference offers to its submarine cable landing stations.

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

PT Portugal’s obligations as a universal service provider in Portugal could adversely affect its results of operations and profitability

On October 12, 2012, following ANACOM’s decision on the designation of a universal service provider, the Portuguese Ministries of Finance, Economy and Employment launched a public tender to designate the universal service providers, which included a compensation fund for universal service providers. PTC submitted bids for certain tenders. On October 18, 2013, the Portuguese government determined the designation of Optimus and ZON as the universal service providers for the connection to a public electronic communications network at a fixed location and the provision of publicly available telephone services, and of PTC as the universal service provider for publicly available telephone (payphones). In addition, on July 29, 2013, the Portuguese government decided to initiate a direct award procedure in respect of the provision of comprehensive directory and directory inquiry services for a period of 12 months, with the possibility of such period being extended for an additional six months. PTC was the only company that presented a proposal and was awarded the contract to provide directories and directory inquiry services.

As the universal service provider for payphones, directories and directory inquiry services, PTC is required to make available those services in accordance with Portuguese regulations whether or not they are profitable to us. In addition, PTC will be required to contribute to the compensation fund for universal services providers according to its share of the revenues of the national telecommunications sector. These obligations could adversely affect the expenses and PTC's profitability.

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

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

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

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

PT Portugal provides a significant number of services in Portugal under licenses and authorizations granted by ANACOM to its subsidiaries PTC and Meo, S.A. Certain licenses require PT Portugal and/or its subsidiaries to comply with future regulatory changes, subject to the principle of proportionality, even where PT Portugal and its subsidiaries may not be entitled to receive compensation for the costs of implementing such changes. In addition, PT Portugal and/or its subsidiaries may need to apply for the renewal of certain licenses in the near future. ANACOM can terminate Meo, S.A.'s mobile licenses in the event of non-payment of legally due fees for a period of two consecutive years or in situations of severe and persistent non-compliance with the terms and conditions of its licenses. Through Meo, S.A., PT Portugal holds renewable licenses to provide Global System for Mobile Communications, or GSM, or 2G, and 3G mobile telephone services throughout Portugal, valid until 2016 and 2022, respectively. In January 2012, Meo, S.A. was allocated the right to use frequencies to provide, among other technologies, 4G mobile telephone services throughout Portugal, and in March 2012, ANACOM issued a renewable license to Meo, S.A., valid until 2027, with respect to the use of these frequencies. This license also unifies the previous 2G and 3G licenses issued to Meo, S.A. If ANACOM were to terminate such licenses for any reason, PT Portugal would not be able to conduct the activities authorized by those licenses. This loss would eliminate an important source of our revenues. ANACOM has recently issued certain decisions with respect to PT Portugal's DTT license, pertaining to required DTT coverage and implementation of additional multi- frequency channels to function in overlay with its single frequency network in order to comply with the license. PT Portugal has responded to these decisions and the matter is still pending a final decision from ANACOM.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2014, we had approximately 342 indemnification letters outstanding to local planning and building committees although no claims have been filed against us under such letters. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

In addition, the tax authorities in the jurisdictions in which we operate periodically examine our activities. We regularly assess the likelihood of such outcomes and have established tax allowances which represent management's best estimate of the potential assessments.

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

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

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

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

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

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

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

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

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

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

There is an ongoing investigation by the Central Department of Penal Investigation and Action ("*Departamento Central de Investigação e Ação Penal")* involving Portugal Telecom SGPS, S.A. related to the purchase by PT International Finance BV and PT Portugal (subsidiaries of Portugal Telecom SGPS, S.A. at the date of the purchase) of certain commercial paper issued by Rio Forte Investments S.A. (the "Rio Forte Investigation"). In connection with this process, on January 6, 2015, investigators searched the Lisbon offices of Portugal Telecom SGPS, S.A. The Rio Forte Investigation concerns, among other things, suspicion of aggravated fraud ("*burla qualificada*"). Based on public statements by Portugal Telecom SGPS, S.A., they intend to cooperate fully with the authorities. As we did not control PT Portugal during the period to which the Rio Forte Investigation relates and do not control PT Portugal as of the date of these Listing Particulars, we have very limited information with respect to the facts and circumstances surrounding the subject matter of the Rio Forte Investigation. In addition, because the Rio Forte Investigation is non-public, we do not know who is being investigated or if any PT Portugal employees are the subject of the Rio Forte Investigation. Oi S.A. has warranted in the PT Portugal Acquisition Agreement that, upon closing of the PT Portugal Acquisition, neither PT Portugal nor any other member of the PT Portugal Group would be bound by any ongoing obligation towards Portugal Telecom SGPS, S.A. in connection with the commercial paper of Rio Forte Investments S.A.. In addition, the PT Portugal Acquisition Agreement contains certain undertakings regarding indemnity of PT Portugal by Oi S.A. for certain adverse consequences which may have been or may be incurred by PT Portugal as a result of the purchase, holding or transfer of the Rio Forte Investments S.A. commercial paper. However, until the Completion Date we will not control PT Portugal and as a result have no involvement with the Rio Forte Investigation, nor do we have any influence over PT Portugal's level of involvement, co-operation or strategy in responding to inquiries by the authorities conducting the Rio Forte Investigation. Following the Completion Date, we intend to assess any risk of liability under applicable bribery and corruption laws, understand if there has been any historic misconduct which involved PT Portugal Group and take any remedial measures we deem necessary. We cannot assure you that additional information will not come to light which may materially and adversely affect the value of our investment in the PT Portugal Group or may expose any employees of PT Portugal to liability, sanctions or penalties by the authorities conducting the Rio Forte Investigation. If any such new information comes to light or if a member of management of PT Portugal is found liable and/or subject to sanctions or penalties, this may have a material adverse effect on the operations of PT Portugal and the value of your investment in the Notes may suffer.

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

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

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

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

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

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

The interests of Next L.P., our majority shareholder, may conflict with our interests or your interests as holders of the Notes.

Next L.P. owns 56.8% of the voting interests in the Issuer as of the date of these Listing Particulars. When business opportunities, or risks and risk allocation arise, the interests of Next L.P. (or its affiliates) may be different from, or in conflict with, our interests on a standalone basis. Because we are controlled by Next L.P., Next L.P. may allocate certain or all of its risks to us and we cannot assure you that Next L.P. will permit us to pursue certain business opportunities. However, Next L.P. has undertaken, until such time as Next L.P.'s holding of shares in the capital of the Issuer falls below 30% of the fully diluted share capital of the Issuer, to present all new corporate opportunities it believes are capable of execution and relating to a relevant opportunity to the Issuer. These obligations, or other needs of the Altice France Group, could result in the Altice France Group not being able to declare any dividends.

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

Risks Relating to the 2014 SFR Acquisition, SFR's Business and the Integration of SFR into our Business

Anticipated synergies from the 2014 SFR Acquisition may not materialize.

We expect to achieve certain synergies discussed elsewhere in these Listing Particulars relating to the operations of SFR and its subsidiaries as they have become part of the Atlice France Group and are consolidated subsidiaries of the Altice France Group. We may not realize any or all of the anticipated synergies of the 2014 SFR Acquisition that we currently anticipate. Among the synergies that we currently expect are cross selling opportunities to existing customers of the Numericable Group and SFR, network synergies and other operational synergies. Our estimated synergies from the 2014 SFR Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of SFR and in reaching the estimated synergies. We may not be successful in integrating some or all these businesses as currently anticipated, which may have a material adverse effect on our business and operations.

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

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

- integration of SFR into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;
- outstanding unforeseen or undisclosed legal, regulatory, contractual, labor or other issues arising from the 2014 SFR Acquisition;
- integration of different company and management cultures;
- retention and/or renewal of material contracts with business partners, suppliers and certain B2B customers; and
- retention, hiring and training of key personnel.

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

Further, SFR has entered into various agreements with a variety of service and outsourcing suppliers, some of which have been terminated upon the 2014 SFR Acquisition as a result of a change in control in SFR's corporate structure. Some of the supply agreements cannot be assigned to any third party outside of SFR. In addition, SFR has entered into agreements with various suppliers for the supply of handset devices. Following the completion of the 2014 SFR Acquisition, SFR will not continue to benefit from certain of these agreements.

Moreover, the 2014 SFR Acquisition has required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business. Although we analyze and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Furthermore, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favourable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

SFR's ability to operate its business effectively may suffer if we do not, quickly and cost effectively, establish the necessary support functions, as well as a service platform, to support SFR's business following the 2014 SFR Acquisition.

Historically, SFR has relied on certain financial, administrative and other resources of Vivendi to operate its business. SFR has entered into certain intergroup agreements with Vivendi which provided SFR with support services. Some of these agreements automatically terminated upon the 2014 SFR Acquisition. As a consequence, SFR may need to adapt certain independent support systems or contract with third parties to replace Vivendi's services from which SFR no longer benefit.

The French competition authority Autorité de la concurrence (the "Autorité") has announced that it has opened proceedings to review the implementation of the conditions under which the 2014 SFR Acquisition was cleared.

The clearance by the Autorité of the 2014 SFR Acquisition was subject to certain commitments. On January 22, 2015, the Autorité announced that it has opened ex officio proceedings to assess whether certain mobile subscription price increases announced by Groupe Outremer Telecom in La Réunion and Mayotte in November 2014 that became effective on January 1, 2015 are in compliance with Numericable's commitments to preserve Groupe Outremer Telecom's mobile telephony business's viability, market value and competitiveness until the divestiture. In the announcement, the Autorité noted that the French Code of commercial law empowers it to withdraw its authorization of the transaction, order Numericable to comply with the commitments and pay penalties for non-compliance in the event of a delay in execution and issue fines. Withdrawal of the Autorité's approval of the 2014 SFR Acquisition or compliance by Numericable with any such order by the Autorité could have a material adverse effect on our business, financial condition and results of operations and the penalties imposed and/or fines issued by Autorité may be significant.

Risks Relating to SFR's Industry and Markets

SFR is subject to strong competitive pressures.

The French telecommunications market is intensely competitive, saturated and mature. Nationally, SFR competes with the other telecommunications operators, particularly Orange, Bouygues Telecom and the Iliad group, which operates under its "Free" brand, as well as with MVNOs in the mobile market.

SFR also competes with new operators in specific areas, such as service or content providers, search engines, instant messaging services, VoIP services and terminal and OS providers.

In the B2C market, competition is reflected in intense price pressure, which has resulted in lower ARPU and higher churn. As a result, SFR has had to modify its pricing structure. Competition also results in the continuous improvement of the quality of offers and services on the market.

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

Furthermore, consolidation in the Internet and mobile telephony markets in France and in Europe, respectively, and the possible market entry of foreign operators in France, could significantly alter the telecommunications market and SFR may not be able to compete with these new operators, particularly those with significant financial and technical resources.

The measures adopted by SFR to adapt to competitive pressures by improving its products and services may not be sufficient to successfully compete with the products and services offered by its competitors. Such competitive pressures may have a material adverse effect on its business, financial condition, results of operations or prospects.

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

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

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

Consequently, even if SFR continues to build and maintain the quality of its customer relationships and develop offers integrating new services or products, the entry of new operators could affect the positioning of SFR in the value chain. SFR could therefore be faced with the loss of market share (in both the B2C and B2B markets in which it operates) and/or the loss of part of the value created by the services and content to the profit of these new operators. This could have a material adverse effect on the Altice France Group's business, financial conditions, results of operations or prospects.

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

The telecommunications market is characterized notably by rapid changes in technology, services and functionalities, the frequency at which new products are introduced, and the implementation of new sector standards and practices rendering the existing technologies and systems obsolete.

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

SFR may therefore be unable to provide products and services that set it apart from its competitors, which may result in a decline in its current market position and see itself viewed as only an access provider with low value-added services. Consequently, SFR could also lose market share in the B2C and B2B segments. These developments could have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects.

Risks Relating to SFR's Business and Operations

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

The reliability and quality (both in terms of service and availability) of its networks and information systems, particularly in respect of its mobile telephony and fixed-line businesses are critical to SFR's business, the continuity of its services and the confidence of its customers. In particular, SFR depends heavily on the information systems used by the its network of stores, its website and its customer services systems, which are used for product and service sales and subscriptions and the management of customer accounts. Any unavailability of these systems could significantly disrupt SFR's business.

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

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

Although SFR decided to strengthen its IT backup systems and implemented a global protection and monitoring plan, to ensure that the vital functions of the information systems were effectively controlled and backed up, there can be no assurance that these backup systems will be able to cover all the information SFR uses and stores or perform as expected.

A major failure in the information systems or any part of the production or logistics chain during the year-end period could have a significant adverse effect on revenues due to the concentration of sales during this period. Accordingly, SFR avoids working on its network and information systems during this period of the year (starting from mid-November to year-end).

Network or information system faults linked to the occurrence of the events described above could lead to quality deficiencies or service interruptions for some, or even all, customers of SFR, more particularly for certain businesses for which the service provided is of strategic importance. This could affect SFR's reputation and have direct or indirect unfavorable financial consequences (such as financial penalties) and lead to a material adverse effect on the Combined Group's business, financial condition, results of operations or prospects.

SFR's business is dependent on its ability to maintain the quality of the products and services it provides.

SFR is required to integrate new technologies in order to adapt to continuous technological developments in telecommunications products and services. Such new technologies may be difficult to implement, and any implementation issues could have a negative impact on the quality of SFR's products and services. Problems in controlling newly integrated technologies or defects in SFR's products or services could damage its reputation or result in a delay or termination of the marketing of certain products or services, in an increase in customer service costs, costs related to the replacement of defective products and in a loss of revenues, which could be significant if there is a loss of consumer confidence.

SFR might also be unable to adapt to existing or new technologies in order to meet the needs of its customers within an appropriate timeframe.

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

The occurrence of any of the above could have a material adverse effect on the Altice France Group's business, financial condition, results of operations or prospects.

SFR operates in a capital intensive business.

SFR's activities require substantial levels of capital expenditure relating to maintenance, modernization and development of its network, which are all critical to SFR's growth. Furthermore, SFR incurs substantial capital expenditure in relation to the deployment of new technologies and will continue to make substantial investments in order to develop these new technologies, including 4G (for the purchase of frequencies and the deployment of network infrastructure) and fiber (for the deployment of infrastructure). Furthermore, SFR is obliged to respect certain network coverage and deployment commitments under FTTH and its mobile licenses, which also require it to make substantial and continuous investments. SFR may also acquire new frequencies granted by ARCEP as well as local public authorities in the future, in particular 700 MHz frequencies, in order to improve the quality of its mobile telephony offers and maintain its competitive position. Recent reports indicate that France is expected to auction spectrum in the 700 MHz frequency in late 2015. As spectrum auctions are infrequent and SFR may need additional spectrum in the future, SFR will likely participate even though SFR might not, at the time of auction, require additional spectrum capacity. SFR's participation would require significant capital expenditures in the near-term as acquiring spectrum is expensive, due in part to the fact that spectrum availability is limited. In view of the development of the market and relevant technologies, as well as the development of frequency offers, SFR may have to incur significant additional costs and capital expenditure before achieving a return on previous investments. If market demand for these services decreases, it may also limit SFR's ability to recoup its investment in new frequencies, network and infrastructure. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR—Liquidity and Capital Resources of SFR—Net Cash From (Used In) Investing Activities*".

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

SFR also has certain network access/coverage obligations for its fiber and/or mobile network, notably for its mobile licenses, such as the hosting of roaming services or network sharing in certain deployment areas. The conditions for implementing these obligations and certain tariffs, such as roaming tariffs within the European Union, may be regulated. These constraints may limit SFR's ability to operate its network under economically advantageous conditions, which could affect the profitability of its investments.

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

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

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

In that context, certain of SFR Group's structures must or will have to consult their personnel's representative organizations to carry out their ongoing and upcoming projects, which may delay the completion of certain operations.

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

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

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

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

Certain contracts also stipulate minimum order quantities and/or volumes, which SFR might not be able to fulfill according to consumer demand, which would result in the payment of financial penalties. In addition, SFR's business may be delayed in the event of a strike by the employees of its suppliers. The use of suppliers may also result in issues in identifying the responsible party for resolving issues in the supply chain. SFR may also be unable to terminate certain contractual obligations, which could impede any future efforts to rationalize its contractual relations, revise its commercial strategy and/or reduce its purchase volumes, in order to optimize conditions for the performance of contracts and redefine SFR's requirements and margins vis-à-vis its suppliers. While the majority of the contracts entered into with the service providers contain clauses protecting SFR's interests in the event of non-renewal or breach by the third-party suppliers, non-renewal or breach could result in disruptions to operations if SFR is unable to find replacements quickly. SFR could also be required to manage problems with respect to suppliers or sub-contractors in financial difficulty (e.g. suppliers which are in suspension of payments procedures, for example).

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

SFR is dependent on its contracts with MVNOs.

In addition to network operators, MVNOs, whose activities depend on access to the network of one or more network operators, operate on the mobile telecommunications market. Providing end-to-end mobile services to MVNOs is a significant financial and commercial endeavor for the SFR Group, which provides services to 16 MVNOs on its network.

Competition to provide these services to MVNOs has intensified over recent years, and the MVNO wholesale market has changed, in particular with the introduction of "Full MVNO" status, which allows virtual operators to issue their own SIM cards and have a central database managing subscriber rights and certain core network elements, providing such operators more autonomy. In addition, market consolidation, and in particular acquisitions of MVNOs by telecommunications operators, could decrease the size of the MVNO wholesale market and SFR's market share.

SFR's ability to renew its existing contracts with MVNOs or enter into new contractual relationships, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond SFR's control. If SFR is unable to maintain or renew relations with its MVNOs, or develop business relationships with additional MVNOs, it could have a material adverse effect on its business, and financial condition, results of operations or prospects.

Regulatory and Legal Risks of SFR

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

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

The procedure for obtaining or renewing these licenses can be long, costly and complicated. In addition, these licenses may not be obtained or renewed. Should SFR not be able to obtain in a timely fashion or renew the licenses needed to operate or develop its business, its ability to realize its strategic objectives could be compromised.

The acquisition of licenses, furthermore, is costly, and the payment schedule varies depending on the auctions of the frequencies in question. The cost of acquiring licenses could increase in the future due to the high levels of competition in the telecommunications sector. As a result, any auction of the 700 MHz frequency band open to telecom operators at the end of 2015 could generate significant expenses for SFR, with the dates for payments unknown until the auction is announced. In addition, SFR may not be granted the licenses it seeks, which could have an adverse effect on the Altice France Group's business, financial condition, results of operations or prospects. The calendar for the auction of these frequencies is expected to be set in early 2015.

Moreover, SFR's subsidiaries committed to complying with certain obligations (population coverage, sharing in certain areas, national roaming) when they were granted licenses. As a result, SFR is required to deploy a 3G and 4G radio network in accordance with specific coverage rates of the population in mainland France and according to a set timeframe. In addition, in accordance with its 4G licenses and provided certain conditions are met, SFR will be required to provide Free Mobile with roaming on part of its 4G network. SFR must also, jointly with the other 800 MHz band license holders, and in accordance with its 2G license, cover the town centers identified under the "white spots" program and grant reasonable demands for network sharing in priority deployment areas. SFR is also required to grant reasonable demands to host MVNOs on all of its very high speed mobile networks open to the public in mainland France. Failure to comply with any of these commitments could put SFR at risk with respect to its regulatory obligations and possibly expose SFR to sanctions (fines, total or partial suspension or withdrawal of licenses). This could have a material adverse effect on the Altice France Group's business, financial condition, results of operations or prospects.

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

SFR's telecommunications network is essentially made up of physical infrastructure (lines, network headends, switches and radio stations) in which the telecommunications equipment (mainly cables) is installed. These components of SFR's network are subject to different legal systems. As SFR owns only some of the sites where its physical infrastructure is located, concessions, easements, leases or IRUs have been concluded where infrastructure is located on public land or on private property ("*autorisation d'occupation du domaine public*").

In connection with the establishment of a significant part of its telecommunications and frequency network, SFR has concluded public land use agreements (conventions d'occupation du domaine public) or is the holder of public land use permits. Under such agreements or permits, SFR may install the equipment for its network along roads, motorways, railways or canals, for example. No transfer of property takes place in this context.

These agreements have been entered into for very different terms, varying from 3 to 25 years, with the shortest term agreements generally providing for automatic renewal. As for all occupants of public land, SFR's occupancy of public land is precarious and on an intuitus personae basis. The public entities with which SFR has made such agreements or which have granted such permits may terminate such agreements or permits at any time for fault or in the public interest, and certain agreements furthermore provide that no compensation is to be provided for such termination.

SFR does not have a right to renew such agreements. Should SFR not be able to renew such agreements, the relevant subsidiary would be required, upon the expiry of such agreements, to (i) restore the site to its original state at the request of the manager or the owner of the relevant public land and/or (ii) transfer, in certain cases in exchange for compensation and in others for free, title of the infrastructure installed on the relevant land.

If SFR were to lose some or all of the rights relating to its network, this could have a significant unfavorable effect on the Altice France Group's business, financial condition, results of operations or prospects.

SFR's business depends in part on its ability to set up and maintain partnerships with other participants in the telecommunications sector.

Network sharing agreement between Bouygues Telecom and SFR

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

The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

SFR could be exposed to various risks associated with the implementation of the sharing agreement. The agreement provides for the deployment of the shared network by the two operators. Any delay in its implementation could affect SFR's ability to reach its geographic coverage and service quality objectives. The implementation of the partnership will furthermore require considerable capital expenditures.

SFR will be dependent on Bouygues Telecom for the part of the network that Bouygues Telecom will be responsible for operating. In particular, SFR will not have any direct operational control of the part of the network to be shared and managed by Bouygues Telecom. SFR will not therefore be able to control the quality of the network provided to its customers or to control the implementation of any maintenance or of any repairs that may be necessary to correct a failure. Furthermore, SFR will be exposed to the risk of default by Bouygues Telecom.

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

In the event of a failure and/or a total or partial interruption of the partnership, SFR would have to redeploy a network in the areas that had previously been covered by the sharing agreement in order to maintain. Furthermore, in such a scenario, SFR would not necessarily be able to provide the same level of coverage that its customers had enjoyed under the sharing agreement.

The competent authorities could, in the future, make decisions that call into question the economics or validity of the sharing agreement.

Lastly, third parties could also try to gain access to the shared network and bring legal action against SFR and Bouygues Telecom.

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

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

SFR has to provide or co-finance the coverage of 10 million homes under this agreement. In order to avoid overlap, the agreement designates the operator that is in charge of deployment for each municipality, which must then allow the other operator to access its network. This agreement thus provides that, by 2020, SFR will have deployed optical fiber (FTTH) to 2.4 million homes, and Orange to 7.6 million homes. Each will become a customer of the other on the wholesale market, by entering into IRUs in the areas where the relevant operator has not itself deployed the optical fiber.

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

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

To alleviate concerns from the French authorities that SFR would slow down its deployment in the areas in which NG already has its own cable network, Numericable Group has committed to the French Competition Authority that SFR will enter into good faith negotiations with Orange in order to ensure that it will not remain in charge of the deployment of FTTH optical cable in areas already covered by Numericable Group's own network, and thus swap these municipalities with Orange against other municipalities of similar size and requiring a similar investment. If this swap is not completed within a certain period of time, Orange shall be allowed to deploy its own network in the relevant municipalities.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR has had a partnership agreement with Vodafone Sales and Services Limited ("Vodafone") since 2011, which allows each party to offer their business customers international telephony services.

This agreement also provides for roaming, with SFR's customers traveling abroad using Vodafone's network and Vodafone's customers traveling in France using SFR's network.

If this agreement is terminated, SFR may no longer be able to provide comparable offers and services to its customers, which could result in a loss of clients and a decrease in sales of other products. In addition, given the nature of the partnership and the services provided, it would be difficult for SFR to find another partner able to provide equivalent services.

Contract related to the GSM-R mobile communications network

SFR has a minority shareholding of 30% in the Synérail company, which has concluded a partnership agreement with RFF for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network. The GSM-R project aims to set up a private telecommunications network dedicated to the needs of rail transport professionals. It will enable the establishment of a European network with a unique communication system that is compatible and standardized across the rail networks, replacing the existing national radio systems. This contract, which has a 15 year term and a €1 billion global amount, provides for the progressive deployment of this network. SFR also plays a part as services provider in the exploitation phase of the GSM-R network. Delays by SFR in deployment or SFR's inability to achieve the objectives set by the contract could put SFR in breach with respect to main partners.

The occurrence of any of the above could have a material adverse effect on the Altice France Group's business, financial condition, results of operations or prospects.

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

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

SFR holds (fully or through licenses) patent and trademark rights and patent applications in the European Union, specifically in France, as well as outside Europe (in particular in the United States, Japan and China). Like any other entity that seeks to protect its intellectual property rights, SFR may have difficulty in obtaining intellectual property rights due to potential historical claims or conditions relating to appropriate title registration. Moreover, SFR cannot guarantee that the filings and registrations made to obtain intellectual property rights will lead to their being awarded, specifically when disputes arise with third parties in connection with opposition or invalidity claims. In addition, the rights obtained may not provide adequate protection or a competitive advantage, such as an exclusive operating right.

SFR may also be dependent on its employees or third parties with respect to the ownership of certain intellectual property rights. SFR's policy on employee and corporate officer inventions and creations provides that such employees or corporate officers are rewarded or provided additional compensation for the transfer of intellectual property rights to SFR. Certain contractual provisions providing for such transfer may however not meet the requirements of the French Intellectual Property Code, and, as a result, such transfer (including copyright on software rights) may, in certain situations, be challenged by the relevant employees or corporate officers. Furthermore, certain intellectual property rights used by SFR may have been developed jointly and may be held in co-ownership with third parties. Some secondary patents may also be dependent on third-party technologies.

Certain key intellectual property rights used by SFR in connection with its business are or may be held by third parties that have granted a license to SFR, the terms of which may restrict SFR's use, and the infringement of which could result in significant litigation, specifically regarding software. In particular, some licensing contracts contain clauses that may lead to termination of right to use in the event of a change of control of SFR.

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

Furthermore, SFR may face litigation based on the infringement of the intellectual property rights of third parties. Such litigation could result in a usage ban and substantial damages. In line with competitors and other companies operating in areas where technological expertise is required, SFR is exposed to the risk of actions brought by "patent trolls" or Non-Practicing Entities (NPE). The main or sole activity of these entities is to acquire or hold patents that they do not themselves use. They offer licenses for the patents they hold and seek to obtain cross-licensing agreements. Where appropriate, they take legal action for infringement of these patents in order to obtain compensation. Such legal action usually involves very large sums and could force SFR to enter into licensing agreements for certain technologies that are key to its business, particularly with respect to 3G and 4G technology.

The inability of SFR to protect key elements of its intellectual property rights and technology effectively could have a material adverse effect on the Altice France Group's business, financial condition, results of operations or prospects.

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

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

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

As a result, SFR is subject to a risk of lawsuits involving this type of software. In addition, the use by SFR of such software could have an impact on the ownership of software developed by SFR, notably in terms of license exclusivity (the use or integration of such freeware components could result in the application of the freeware patent regime in whole or in part). This situation could have a material adverse effect on the Altice France Group's business, financial condition, results of operations or prospects.

SFR faces risks associated with its distribution network.

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

The telecommunications market is characterized by rapid changes in customer needs and habits. As a result, SFR endeavors to adapt its distribution network over time to such changes, which may require changes by independent partners involved in indirect distribution of SFR's products and services. However, some partners may not be willing or able to implement the necessary changes.

SFR also faces litigation for substantial sums, specifically regarding requests for the reclassification of certain contracts as commercial agent contracts, for compensation following the termination of the business relationship, for application of the "salaried manager" status, and requests from its own employees regarding the recognition of SFR in its capacity as employer, and the application of the employment status in terms of the "SFR Social and Economic Unit (UES) convention" (See "*Description of SFR's Business—Legal Proceedings*" of these Listing Particulars).

Although SFR has already implemented policies for adapting its contractual tools in order to prevent risks and manage tailored protective policies, SFR cannot guarantee that such claims will not increase or that the factual or legal arguments put forward by SFR to rebut these claims will be received favorably by the courts. In particular, SFR may be obligated to apply SFR employment status outside its current Social and Economic Unit (UES) convention.

Such events could have an adverse effect on SFR's distribution network and compel it to modify it; more generally it could have a significant material adverse effect on the organization, business, financial condition, results of operations or prospects of the Altice France Group.

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

In the ordinary course of its business, SFR is involved in a number of legal, governmental, administrative and arbitration proceedings, and may also be subject to investigations and audits. These procedures and investigations whose outcome is by nature uncertain may result in the payment of significant sums (certain of which, in particular but not exclusively, relate to claims received since the most recent accounting close, i.e. September 30, 2014) and/or harm SFR's reputation, which in turn could have a significant material adverse effect on its business, financial condition, results of operations or prospects.

The main proceedings in which SFR is involved are set out in "*Description of SFR's Business—Legal Proceedings*".

Risks Relating to Telecommunications Operators in France affecting SFR, the Numericable Group and, following the 2014 SFR Acquisition, the Altice France Group.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects.

SFR operates several facilities classified by the government as ICPE (*installation classée pour la protection de l'environnement*) in mainland France and in La Réunion, especially for its data centers. SFR remains attentive to the environmental risks which might arise or be discovered in the future, and has programs in place to ensure the observance of the applicable regulations.

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

The World Health Organization (WHO), in Fact sheet no. 193 of June 2011, indicates that "to date, no adverse health effects have been established as being caused by mobile phone use". However, a number of studies report long-term health effects linked to the use of radio equipment and particularly mobile phones. In May 2011, the International Agency for Research on Cancer (the IARC), with the support of the WHO, classified the radiofrequency electromagnetic fields linked particularly with the use of cordless phones as "possibly carcinogenic to humans". In May 2014, a French study (from the *Institut de Santé Publique, d'Epidémologie et de Développement de Bordeaux—IPSED*) evoked an increased risk of brain tumors.

Several reports (such as the Grenelle radio wave conference (2009), the 2012 BioInitiative Report, the updated opinion and report of the French Agency for Food, Environmental and Occupational Health Safety (*Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail*) in October 2013 and the recommendations of the French Mission Sobriété in late 2013) have been published on this subject.

The government and health authorities have established different precautions aimed at reducing exposure to mobile phone fields. Certain countries, such as France, have also adopted regulations establishing public exposure limits.

As a precaution, SFR recommends in its general user terms and conditions, as do health authorities, to limit one's exposure to the electromagnetic fields emitted by mobile telephones, via measures that can be easily implemented. Furthermore, new publications, either scientific or written by public or health-related authorities, are monitored by a dedicated team within SFR in order to identify actions that can be implemented in light of said publications.

Future scientific publications or publications issued by the government and the health authorities which establish a direct link between mobile phone usage and health problems could lead to legislative and regulatory changes that might result in the dismantling of antennas and a greater scarcity of sites, thereby generating additional costs for SFR and the Numericable Group. Furthermore, such changes could lead to a reduction in the use of mobile telecommunications services and Wifi networks, as well as a multiplication of claims, particularly if an adverse effect were to be scientifically established.

On June 26, 2014, the French Senate adopted, at a first reading, a bill on efficiency, transparency and consultation in matters of exposure to electromagnetic waves (text no. 1635), following the adoption of an earlier version by the French National Assembly in January 2014. This bill is still in the parliamentary process (and is expected to undergo a second review at the National Assembly at the beginning of 2015), and it is difficult at this stage to identify what obligations may be placed on operators. As the bill currently stands, the Group believes that such provisions could mainly lead to more complex and time intensive procedures related to the installation of antennas, the extent of which will depend on the objectives set with respect to public exposure, which appear in the bill that was adopted by the Senate at a first reading.

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

Prolonged weakness of, or a deterioration in, macroeconomic conditions in France could weigh on SFR's and Numericable Group's business, financial condition and results of operations.

For the nine months ending September 30, 2014, all of SFR's and Numericable Group's revenues were derived from operations in France. They are therefore heavily dependent on the changing economic climate in France.

The French economy has experienced weak growth or recession in recent periods and although short- term forecasts show slight improvements, growth remains fragile, with the French government estimating that France's GDP will grow by only 0.4% in 2014 and 1.0% in 2015 (source: Banque de France; IMF October 2014). Negative developments in the French economy, including as a result of any possible resurgence of the Eurozone debt crisis, may have a direct negative impact on the spending patterns of consumers as well as on businesses, both in terms of products and usage levels. Such negative developments could (i) make it more difficult for the Altice France Group to attract new subscribers and customers, (ii) make it more likely that certain of the Altice France Group's subscribers or customers will downgrade or terminate their services and (iii) make it more difficult for the Altice France Group to maintain its ARPU or B2B prices at existing levels. In particular, a significant portion of the Altice France Group's B2C business revenue is generated by premium television and multiple-play packages. Because discretionary consumer spending is affected in periods of economic uncertainty, customers may consider such premium products as being non-essential or not attractive from a cost- benefit perspective and therefore opt for the Altice France Group's non-premium packages or cheaper offers from competitors, or cancel or decide not to renew their subscriptions. While the impact on the B2B segment is more limited than in the B2C segment, the Altice France Group also faces the risk during periods of macroeconomic downturns of businesses reducing their service requirements or negotiating increasingly lower prices.

The introduction of a class action lawsuit in the French legal system open to consumer advocacy groups could increase the Group's exposure to significant legal disputes.

Starting from October 1, 2014, French law allows customers to join a class action lawsuit initiated by a consumer advocacy group so as to obtain reparations for material damages suffered during a consumer transaction. Given the B2C activities of the Altice France Group, the Altice France Group could be confronted, like any operator in the sector, with potential class action lawsuits that could be joined by clients seeking to obtain reparations for potential damages. In such cases, and assuming there are actual or even only alleged practices and damages, the Altice France Group could face significant claim amounts. In addition, such acts could harm the reputation of the Altice France Group.

The Altice France Group is subject to data confidentiality and security obligations.

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

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

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

SFR's and Numericable Group's reputation and business could be materially harmed as a result of, and SFR and Numericable Group could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.

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

If third parties attempt, or manage, to bring down any of SFR's or Numericable Group's information technology systems or gain access to its information technology systems, they may be able to misappropriate confidential information, cause interruptions in SFR's or Numericable Group's operations, access SFR's or Numericable Group's services without paying, damage its computers or otherwise damage SFR's or Numericable Group's reputation and business. While SFR and Numericable Group continue to invest in measures to protect their networks, any such unauthorized access to the Altice France Group's cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the SFR's or Numericable Group's agreements with content providers, all of which could have a material adverse effect on the Altice France Group's business, results of operations and financial condition. Furthermore, as an electronic communications services provider, SFR or Numericable Group may be held liable for the loss, release or inappropriate modification or storage conditions of customer data or the wider public, which are carried by its network or stored on its infrastructures. In such circumstances, the Altice France Group could be held liable or be subject to litigation, penalties, including the payment of damages and interest, and adverse publicity that could adversely affect its business, financial condition and results of operations.

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

The brands under which Numericable Group and SFR sell products and services, including "Numericable", "Completel", "SFR", "RED", "Formules Carrées", "SFR La Carte" and associated brands are well-recognized brands in France.

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

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

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

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

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

Furthermore, the Numericable Group has in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, both in the B2C and B2B segments. In the B2C segment, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses the Numericable Group acquired in 2005 and 2006. The Altice France Group considers that its current levels of customer satisfaction are high. However, no assurance can be given that such levels will remain high in the future.

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

Risks Relating to the Notes and the Structure

The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Guarantee.

The Issuer and the Guarantor are holding companies with no business or revenue generating operations on their own. The only significant assets of the Issuer as of the Issue Date consisted of cash in its bank accounts, its interest in the Escrow Agreement and Escrow Accounts and its shares in Altice France and Altice International. As such, the Issuer is wholly dependent upon payments from members of the Group, and the Guarantor is wholly dependent upon payments from its direct and indirect subsidiaries in order to service its debt obligations under the Notes or the Guarantee to the extent it does not have cash to meet those obligations. Furthermore, the Indenture and the 2014 Senior Notes Indenture prohibit the Issuer from engaging in any activities other than certain limited activities. The only significant assets of the Guarantor as of the Issue Date consisted of its bank accounts and the shares it holds in Numericable.

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

While the 2015 Indentures of Altice International and the New Altice Financing Term Loan permit, subject to certain conditions, payments by Altice International to the Issuer in an amount sufficient to enable the Issuer to make scheduled interest payments on the Notes, the instruments governing existing Indebtedness of Altice International do not contain any such specific provisions. In order for Altice International to make payments to the Issuer to enable the Issuer to make interest payments on the Notes, Altice International will need to rely on other exceptions and carve-outs in the covenants applicable to such existing Indebtedness of Altice International. See "*Summary—Key Subsidiary Restricted Payment Covenant Exceptions and Carve-outs*". In addition, the Numericable Senior Secured Notes and the Numericable Term Loan permit Numericable to pay dividends to its shareholders in an amount such that the Issuer's pro rata share of such dividends is sufficient to make scheduled interest payments on the 2014 Senior Secured Notes only. Neither the Numericable Senior Secured Notes nor the Numericable Term Loan contain any such specific provision relating to the Notes. In order for the Issuer to receive payments from Numericable to enable the Issuer to make payments on the Notes, Numericable will need to rely on other exceptions and carve-outs in the covenants applicable to the Numericable Senior Secured Notes and the Numericable Term Loan (See "*Summary—Key Subsidiary Restricted Payment Covenant Exceptions and Carve-outs*") and the Issuer will only be entitled to receive 60.3% of any such payments. In addition, any such payments must be approved by the Board of Directors of Numericable in compliance with their fiduciary duties as directors of a public company. We cannot assure you the instruments governing existing indebtedness of Altice International or Numericable will permit the payments required to be received by the Issuer to make payments on the Notes, and if permitted, we cannot assure you that the amount of payments so permitted will be sufficient to meet our obligations under the Notes and the Indenture.

We own 60.3% of the Numericable Group. Although we control the Numericable Group (including the ability to set its dividend policy) and fully consolidate its results of operations in the Issuer's financial statements, we are only entitled to receive 60.3% of the dividends, if any, declared by the Numericable Group. As a result, the EBITDA of the Numericable Group or the pro forma EBITDA of the Altice France Group should not be relied upon as a measure of the cash that is available from the Numericable Group to allow us to meet our obligations under the Notes. Furthermore, the Numericable Group has issued the Numericable Senior Secured Notes and entered into the Numericable Term Loan, and therefore has substantial debt obligations of its own.

Although the Indenture and the 2014 Senior Notes Indenture and 2014 Altice S.A. Revolving Credit Facility Agreement limit the ability of the Issuer's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer or the Guarantor, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Issuer and its subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer and its subsidiaries will provide the Issuer or the Guarantor with sufficient dividends, distributions or loans to fund payments under its Notes or the Guarantee, when due. See "*Description of Other Indebtedness*" and "*Description of Notes*."

Your right to receive payments under the Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of the Issuer's subsidiaries that do not guarantee the Notes upon the release of the proceeds thereof from the relevant Escrow Accounts.

As of the Issue Date, none of our subsidiaries guaranteed the Notes and only Altice France will guarantee the Notes upon the release of the proceeds of the offering of the Notes from the Escrow Accounts. Generally, claims of creditors of a non Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantee. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of our non Guarantor subsidiaries, holders of their debt (including any intercompany loan to such subsidiaries) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non Guarantor subsidiaries.

Our non Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with leverage. If any of our non Guarantor subsidiaries incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of such subsidiaries.

The value of the Collateral may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances.

In the event of a liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the proceeds from the sale of the Collateral that secures the Notes may not be sufficient to satisfy our obligations under the Notes. The value of the Collateral and the amount that may be received upon a sale of Collateral will depend upon many factors including, among others, the condition of the Collateral and our industry, the ability to sell the Collateral in an orderly sale, market and economic conditions, whether the business is sold as a going concern, the availability of buyers and other factors. With respect to any shares of our subsidiaries pledged to secure the Notes and the Guarantee, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the claims of the holders of the Notes are effectively subordinated to the rights of our existing and future secured creditors who have priority in respect of proceeds from enforcement of the liens over assets that constitute Collateral to the extent of the value of such assets. In addition, courts could limit recoverability with respect to the Collateral if they deem a portion of the interest claim usurious in violation of applicable public policy. As a result, liquidating the Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets. See "*—It may be difficult to realize the value of the Collateral securing the Notes*."

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

The Indenture permits, and the Altice S.A. Intercreditor Agreement, the 2014 Altice S.A. Revolving Credit Facility Agreement and the 2014 Senior Notes Indenture permit, the granting of certain liens other than those in favor of the holders of the Notes on the relevant Collateral securing the Notes. To the extent that holders of other secured indebtedness or third parties enjoy such liens, including statutory liens, whether or not permitted by the Indenture, the Altice S.A. Intercreditor Agreement, the 2014 Altice S.A. Revolving Credit Facility Agreement, the 2014 Senior Notes Indenture or the security documents governing the Collateral, such holders or third parties may have rights and remedies with respect to the Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes, to the extent such Notes are secured by such Collateral. Moreover, if the Issuer issues additional Notes under the Indenture, holders of such additional Notes would benefit from the same Collateral as the holders of the Notes being offered hereby, thereby diluting holders of Notes' ability to benefit from the liens on the Collateral securing their Notes.

The Altice S.A. Intercreditor Agreement provides for detailed enforcement mechanisms with respect to the Collateral. Please see "*Description of Other Indebtedness—Altice S.A. Intercreditor Agreement*".

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

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantor under the Guarantee will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture provides (along with the Altice S.A. Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing such Notes, except through the Security Agent who will (subject to the provisions of the Indenture and the Altice S.A. Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral securing such Notes.

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

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

The holders of the Notes' ability to recover under the Collateral and the Guarantee may be limited. Before any amounts are available to repay the Notes, lenders under the 2014 Altice S.A. Revolving Credit Facility and certain hedge counterparties will have a right to be repaid with the proceeds realized following the enforcement of all or part of the Collateral.

The obligations under the Notes and the Guarantee are secured by security interests over the Collateral, which also secures our obligations under the 2014 Altice S.A. Revolving Credit Facility Agreement the 2014 Senior Notes Indenture and certain hedging agreements. Pursuant to the Altice S.A. Intercreditor Agreement, the lenders under the 2014 Altice S.A. Revolving Credit Facility Agreement and certain hedging arrangements have priority over the holders of the Notes with respect to the proceeds from the enforcement of the Collateral. In addition, the creditors under the 2014 Altice S.A. Revolving Credit Facility Agreement and certain hedging arrangements will have priority over any amounts received from the sale of any assets of the Issuer or the Guarantor pursuant to an insolvency event or certain other distressed disposals of the Collateral pursuant to the Altice S.A. Intercreditor Agreement. As such, you may not be able to recover on the Collateral if the claims of the lenders under the 2014 Altice S.A. Revolving Credit Facility Agreement and certain hedging obligations are greater than the proceeds realized from any enforcement of the security interests over the Collateral.

In addition, the Collateral secures obligations under the 2014 Senior Notes Indenture and may also secure certain future indebtedness that is permitted to be incurred under the Indenture and our other debt agreements on a *pari passu* basis, and certain of that indebtedness may have similar priority to the proceeds of the enforcement of, or certain distressed disposals of, the Collateral. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the 2014 Altice S.A. Revolving Credit Facility Agreement and such priority hedging obligations have been paid from such recoveries, be applied pro rata in repayment of the Notes, the 2014 Senior Notes and other senior indebtedness secured on such Collateral. Our ability to incur additional debt in the future secured on the Collateral may have the effect of diluting the ratio of the value of such Collateral to the aggregate amount of the obligations secured by the Collateral. In addition, claims of any secured creditors which are secured by assets that do not also secure the Notes or the Guarantee will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes are effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

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

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

On the Completion Date, the holders of the Notes will benefit from security interests in the Collateral that secures the Notes.

The Collateral will be subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture, the 2014 Senior Notes Indenture and/or the Altice S.A. Intercreditor Agreement and accepted by other creditors that have the benefit of first ranking security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

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

Furthermore, enforcement procedures and timing for obtaining judicial decisions in Luxembourg may be materially more complex and time consuming than in equivalent situations in jurisdictions with which investors may be familiar.

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party of the security or the grantor of the security. The liens on the Collateral may not be perfected with respect to the Notes and the Guarantee, as the case may be, if the Security Agent is not able to or does not take the actions necessary to perfect or maintain the perfection of any such liens. Such failure may result in the invalidity of the relevant security interest in the Collateral securing the Notes, as applicable, or adversely affect the priority of such security interest in favor of such debt against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Security Agent will monitor, or that we will inform the Security Agent of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired collateral. The Security Agent does not have any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of or to take steps to perfect any security interest therein. Such failure may result in the loss of the security interest in the Collateral or adversely affect the priority of the security interest in favor of the Notes and the Guarantee against third parties including a trustee in bankruptcy and other creditors who may claim a secured interest in the Collateral.

Additionally, the Indenture and the security documents that will secure the Notes may require us to take a number of actions that might improve the perfection or priority of the liens of the Security Agent in the Collateral. To the extent that the security interests created by the security documents with respect to any Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

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

Under various circumstances, the Guarantee will be released. See "*Description of Notes—The Note Guarantee*". In addition, under various circumstances, the Issuer and the Guarantor will be entitled to release the security interests in respect of the Collateral securing the Notes and the Guarantee. We will be permitted to release and/or re take any Collateral to the extent permitted by the terms of the Indenture, the 2014 Senior Notes Indenture, the security documents governing the Collateral, the Altice S.A. Intercreditor Agreement or any additional intercreditor agreement. Such a release and re taking of Collateral may give rise to the start of a new hardening period in respect of the Collateral and/or the Collateral may be void under applicable Luxembourg provisions. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes. See "*Description of Notes—Notes Security*".

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

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

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

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

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

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

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

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

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

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the Guarantee; (ii) undercapitalized or became undercapitalized because of the Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the Guarantee was held to exceed financial assistance rules or the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the Guarantee was in excess of the maximum amount permitted under applicable law.

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

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

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

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;

- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or

- it cannot pay its debts as they become due.

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

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

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

Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase all outstanding Notes (and the Issuer could be required to repay the outstanding borrowings under the 2014 Revolving Credit Facility and offer to purchase the 2014 Senior Notes) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in our credit facilities or other then existing contractual obligations of us or the Issuer would allow the Issuer to make such required repurchases. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The Issuer's ability to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Issuer is prohibited from repurchasing Notes under the 2014 Altice S.A. Revolving Credit Facility, the 2014 Senior Notes Indenture or other debt instruments, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which could, in turn, constitute a default under other agreements governing our debt. See "*Description of Notes—Change of Control*".

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

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

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

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

- the liquidity of any market that may develop for the Notes;

- your ability to sell your Notes; or

• the prices at which you would be able to sell your Notes.

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

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

Although the Issuer agreed in the Indenture to use commercially reasonable efforts to have the Notes listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the respective issue date of the Notes and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer is unable or can no longer maintain the listing on the Luxembourg Stock Exchange, the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange, provided that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

Credit ratings may not reflect all risks.

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

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

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

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

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

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

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

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

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and

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

In addition to these proceedings, the ability of the holders of Notes to receive payment on the Notes, as applicable may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put an Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

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

- certain amounts owed to the Luxembourg Revenue;

- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise;

- social security contributions; and

- remuneration owed to employees.

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

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

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

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

- pursuant to article 445 of the Luxembourg code of commerce, some specific transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments;

- pursuant to article 21 (2) of the Collateral Act 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into on the date of the commencement of a reorganization measure or winding up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, that agreement is enforceable and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and

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

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

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

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes, as applicable, in an aggregate principal amount of less than $200,000, in the case of the dollar denominated Notes, or €100,000, in the case of the euro denominated Notes. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*".

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

Each of the Issuer and the Guarantor are incorporated under the laws of the Grand Duchy of Luxembourg. Some or all of the directors and executive officers of the Issuer and the Guarantor are non residents of the United States and all or a majority of their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantor or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many foreign jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against ourselves, the Guarantor, the directors, controlling persons and management and any experts named in these Listing Particulars who are not residents of the United States. See "*Enforcement of Judgments*".

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

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

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

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

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

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

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Principal Paying Agent and US Paying Agent, which will make payments to Euroclear, Clearstream and/or DTC, as applicable. Thereafter, such payments will be credited to Euroclear, Clearstream and/or DTC participants' accounts that hold book entry interests in the Notes, as applicable, in global form and credited by such participants to indirect participants. After payment to Euroclear, Clearstream and/or DTC, the Trustee, the transfer agents, the Registrars or any Paying Agent will not have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear, Clearstream and/or DTC or to owners of book entry interests.

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

Risks relating to the Transactions

The PT Portugal Acquisition is subject to significant uncertainties and risks.

The consummation of the PT Portugal Acquisition is subject to the conditions set out in the PT Portugal Acquisition Agreement, including regulatory approval in Portugal and from the European Commission. Furthermore, in the case that the regulator requires any concessions from us to approve the PT Portugal Acquisition, we may have to dispose of some or all of our existing Portuguese assets, including Cabovisao and/or ONI. As of September 30, 2014, Cabovisao and ONI had assets of over €170 million and generated revenues of €190.1 million and EBITDA of €57.4 million for the LTM ended September 30, 2014. There can be no assurance that such approvals will be obtained in a timely manner if at all and the regulator may impose conditions (including disposals) on their approvals. See "*The Transactions*".

The completion of the PT Portugal Acquisition may be subject to litigation that if realized may result in a material adverse effect on, including delay in completion of, the PT Portugal Acquisition.

The PT Portugal Acquisition has received extensive coverage in the press in Brazil and Portugal, including with respect to statements made and positions taken by Portugal Telecom SGPS, S.A., the Portuguese Securities Market Commission and other parties relating to certain aspects of the PT Portugal Acquisition. The PT Portugal Acquisition may be subject to litigation risks that are frequently faced by parties in connection with transactions of this type, including challenges by dissenting shareholders, and at least one civil action has been filed by shareholders against Portugal Telecom SGPS, S.A. challenging the extraordinary general meeting in which the sale of PT Portugal was approved. Plaintiffs in any such litigation action may seek, among other remedies, compensatory damages (which may involve claims for a significant amount of monetary damages) or injunctive relief (which, if granted, may delay the closing the PT Portugal Acquisition, including beyond the Escrow Longstop Date). The outcome of any such suit is inherently uncertain. As a result, we cannot assure you that any such litigation will not result in payment of settlement amounts, award of monetary damages against the relevant parties to any such lawsuit or grant of other remedies, including injunctions, any one of which may be material in amount and/or impact on the completion of the PT Portugal Acquisition and may have a material adverse effect on the combined Group's business, financial condition or results of operations.

Anticipated synergies from the PT Portugal Acquisition may not materialize.

Upon completion of the PT Portugal Acquisition, we expect to achieve certain synergies discussed elsewhere in these Listing Particulars relating to the operations of the PT Portugal Group as it will become part of the Group and become consolidated subsidiaries of Altice International. We may not realize any or all of the anticipated synergies of the PT Portugal Acquisition that we currently anticipate, including if we are unable to consummate the PT Portugal Acquisition. Among the synergies that we currently expect are operational synergies in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in international content costs (brought in line with) the Altice Group's reduction in IT spending, subcontractor rationalization, simplification of operating practice, and outsourcing of customer care we also expect that Altice Group will realize capital expenditure savings through benefits of scale in procurement, adoption of best practices in Altice Group's capital expenditure planning and efficiency savings in network spread. Our estimated synergies from the PT Portugal Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize over time may differ significantly from the ones that we currently estimate and we may also incur significant costs in integrating the PT Portugal Group. We may not be successful in integrating some or all of these businesses as currently anticipated which may have a material adverse effect on our business and operations.

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

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

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

- retention, hiring and training of key personnel.

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

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

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

Pending satisfaction of the conditions to release of the escrow proceeds, the gross proceeds of the offering of the Notes are being held in the Escrow Accounts on behalf of the holders of the Notes. If the conditions to the release of the escrow proceeds as described in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" are not satisfied on or prior to June 9, 2016 or in the event of certain other events that trigger escrow termination occur, the applicable Notes are subject to a special mandatory redemption and you may not obtain the return you expect to receive on such Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*". The Indenture requires the Issuer to consummate the PT Portugal Acquisition promptly upon release of the escrow proceeds.

The escrow funds will be limited to the gross proceeds of the offering of the Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the initial issue price of each of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition or the terms of the PT Portugal Acquisition or the financing thereof, between the closing of this offering and the release of the escrow proceeds, will have no effect on your rights as a purchaser of the Notes.

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

We currently do not own PT Portugal. We will not acquire PT Portugal until completion of the PT Portugal Acquisition. The PT Portugal Acquisition is expected to be consummated in the second quarter of 2015, subject to regulatory approval in Portugal and merger-control clearance from the European Commission (or from the Portuguese Competition Authority, under the applicable referral rules). We cannot assure you that during the interim period the business of the PT Portugal Group will be operated in the same way that we would operate them.

The information contained in these Listing Particulars relating to the PT Portugal Group has been derived from public sources and other sources we believe to be reliable.

THE TRANSACTIONS

PT Portugal Acquisition

On December 9, 2014, Altice S.A., through its subsidiary Altice Portugal, entered into an agreement with Oi S.A. (the "PT Portugal Acquisition Agreement") relating to the purchase of all of the outstanding equity interests in PT Portugal (the "PT Portugal Acquisition"). The total consideration for this transaction amounts to an initial purchase price of €6,900 million on a debt and cash free basis, as adjusted for estimated net post retirement benefit obligations post tax of €957 million and other non financial debt purchase price adjustments (including working capital adjustments and certain tax liabilities) of €339 million (price paid will be after deduction of net financial debt at closing and difference to normative level of working capital, as defined in the PT Portugal Acquisition Agreement) payable in cash upon completion of the PT Portugal Acquisition, and an earn out of €500 million, payable in the event the consolidated revenues of the PT Portugal Group for any financial year between 2015 to 2019 achieves a specified target. In order for PT Portugal to exceed such specified revenue target by the end of the specified period, its revenue growth will need to materially exceed the best-in-class compound annual revenue growth rate currently expected by the market from incumbent telecommunications companies in Europe. Prior to the Completion Date, Oi S.A. shall cause a reorganization of PT Portugal and its subsidiaries to be completed (the "Carve Out Reorganization") so that, among other things, upon the completion of the PT Portugal Acquisition, PT Portugal shall no longer own any interests in the Asian entities and assets, African entities and assets, other than Open Ideia (Angola), Open Ideia (Morocco) and Contact Cabo Verde, or in the financing vehicle that are currently parts of the PT Portugal perimeter. In particular, the commercial paper and any other securities issued by Rio Forte Investments S.A shall not be included in the assets comprising the PT Portugal Group.

The consummation of the PT Portugal Acquisition is subject to certain conditions, including antitrust clearance from the European Commission and relevant authorizations and clearances from the Portuguese ISP (Instituto de Seguros de Portugal). The PT Portugal Acquisition Agreement provides that the parties shall cooperate in order to obtain as soon as practicable the authorizations or clearances needed to fulfil the conditions to closing and to consummate the PT Portugal Acquisition. The PT Portugal Acquisition Agreement shall terminate, and the parties will not be required to consummate the PT Portugal Acquisition, if such clearances or authorizations have not been obtained at the latest within eighteen months of December 9, 2014. In the event the conditions to completion of the PT Portugal Acquisition are satisfied and Altice Portugal fails to consummate the PT Portugal Acquisition, Altice Portugal shall be liable to pay a specified break-up fee to Oi S.A. Similarly, in the event the Carve Out Reorganization is not completed within six months of December 9, 2014, or the conditions to completion of the PT Portugal Acquisition are satisfied and Oi S.A. fails to consummate the PT Portugal Acquisition, Oi S.A. shall be liable to pay a specified break-up fee to Altice Portugal.

Under the PT Portugal Acquisition Agreement, Oi S.A. has agreed to cause PT Portugal and the entities that will comprise the PT Portugal Group to operate its business solely in the ordinary course and consistent with past practice. In addition, Oi S.A. has undertaken covenants to place certain restrictions on the ability of PT Portugal and of the entities that will comprise the PT Portugal Group to take certain actions without the prior consent of Altice Portugal (not to be withheld unreasonably) customary for that type of transaction. Failure by Oi S.A. to comply with these restrictions or with any of its covenants under the PT Portugal Acquisition Agreement, unless waived by Altice Portugal, could, under certain circumstances, result in the PT Portugal Acquisition Agreement being terminated by Altice Portugal.

The PT Portugal Acquisition Agreement also provides that Altice S.A. guarantees the fulfillment by Altice Portugal of its obligations under the PT Portugal Acquisition Agreement.

The Financing

The consideration for the PT Portugal Acquisition together with related fees and expenses will be financed as follows:

- the Issuer issued €2,055 million of the Notes which will be contributed to the Altice International Group in exchange for mandatory convertible notes issued by Altice International;
- Altice Finco issued the 2015 Senior Notes;
- Altice Financing issued the 2015 Senior Secured Notes;
- Altice Financing entered into the New Altice Financing Term Loan on or about the Issue Date. Altice Financing drew the New Altice Financing Term Loan in full on February 4, 2015 to consummate the PT Portugal Acquisition; and
- Altice Financing entered into the New Altice International Super Senior Revolving Credit Facility on or prior to the Issue Date. It is expected that the New Altice International Super Senior Revolving Credit Facility will be fully

drawn to consummate the PT Portugal Acquisition. We may utilize excess cash (to the extent available at the time of completion of the PT Portugal Acquisition) or other debt sources in place of some or all of the funds currently expected to be drawn under the New Altice International Super Senior Revolving Credit Facility to consummate the PT Portugal Acquisition.

Pending satisfaction of the conditions to the release of the escrow proceeds as described in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*", the Initial Purchasers deposited the gross proceeds from the offering of the Notes into segregated escrow accounts for the benefit of the holders of the Notes and the Trustee.

The Escrow Accounts are controlled by the Escrow Agent and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the Notes. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*". The proceeds of the Notes will be released to the Issuer to complete the PT Portugal Acquisition upon delivery of an applicable officer's certificate to the Escrow Agent stating that, among other things, the PT Portugal Acquisition Agreement shall not have been modified, amended or waived in any respect that is material and adverse to the holders of the Notes (subject to certain exceptions), the PT Portugal Acquisition Agreement remains in full force and effect and no insolvency related events have occurred with respect to the Issuer. If the conditions for the release of escrow proceeds are not satisfied prior to June 9, 2016, or upon the occurrence of certain other events, the Notes are subject to a special mandatory redemption at 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any. The Indenture requires the Issuer to consummate the PT Portugal Acquisition promptly upon release of the escrow proceeds (other than a release for purposes of investing the escrow proceeds in accordance with the terms of the Escrow Agreement).

The gross proceeds from the offering of the 2015 Senior Notes and 2015 Senior Secured Notes are also held in segregated escrow accounts pursuant to escrow agreements and the release of such proceeds will be subject to similar conditions.

The transactions referred to under "*—PT Portugal Acquisition*" and "*—The Financing*" are collectively referred to as the "Transactions".

USE OF PROCEEDS

Sources and Uses for the Transactions

The expected estimated sources and uses of the funds necessary to consummate the PT Portugal Acquisition are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) differences in the amount of indebtedness outstanding and (ii) differences from our estimates of fees and expenses and the actual fees and expenses, as of the completion of the PT Portugal Acquisition. The completion of the PT Portugal Acquisition is subject to certain conditions, including the separate approval by the competent regulatory authorities in Portugal and merger-control clearance by the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules).

The amounts set forth below are based on an exchange rate as of January 29, 2015, of €0.882 = $1.00.

Sources of Funds			**Uses of Funds**		
	$ in millions	**€ in millions**		**$ in millions**	**€ in millions**
New Altice Financing Term Loan[1]	954	841	Cash Acquisition Consideration for PT Portugal[5]	6,355	5,604
Notes offered hereby[2][7]	2,331	2,055			
2015 Senior Secured Notes[3]	2,627	2,317	Transaction Fees and Expenses[6][7]	146	128
2015 Senior Notes[3]	385	340			
New Altice International Super Senior Revolving Credit Facilities[4]	204	180			
Total Sources	**6,501**	**5,732**	**Total Uses**	**6,501**	**5,732**

(1) On or around the Issue Date, Altice Financing entered into the €841 million (equivalent) New Altice Financing Term Loan. Altice Financing drew under the New Altice Financing Term Loan fully to consummate the PT Portugal Acquisition. The gross proceeds from borrowings under the New Altice Financing Term Loan have been deposited in segregated escrow accounts on behalf of the lenders thereunder, pending satisfaction of the conditions to the release of the escrow proceeds in accordance with the relevant escrow agreements relating thereto.

(2) The gross proceeds from the sale of the Notes were deposited in segregated escrow accounts on behalf of the holders of the Notes, pending satisfaction of the conditions to the release of the escrow proceeds in accordance with the relevant escrow agreements relating thereto. It is expected that Altice S.A. will contribute the proceeds of the Notes to Altice International in exchange for mandatory convertible notes of €2,055 million aggregate value (with €100,000 nominal value each) to be issued by Altice International and to be subscribed by Altice S.A., and Altice International will, in turn, contribute such proceeds to Altice Holdings (the "ASA Notes Proceeds Contribution").

(3) The gross proceeds from the sale of the 2015 Senior Secured Notes were deposited in segregated escrow accounts on behalf of the respective holders of the 2015 Senior Secured Notes and the gross proceeds from the sale of the 2015 Senior Notes were deposited in a segregated escrow account on behalf of the respective holders of the 2015 Senior Notes, in each case, pending satisfaction of the conditions to the release of the escrow proceeds.

(4) It is expected that €180 million under the New Altice International Super Senior Revolving Credit Facility may be drawn to consummate the PT Portugal Acquisition. We may utilize excess cash (to the extent available at the time of completion of the PT Portugal Acquisition) or other debt sources in place of some or all of the funds currently expected to be drawn under the New Altice International Super Senior Revolving Credit Facility to consummate the PT Portugal Acquisition.

(5) Represents a total consideration of €6,900 million as adjusted for estimated net post retirement benefit obligations post tax of €957 million and other non financial debt purchase price adjustments (including working capital adjustments and certain tax liabilities) of €339 million (price paid will be after deduction of net financial debt at closing and difference to narrative level of working capital, as defined in the PT Portugal Acquisition Agreement). The cash consideration for the PT Portugal Acquisition totals €5,604 million. The total consideration and cash consideration figures exclude an earn-out of €500 million which is payable if the revenues generated by the PT Portugal Group for any financial year between 2015 to 2019 achieve a specified target. In order for PT Portugal to exceed such specified revenue target by the end of the specified period, its revenue growth will need to materially exceed the best-in-class compound annual revenue growth rate currently expected by the market from incumbent telecommunications companies in Europe. The total enterprise value of € 7,400 million represents the sum of the cash consideration, the estimated net post-retirement obligations, other purchase price adjustments and the earn-out. The PT Portugal Acquisition is subject to regulatory approval by the competent regulatory authorities in Portugal and merger-control clearance by the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules). See "*The Transactions—PT Portugal Acquisition*" for further details.

(6) This amount reflects our estimate of the fees and expenses we will pay in connection with the Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees. This amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the Transactions.

(7) The total net proceeds from the sale of the Notes is €1,927 million and will consist of the gross proceeds from the sale of the Notes less the Transaction Fees and Expenses.

CAPITALIZATION

The following table presents, in each case, the cash and cash equivalents and debt capitalization as of September 30, 2014 of the Group (i) on a historical consolidated basis and (ii) on an as adjusted combined basis after giving effect to the 2014 Numericable Group Transactions, the Transactions (including the offering of the Notes hereby, the funding of the New Altice Financing Term Loan, the offering of the 2015 Senior Notes and the 2015 Senior Secured Notes, the expected amounts to be drawn under the New Altice International Super Senior Revolving Credit Facility to consummate the PT Portugal Acquisition) and the repayment of the Existing Coditel Mezzanine Facility. The completion of the PT Portugal Acquisition is subject to certain conditions, including the approval by the competent regulatory authorities in Portugal and merger-control clearance by the European Commission (or from the Portuguese Competition Authority, under the referral mechanism set forth in the EU merger control rules). The as-adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Transactions. This table should be read in conjunction with "*Use of Proceeds*", "*Pro Forma Financial Information*", "*Description of Other Indebtedness*" and the financial statements and notes thereto included elsewhere in these Listing Particulars.

The impact of any derivative instruments that we have or may enter into to manage foreign currency risk associated with our debt (including the Notes) has not been reflected in the as adjusted data presented in the table. Unless otherwise stated, amounts are based on the exchange rate as of September 30, 2014 of €0.7918 = $1.00.

	September 30, 2014	
	Actual	**As Adjusted**
	€ in millions	
Cash and Cash Equivalents		
Numericable Group	14	82
Altice International Group	141	141
Altice S.A. Standalone[(1)]	385	858
Total Consolidated Cash and cash equivalents	**541**	**1,081**
Altice France Group financial debt:		
2014 Numericable Group Revolving Credit Facilities Agreement[(2)]	50	50
Numericable Senior Secured Notes[(3)]	7,873	7,873
Numericable Term Loan[(4)]	3,780	3,780
Finance Leases (Numericable)	44	44
Finance Leases (SFR)	—	10
Other Liabilities	2	2
Total Numericable Group Financial Debt	**11,750**	**11,760**
Altice International financial debt:		
Existing HOT Unsecured Notes[(5)]	255	255
Existing Coditel Mezzanine Facility[(6)]	116	—
Green Datacenter Debt[(7)]	35	35
Existing Senior Secured Notes[(8)]	1,587	1,587
2013 Altice Financing Term Loan	813	813
Existing Senior Notes[(9)]	903	903
2015 Senior Notes[(10)]	—	340
2015 Senior Secured Notes[(10)]	—	2,317
New Altice Financing Term Loan[(11)]	—	841
New Altice International Revolving Credit Facilities[(12)]	—	180
Existing Altice Financing Revolving Credit Facilities[(13)]	—	124
Finance Leases (Altice International)	22	22
Finance Leases (PT Portugal)	—	44
Total Altice International Financial Debt	**3,730**	**7,460**
Stand-alone Altice S.A. financial debt:		
2014 Altice S.A. Revolving Credit Facility Agreement[(14)]	—	—
2014 Senior Notes[(15)]	4,172	4,172
Notes offered hereby[(16)]	—	2,055
Total Stand-alone Altice S.A. Financial Debt	**4,172**	**6,227**
Total Consolidated Financial Debt[(17)]	**19,653**	**25,447**
Numericable Perpetual Subordinated Notes[(18)]	40	40
Total third—party debt	**19,692**	**25,487**

(1) €529 million of cash is required to be paid by Altice S.A. to certain funds affiliated with Carlyle and Cinven in connection with the Cinven Caryle Rollover by January 31, 2015. The As Adjusted cash figure includes €549 million of excess proceeds from the 2014 Senior Notes minus €76 million paid by Altice S.A. in relation to the Numericable Rights Issue and the acquisition of Fiberman.

(2) On May 8, 2014, Numericable entered into the 2014 Numericable Group Revolving Credit Facilities Agreement with, among others, the lenders party thereto. The 2014 Numericable Group Revolving Credit Facilities allowed borrowings by Numericable up to a maximum of €750 million. As of September 30, 2014, €50 million was drawn under the 2014 Numericable Group Revolving Credit Facilities, and €250 million remained available for drawdown (as from the completion of the 2014 SFR Acquisition on November 27, 2014, an additional credit line of €450 million is now available under the 2014 Numericable Group Revolving Credit Facilities). As of the date of these Listing Particulars, the 2014 Numericable Group Revolving Credit Facilities have been fully repaid. Excludes accrued interests and the impact of the effective tax rate method.

(3) Reflects the Numericable Senior Secured Notes issued on May 8, 2014 in an aggregate principal amount of €7,873 million (equivalent). The funds from the Numericable Senior Secured Notes were released from escrow in November 2014 in connection with the completion of the 2014 SFR Acquisition. This amount is based on an exchange rate of €1.00 = $1.3827. Excludes accrued interests and the impact of the effective tax rate method.

(4) On May 8, 2014, Numericable entered into the €3,780 million (equivalent) Numericable Term Loan. This amount is based on an exchange rate of €1.00 = $1.3827. Excludes accrued interests and the impact of the effective tax rate method.

(5) The amount is based on the exchange rate as of September 30, 2014 of €0.2150 = NIS1.00.

(6) The Existing Coditel Mezzanine Facility was refinanced on December 2, 2014 by €124 million (equivalent) of borrowings under the Existing Altice Financing Revolving Credit Facilities.

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

(8) Reflects the aggregate $1,360 million and €510 million Existing Senior Secured Notes outstanding.

(9) Reflects the aggregate $825 million and €250 million Existing Senior Notes outstanding.

(10) Reflects the issuance of the 2015 Senior Notes and the 2015 Senior Secured Notes issued on the Issue Date. Pending satisfaction of certain conditions to the release of the escrow proceeds, the initial purchasers of the 2015 Senior Notes and the 2015 Senior Secured Notes deposited the gross proceeds from the offering of the 2015 Senior Notes and the 2015 Senior Secured Notes into segregated escrow accounts for the benefit of the holders of the 2015 Senior Notes and the 2015 Senior Secured Notes. The amount is based on an exchange rate as of January 29, 2015, of €0.882 = $1.00.

(11) On or around the Issue Date, Altice Financing entered into the €841 million (equivalent) New Altice Financing Term Loan.The New Altice Financing Term Loan was fully drawn to consummate the PT Portugal Acquisition. The gross proceeds from borrowings under the New Altice Financing Term Loan have been deposited in segregated escrow accounts on behalf of the lenders thereunder, pending satisfaction of the conditions to the release of the escrow proceeds in accordance with the relevant escrow agreements relating thereto.

(12) The New Altice International Revolving Credit Facilities are made up of (i) a €330 million New Altice International Super Senior Revolving Credit Facility (which was entered into on or prior to the Issue Date) and (ii) a €501 million New Altice International Pari Passu Revolving Credit Facility. It is expected that €180 million under the New Altice International Super Senior Revolving Credit Facility will be drawn to consummate the PT Portugal Acquisition. The New Altice International Pari Passu Revolving Credit Facility will be available to be drawn to meet the Altice International Group's working capital needs.

(13) The Existing Altice Financing Revolving Credit Facilities are made up of (i) the $80 million 2012 Altice Financing Revolving Credit Facility and (ii) the €80 million 2013 Altice Financing Revolving Credit Facility. Altice Financing also has access to he 2013 Guarantee Facility allowing for requests for guarantees to be issued up to a maximum of €15 million. We drew all of the 2013 Altice Financing Revolving Credit Facility and $56 million of the 2012 Altice Financing Revolving Credit Facility to repay the Existing Coditel Mezzanine Facility. On January 27, 2015, we repaid the $56 million outstanding under the 2012 Altice Financing Revolving Credit Facility. As of the date hereof, all of the 2013 Altice Financing Revolving Credit Facility has been drawn. In addition, as of the date hereof, Altice Financing has made one request for a guarantee of up to approximately €6.8 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group.

(14) On May 8, 2014, the Issuer entered into the 2014 Altice S.A. Revolving Credit Facility Agreement with, among others, the lenders party thereto, in order to (a) prior to the completion of the 2014 SFR Acquisition, service the interest on the proceeds of the 2014 Senior Notes deposited in escrow and (b) after the completion of the 2014 SFR Acquisition, support its working capital purposes. The 2014 Altice S.A. Revolving Credit Facility Agreement allows borrowings by the Issuer up to a maximum of €200 million at any one time outstanding.

(15) This amount is based on an exchange rate of €1.00 = $1.3827.

(16) Reflects the issuance of the Notes offered hereby. The amount is based on an exchange rate as of January 29, 2015, of €0.882 = $1.00.

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

(18) Reflects the aggregate €23.65 million perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest). The proceeds of the Numericable Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Numericable Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalized, and accrued interest on the loan amounted to €16 million as of September 30, 2014.

PRO FORMA FINANCIAL INFORMATION OF THE GROUP

ALTICE S.A.

UNAUDITED PRO-FORMA FINANCIAL INFORMATION

FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013 AND THE YEAR ENDED DECEMBER 31, 2013 AND AS OF SEPTEMBER 30, 2014

For the nine months ended September 30, 2014	Altice SA Condensed Consolidated Financial Statements	ODO (Note 3a)	NG (Note 3b)	ODO (Note 3a)	Refinancing of coditel mezzanine (Note 3h)	Issuance of new debt to finance the acquisition (Note 3c)	Reimbursement of A France Margin loan (Note 3h)	Adjus related acquis SFR– perin (No
In Million €	**Jan 1, 2014 to Sep 30, 2014**	**April 9, 2014 to September 30, 2014**	**February 3, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January t Septem 20**
Revenue	**2,247.4**	**(218.6)**	**(880.6)**	**327.4**	**—**	**—**	**—**	
Purchases and subcontracting services	(533.9)	48.8	212.1	(76.2)	—	—	—	
Other operating expenses	(693.8)	65.3	260.7	(101.3)	—	—	—	
Operating income before depreciation & amortisation	**1,019.7**	**(104.5)**	**(407.8)**	**149.8**	**—**	**—**	**—**	
Depreciation and amortization	(646.7)	36.0	249.1	(51.3)	—	—	—	
Management fees........................	(0.6)	—	—	—	—	—	—	
Restructuring, non-recurring costs and other expenses	(78.5)	5.8	8.2	(8.7)	—	—	—	
Operating profit/(loss)..............	**293.9**	**(62.7)**	**(150.6)**	**89.9**	**—**	**—**	**—**	
Gain arising on step acquisition ..	256.3	—	—	—	—	—	—	
Financial income	138.0	(1.7)	—	2.5	—	—	—	
Finance costs	(983.1)	66.9	413.1	(67.2)	6.9	(248.8)	8.4	
Share in income of associates	1.3	—	(0.1)	—	—	—	—	
(Loss)/Profit before income tax expenses	**(293.6)**	**2.5**	**262.5**	**25.1**	**6.9**	**(248.8)**	**8.4**	
Income tax (expense)/benefit	(50.5)	4.0	18.5	(12.2)	—	—	—	
(Loss)/Profit for the period.......	**(344.1)**	**6.5**	**281.0**	**13.0**	**6.9**	**(248.8)**	**8.4**	
Attributable to owners of the entity	*(206.4)*	*6.4*	*169.4*	*13.0*	*5.8*	*(248.8)*	*8.4*	
Attributable to non-controlling interests	*(137.6)*	*0.2*	*111.6*	*—*	*1.1*	*—*	*—*	

For the nine months ended September 30, 2014	Altice SA Pre Total	NC (Note 3b)	SFR (Note 3d)	SFR-adjustments (Note 3d)	Adjustments related to the acquisition of SFR NG perimeter (Note 3d)	Cancellation of equity income in NG (Note 3b)
In Million €	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**
Revenue	**1,475.6**	**989.1**	**7,396.4**	**—**	**—**	**—**
Purchases and subcontracting services	(349.2)	(263.8)	(4,639.7)	—	—	—
Other operating expenses	(469.1)	(273.2)	(2,248.6)	1,451.4	—	—
Other operating income	—	—	1.8	—	—	—
Operating income before depreciation & amortisation	**657.3**	**452.1**	**509.9**	**1,451.4**	**—**	**—**
Depreciation and amortization	(418.4)	(274.7)	—	(1,203.4)	—	—
Management fees	(0.6)	—	—	—	—	—
Restructuring, non-recurring costs and other expenses	(66.7)	(8.2)	—	(248.1)	(25.7)	—
Operating profit/(loss)	**171.6**	**169.3**	**509.9**	**—**	**(25.7)**	**—**
Gain arising on step acquisition	256.3	—	—	—	—	—
Financial income	138.7	—	4.9	—	—	—
Finance costs	(919.2)	(427.3)	(159.5)	—	(99.4)	—
Share in income of associates	1.2	.1	(6.9)	—	—	(1.3)
(Loss)/Profit before income tax expenses	**(351.3)**	**(257.9)**	**348.3**	**—**	**(125.2)**	**(1.3)**
Income tax (expense)/benefit	(38.3)	(19.1)	(164.5)	—	(11.8)	—
(Loss)/Profit for the period	**(389.6)**	**(277.0)**	**183.9**	**—**	**(137.0)**	**(1.3)**
Attributable to owners of the entity	*(316.7)*	*(167.1)*	*110.9*	*—*	*(82.6)*	*(1.3)*
Attributable to non-controlling interests	*(72.8)*	*(110.0)*	*73.0*	*—*	*(54.4)*	*—*

For the nine months ended September 30, 2013	Altice SA Condensed Consolidated Financial Information	OMT 6m (Note 3e)	ONI 7m (Note 3f)	Ma Chaine Sport 9m (Note 3g)	SportV 9m (Note 3h)	Refinancing adjustments related to previous deals (Note 3h)	Issuance of new debt to finance the acquisition (Note 3c)	Gain on settlement of financial instruments (Note 3b)	Acquisiti SFR—A perime (Note 3
In Million €	**Jan 1, 2013 to Sep 30, 2013**	**January 1, 2013 to July 4, 2013**	**January 1, 2013 to August 8, 2013**	**Jan 1, 2013 to Sep 30, 2013**	**Jan 1, 2013 to Sep 30, 2013**	**Jan 1, 2013 to Sep 30, 2013**	**Jan 1, 2013 to Sep 30, 2013**	**Jan 1, 2013 to Sep 30, 2013**	**Jan 1, 20 Sep 30, 2**
Revenue	**928.4**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**—**	**—**	
Purchases and subcontracting services	(262.2)	(30.1)	(31.2)	(3.4)	(1.1)	—	—	—	
Other operating expenses	(289.2)	(33.2)	(18.4)	(3.4)	(0.3)	—			
Operating income before depreciation & amortisation	**376.9**	**33.2**	**9.4**	**7.0**	**3.1**	**—**	**—**	**—**	
Depreciation and amortization	(278.0)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	
Management fees	(.7)	(.4)	—	(0.4)	—	—	—	—	
Restructuring, non-recurring costs and other expenses	(12.3)	(2.0)	(2.2)	—	—	(7.0)	—	—	
Operating profit/(loss)	**85.9**	**19.4**	**(2.7)**	**1.9**	**2.0**	**(7.0)**	**—**	**—**	
Gain on settlement of financial instruments	—	—	—	—	—	—	—	255.7	
Financial income	42.7	0.2	—	—	—	—	—	—	
Finance costs	(196.6)	(2.2)	(5.7)	—	—	(58.7)	(248.8)	—	(2
Share in income of associates	14.5	—	—	—	—	—	—	—	
(Loss)/Profit before income tax expenses	**(53.5)**	**17.4**	**(8.4)**	**1.9**	**2.0**	**(65.7)**	**(248.8)**	**255.7**	**(2**
Income tax expense	(27.5)	(6.5)	(.3)	(0.3)	—	(0.8)	—	(74.7)	
(Loss)/Profit for the period	**(81.0)**	**10.9**	**(8.7)**	**1.7**	**2.0**	**(66.5)**	**(248.8)**	**181.0**	**(2**
Attributable to owners of the entity	*(75.0)*	*10.9*	*(8.8)*	*1.7*	*1.9*	*(71.4)*	*(248.8)*	*181.0*	*(1*
Attributable to non-controlling interests	*(6.0)*	—	—	—	—	*4.9*	—	—	*(*

For the nine months ended September 30, 2013	**Altice SA Pre Total**	**NC (Note 3b)**	**NG - adjustments**	**SFR (Note 3d)**	**SFR - adjustments**	**Adjustments related to the acquisition of SFR NG perimeter (Note 3d)**	**Cancellation of equity income in NG (Note 3b)**	**Port Telecon (Not**
In Million €	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**	**January t Septen 20**
Revenue	**1,436.1**	**968.9**	**—**	**7,616.2**	**—**	**—**	**—**	
Purchases and subcontracting services	(429.7)	(448.5)	—	(4,431.4)	—	—	—	
Other operating expenses	(444.9)	(142.6)	66.6	(2,196.1)	1,211.6	—	—	
Other operating income	—	58.5	(58.5)	0.7	—	—	—	
Operating income before depreciation & amortisation	**561.5**	**436.3**	**8.1**	**989.3**	**1,211.6**	**—**	**—**	
Depreciation and amortization	(401.2)	(219.0)	—	—	(1,185.8)	—	—	
Management fees	(10.2)	—	(0.2)	—	—	—	—	
Restructuring, non-recurring costs and other expenses	(35.9)	—	(7.9)	—	(25.8)	(25.7)	—	
Operating profit/(loss)	**114.2**	**217.3**	**—**	**989.3**	**—**	**(25.7)**	**—**	
Gain arising on settlement of financial instruments	255.7	—	—	—	—	—	—	
Financial income	43.4	6.9	—	3.7	—	—	—	
Finance costs	(756.4)	(155.7)	—	(201.7)	—	(99.4)	—	
Share in income of associates	14.5	(0.1)	—	(6.3)	—	—	(14.5)	
(Loss)/Profit before income tax expenses	**(328.6)**	**68.3**	**—**	**785.1**	**—**	**(125.2)**	**(14.5)**	
Income tax expense	(114.8)	(8.3)	—	(314.2)	—	(11.8)	—	
(Loss)/Profit for the period	**(443.4)**	**60.0**	**—**	**470.9**	**—**	**(137.0)**	**(14.5)**	
Attributable to owners of the entity	*(347.0)*	*36.2*	—	*283.9*	—	*(82.6)*	*(14.5)*	
Attributable to non-controlling interests	*(96.6)*	*23.8*	—	*186.9*	—	*(54.4)*	—	

For the twelve month ended December 31, 2013	Altice SA Consolidated Financial Statements	OMT	ONI	Ma Chaîne Sport	SportV	Refinancing adjustments related to previous deals	Issuance of new debt to finance the Acquisition	Reimbursement of A France Margin loan	Adjustments related to the acquisition of SFR—ASA perimeter
In Million €	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to July 4, 2013**	**Jan 1, 2013 to August 8, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**January 1, 2013 to September 30, 2013**	**January 1, 2013 to September 30, 2013**
Revenue	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**—**	**—**	**—**
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.4)	(1.1)	—	—	—	—
Other operating expenses	(401.0)	(33.2)	(18.4)	(3.4)	(0.4)	—	—	—	—
Other operating income	—	—	—	—	—	—	—	—	—
Operating income before depreciation & amortisation	**518.0**	**33.2**	**9.4**	**7.0**	**3.0**	**—**	**—**	**—**	**—**
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	—
Management fees	(0.6)	(0.4)	—	(0.4)	—	—	—	—	—
Restructuring, non-recurring costs and other expenses	(76.3)	(2.0)	(2.2)	—	—	(7.0)	—	—	—
Operating profit/(loss)	**41.5**	**19.4**	**(2.8)**	**1.9**	**1.9**	**(7.0)**	**—**	**—**	**—**
Gain on settlement of financial instruments	255.7	—	—	—	—	—	—	—	—
Financial income	120.9	0.2	—	—	—	—	—	—	—
Finance costs	(376.6)	(2.2)	(5.7)	—	—	(140.9)	(331.7)	2.1	(327.1)
Share in income of associates	15.5	—	—	—	—	—	—	—	—
(Loss)/Profit before income tax expenses	**57.0**	**17.4**	**(8.5)**	**1.9**	**1.9**	**(147.9)**	**(331.7)**	**2.1**	**(327.1)**
Income tax expense	(7.4)	(6.5)	(0.3)	(0.3)	—	—	—	—	—
(Loss)/Profit for the year	**49.6**	**10.9**	**(8.8)**	**1.6**	**1.9**	**(147.9)**	**(331.7)**	**2.1**	**(327.1)**
Attributable to owners of the entity	*71.8*	*10.9*	*(8.8)*	*1.7*	*1.9*	*(169.1)*	*(371.8)*	*2.1*	*(327.1)*
Attributable to non-controlling interests	*(22.2)*	—	—	—	—	*21.2*	—	—	—

For the twelve month ended December 31, 2013	Altice SA Pre-Total	ODO	NG (Note 3b)	NG adjustments	SFR (Note 3d)	SFR adjustments	Adjustments related to the acquisition of SFR NG perimeter (Note 3d)	Cancellation of equity income in NG (Note 3b)	Port Tele Gr (Not
In Million €	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1 t Dec 20**
Revenue	**1,460.6**	**446.3**	**1,314.2**	**—**	**10,199.0**	**—**	**—**	**—**	**2**
Purchases and subcontracting services	(433.6)	(121.6)	(611.0)	—	(6,129.0)	—	—	—	(
Other operating expenses	(456.5)	(151.6)	(229.5)	125.9	(3,067.0)	1,761.2	—	—	(1,
Other operating income	—	—	86.3	(86.3)	2.0	—	—	—	
Operating income before depreciation & amortisation	**570.5**	**173.1**	**560.1**	**39.5**	**1,005.0**	**1,761.2**	**—**	**—**	**1**
Depreciation and amortization	(492.0)	(64.3)	(304.0)	—	—	(1,660.6)	—	—	(
Management fees	(1.4)	(11.5)	—	(11.3)	—	—	—	—	
Restructuring, non-recurring costs and other expenses	(99.4)	0.1	—	(28.3)	—	(100.6)	—	—	(
Operating profit/(loss)	**(22.3)**	**97.4**	**256.0**	**—**	**1,005.0**	**—**	**—**	**—**	
Gain on settlement of financial instruments	**255.7**	—	—	—	—	—	—	—	
Financial income	121.1	0.5	9.7	—	5.0	—	—	—	
Finance costs	(1,182.2)	(1.1)	(333.4)	—	(256.0)	—	(333.6)	—	(
Share in income of associates	15.5	—	(0.5)	—	(12.0)	—	—	(15.5)	
(Loss)/Profit before income tax expenses	**(812.2)**	**96.8**	**(68.1)**	**—**	**742.0**	**—**	**(333.6)**	**(15.5)**	**(**
Income tax expense	8.0	(25.4)	132.8	—	(315.0)	—	6.9	—	
(Loss)/Profit for the year	**(804.2)**	**71.4**	**64.7**	**—**	**427.0**	**—**	**(326.7)**	**(15.5)**	**(**
Attributable to owners of the entity	*(803.1)*	*69.4*	*39.0*	—	*257.5*	—	*(326.7)*	*(15.5)*	*(*
Attributable to non-controlling interests	*(1.0)*	*2.0*	*25.7*	—	*169.5*	—	—	—	

September 30, 2014 (All Values in €' millions)	Altice SA Historical condensed consolidated position of financial position	Coditel mezzanine repayment (Note 3h)	Buyout of Fiberman shares (Note 3i)	SFR Historical condensed consolidated position of financial position (Note 3d)	Adjustments related to the SFR transaction (Note 3d)	PT Portugal Group (Note 3c)	Adj. related to the Transaction (Note 3c)	El
ASSETS								
Current assets								
Cash and cash equivalents	540.7	(0.2)	(32.7)	135.0	437.7	243.5	(243.5)	
Restricted cash	13,880.4			—	(13,880.4)	—	—	
Trade and other receivables	647.2			2,825.1	—	922.6	—	
Inventories	64.2			277.4	—	75.5	—	
Current tax assets	96.0			—	—	85.1	—	
Total current assets	**15,228.5**	**(0.2)**	**(32.7)**	**3,237.5**	**(13,442.7)**	**1,326.7**	**(243.5)**	
Non-current assets					—		—	
Deferred tax assets	416.0			112.1	—	391.5	—	
Investment in associates	3.0				—	20.7	—	
Financial assets	62.4		—	154.9	—	25.9	—	
Trade and other receivables	26.3			160.1	—	3.7	—	
Property, plant & equipment	3,105.5			4,413.4	—	3,103.7	—	
Intangible assets	1,182.5			3,756.8	—	574.5	—	
Goodwill	4,608.6			5,265.5	5,669.1	3,723.7	(962.3)	
Total non-current assets	**9,404.3**	**—**	**—**	**13,862.9**	**5,669.1**	**7,843.7**	**(962.3)**	
Total assets	**24,632.8**	**(0.2)**	**(32.7)**	**17,100.3**	**(7,773.6)**	**9,170.4**	**(1,205.8)**	
LIABILITIES AND EQUITY					—		—	
Current liabilities					—		—	
Borrowings	282.8			4,889.3	(4,889.3)	1,817.8	(1,817.8)	
Deferred revenue	158.3			—	—	159.0	—	
Trade and other payables	1,288.8			4,629.4	(101.2)	823.7	—	
Other current liabilities	583.4			21.7	—	—	—	
Provisions	2.4			406.7	—	49.9	—	
Current tax liabilities	112.7			—	—	90.9	—	
Total current liabilities	**2,428.4**	**—**	**—**	**9,947.2**	**(4,990.4)**	**2,941.3**	**(1,817.8)**	
Non-current liabilities								
Borrowings	20,164.2	6.2		33.3	(23.6)	4,012.4	1,574.2	
Loans from related parties	—			—	—	—	—	
Other financial liabilities	648.0			—	(44.0)	19.0	—	
Deferred revenue	110.8			—	—	—	—	
Trade and other payables	17.2			500.9	—	19.0	—	
Retirement benefit obligations	19.4			—	—	1,073.6	—	
Provisions	100.6			174.8	—	1.3	—	
Deferred tax liabilities	295.5			4.6	—	141.5	—	
Total non-current liabilities	**21,355.7**	**6.2**	**—**	**713.6**	**(67.7)**	**5,266.8**	**1,574.2**	
Equity					—		—	
Total equity attributable to the shareholders of the parent	**863.2**	**(6.4)**	**(32.7)**	**6,430.0**	**(2,800.1)**	**962.3**	**(962.3)**	
Non-controlling interests	(14.4)			9.5	84.6	—	—	
Total equity	**848.8**	**(6.4)**	**(32.7)**	**6,439.6**	**(2,715.5)**	**962.3**	**(962.3)**	
Total liabilities and equity	**24,632.8**	**(0.2)**	**(32.7)**	**17,100.3**	**(7,773.6)**	**9,170.4**	**(1,205.8)**	

ALTICE S.A.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1—General information

The accompanying unaudited pro forma consolidated statement of income for the nine and twelve month periods ended September 30, 2014, and September 30, 2013, and the twelve months period ended December 31, 2013, the accompanying unaudited pro forma condensed consolidated statement of financial position as of September 30, 2014 and these explanatory notes (together the "Unaudited Pro Forma Financial Information") present the unaudited pro forma consolidated financial information of Altice S.A. (the "Company" or the "Group"), giving effect to each of the acquisitions and the other transactions described in the basis of preparation described in Note 2. For the period ended September 30, 2013 and the year ended December 31, 2013 the Company, Altice France S.A. (formerly Altice Six S.A.) and Altice International S.à r.l. (formerly Altice VII S.à r.l.) (Together the "Predecessor Entities") and their subsidiaries are referred to collectively as the "Group".

The Unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Mobius S.A. ("Mobius") for the nine month periods ended September 30, 2013 and December 31, 2013 respectively. However, as a result of the acquisition of the Mobius Group on January 15, 2014, the pro-forma condensed consolidated statement of income for the nine months ended September 30, 2014 and the pro-forma condensed consolidated statement of financial position as at September 30, 2014 contains information pertaining to the Mobius Group. The Board of Directors has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information. Additionally, the unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Tricom S.A. and Global Interlink Limited ("Tricom") for the nine and twelve month periods ended September 30, 2013 and December 31, 2013 respectively. However, as a result of the acquisition of the Tricom Group on March 12, 2014, the pro-forma condensed consolidated statement of income for the nine months ended September 30, 2014 and the pro-forma condensed consolidated statement of financial position as at September 30, 2014 contains information pertaining to the Tricom Group. The Board of Directors has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information. For the nine months ended September 30, 2014, the Mobius Group and Tricom Group contributed €13.1 million and €82.0 million to the Company's revenues and €1.0 million and €14.1 million to the Company's operating income respectively. The Unaudited Pro Forma Financial Information also does not give effect to the disposal of the assets of Outremer Telecom that are located in the Indian Ocean region, as this disposal is not deemed to be significant by the Board of Directors. With regards to the recently completed acquisition of SFR S.A., these pro-forma accounts do not give effect to the acquisition of Virgin Mobile or Telindus France. In October 2014, the Company, through its indirect subsidiary Altice Africa S.à r.l., acquired an additional stake in Wananchi Group (Holdings) Limited for a total cash of amount of €8.6 million. Management has deemed that this acquisition is not significant for the purposes of these accounts and hence no pro forma effect has been given to this transaction. The Board of Directors has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information.

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

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

For the purposes of these Unaudited Pro Forma Financial Information, and in relation to the Group's acquisition of PT Portugal Group ("PT") and Société Francaise de Radiophonie S.A. ("SFR") any difference between (a) the total consideration transferred measured in accordance with IFRS 3 *Business Combinations* ("IFRS 3") and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, has been allocated to goodwill. Definitive allocations will be performed and finalized based upon certain valuations and other studies that will be performed with the services of outside valuation specialists after the closing of the aforementioned acquisitions. Accordingly, the determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed at the end of the measurement period for PT and SFR.

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

2—Basis of preparation

The Unaudited Pro Forma Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma consolidated statements of income and, if applicable, on September 30, 2014 for the purpose of the unaudited condensed consolidated pro forma statement of financial position:

- The acquisition by Altice S.A. or its subsidiaries of:
    - 99.85% of the share capital of OMT Invest S.A.S. in three tranches of 77%, 22.7% and 0.15% respectively;
    - A supplementary 40% of the share capital of Altice Portugal and its direct subsidiary Cabovisao;
    - 100% of the share capital of Winreason S.A.;
    - 100% of the share capital of Sportv S.A.;
    - 100% of the share capital of Ma Chaîne Sport S.A.S.;
    - A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.;
    - 97.2% of the share capital of Orange Dominicana S.A.S. (later renamed Altice Hispaniola S.A.S.)
- The acquisition by Numericable Group S.A. ("NG") of 100% of the share capital of Societe Francaise de Radiophonie ("SFR") paid in cash and new NG shares to Vivendi, giving it a 20% stake in the Altice France Group.
- The planned acquisition by the Company and/or its subsidiaries of 100% of the share capital of PT Portugal and its subsidiaries as defined by the carve-out perimeter. A description of the planned carve out steps and adjustments is provided elsewhere in the Listing Particulars.
- The following Refinancing Transactions
    - The issuance by the Company and its subsidiaries of:
        - 9% EUR 250 million Senior Secured Notes falling due in 2023;
        - $6^{1}/_{2}$% $900 million Senior Secured Notes due in 2022;
        - $8^{1}/_{8}$% $400 million Senior Secured Notes due in 2024;
        - 7.75% $ 2,900 million Senior Notes due in 2022;
        - 7.25% EUR 2,075 million Senior Notes due in 2022;
        - 6.20% EUR 2,500 million Senior Notes falling due in 2022,
        - 5.36% EUR 3,540 million Senior Notes falling due in 2022. These Notes are expected to be issued in USD and fully hedged,
        - 5.19% Senior Secured Term Loan credit facility agreement for an amount equivalent to EUR 2,600 million due in 2020,
        - 4.93% Senior Secured Term Loan credit facility agreement for an amount equivalent to EUR 3,000 million due in 2020. This term loan is expected to be issued in USD and fully hedged
    - The planned issuance by the Company and its subsidiaries of:

- 5.25% EUR 400 million term loan due in 2022;
- 5.25% USD 500 million term loan due in 2022;
- 5.25% EUR 500 million Senior Secured Notes due in 2023;
- 6.625% USD 2,060 million Senior Secured Notes due in 2023;
- 7.625% USD 385 million Senior Notes falling due in 2025;
- 6.250% EUR 750 million Notes falling due in 2025;
- 7.625% USD 1,480 million Notes falling due in 2025

- The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR 795 million;
- The repayment of the Coditel Mezzanine facility amounting to EUR 125.7 million;
- The repayment of the Coditel Senior Facility amounting to EUR 138 million;
- The repayment of the ABO credit facility amounting to EUR 65.6 million;
- The repayment of the Cabovisao facility amounting to EUR 202.6 million; and
- The repayment of the ONI facility amounting to EUR 47.3 million.
- The repayment of the Numericable Group's financial liabilities under its existing Senior Facility Agreement for EUR 2,638 million
- The obtaining of an additional revolving credit facility amounting to a total of EUR 330 million.
- The acquisition of a 100% stake in Fiberman SCA and Fiberman Management SCA for a cash amount of EUR 32.7 million.
- The borrowing costs on the aforementioned drawn amounts have been included in the unaudited pro forma statements of income for the nine months ended September 30, 2013 and 2014 and the year ended December 31, 2013.

As mentioned above, given the timing of the Acquisition, assets acquired and liabilities assumed of the PT Portugal Group are reflected in the unaudited pro forma consolidated statement of financial position as of September 30, 2014 at their historical book value reflected in the PT Portugal Combined Selected Financial Information for the nine months ended September 30, 2014, and have not been adjusted. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the acquisitions mentioned above. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of consolidated operations of Altice S.A. could be significantly affected by amortization expense in relation to such identifiable assets acquired.

On April 23, 2013, an indirect subsidiary of the Company acquired the remaining 40% of the share capital of Cabovisao. The Group had acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of Cabovisao are reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Group's shareholding from 60% to 100% have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On June 14, 2013, Altice Finco S.A., an indirect subsidiary of the Company, issued 9% Senior Notes for an aggregate principal of EUR 250 million maturing in 2023. Such liabilities are reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of September 30, 2014. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 14, 2013 have been included in the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR 795 million. As of September 30, 2014, the full amount of EUR795 million has been drawn under this facility. The corresponding liability is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 24, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of EUR202.6 million. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On July 4, 2013, an indirect subsidiary of the Company acquired 77% of the share capital of OMT Invest S.A. ("OMT"). On June 27, 2014, the Company acquired an additional 22.7% of the share capital of OMT and subsequently acquired an additional 0.15% stake in November 2014. The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for OMT have been included in the consolidated statement of income of the Company since the date of acquisition on July 4, 2013. The OMT historical consolidated income statement for the period from January 1, 2013 through July 3, 2013 have hence been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On August 8, 2013, an indirect subsidiary of the Company acquired 100% of the share capital of Winreason S.A. ("ONI"). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the condensed consolidated statement of financial position as of September 30, 2014, at their fair value and a purchase price allocation has been completed. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed consolidated statement of financial position. The results of operations for ONI have been included in the historical consolidated statement of income since the date of acquisition on August 8, 2013. The ONI historical consolidated income statement for the period from January 1, 2013 through August 7, 2013 have been included in the unaudited pro forma consolidated income statement for the nine months ended September 30, 2013 and the year ending on December 31, 2013. As per the requirements of IFRS 3, *Business Combinations*, the comparative historical period for ONI included in the condensed consolidated statement of income of the Company for the nine months ended September 30, 2013 has been restated to reflect the impact of the recognition of the fair value of the assumed assets and liabilities of ONI on the amortization and depreciation expense for the period in question.

On August 8, 2013, ONI repaid its credit facility for an amount of EUR 47.3 million. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited consolidated pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of Ma Chaîne Sport S.A.S. ("MCS"). The Board of Directors has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for MCS have been included in the consolidated statement of income of the Company since the date of acquisition on September 30, 2013. The MCS historical income statement for the period from January 1, 2013 through September 30, 2013 have hence been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of SportV S.A. ("SportV"). The Board of Directors has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for Sportv have been included in the consolidated statement of income of the Company since the date of acquisition on September 30, 2013. The SportV historical income statement for the period from January 1, 2013 through September 30, 2013 have hence been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On November 29, 2013, an indirect subsidiary of the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. ("Coditel") and reimbursed certain Preferred Equity Certificates held by the non-controlling interests in this entity. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs and change in non-controlling interests on the aforementioned operation for the period between January 1, 2013 and November 29, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On December 5, 2013, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of $6^1/_2$ Senior Secured Notes for an aggregate principal of $ 900 million maturing in 2022. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On December 5, 2013, Altice Finco S.A., an indirect subsidiary of the Company, proceeded with the issuance of $8^1/_8$% Senior Notes for an aggregate principal of $400 million maturing in 2024. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On January 31, 2014, Altice S.A. successfully listed its shares on the Euronext Amsterdam exchange. The primary issuance amounted to a total of €750 million, at a listing price of €28.25 per share. Given that this issuance occurred on January 31, 2014, the proceeds from the issuance have been included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, the relevant pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial income in order to reflect this transaction as if it had occurred on January 1, 2013.

On February 3, 2014, Altice France S.A. acquired a controlling stake in the Numericable Group S.A. and hence started fully consolidating the results of Numericable Group S.A. (as against the equity accounting method used prior to this date). The excess of the acquisition price over the historical book value of the non-controlling interests was recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. The assets acquired and liabilities assumed of NG are reflected in the condensed consolidated statement of financial position as of September 30, 2014, and the difference between the consideration paid and the net asset position has been provisionally accounted for as goodwill. The Group has, following a report from an independent valuer, recognized certain tangible and intangible identifiable assets at their fair value for the period ended September 30, 2014. Apart from this, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Pro-forma adjustments have thus been made to the pro-forma statements of income for the nine months ended September 30, 2014 and 2013 and the year ended December 31, 2013 to reflect the impact of the recognition of these assets at their fair value on the depreciation and amortization expense (and the corresponding deferred tax impact). Additionally, the results of operations for NG have been included in the condensed consolidated statement of income since the date of acquisition on February 3, 2014. The historical consolidated income statement of NG, for the period from January 1, 2014 through February 3, 2014 has been included in the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2014. However, for practical reasons, the data pertaining to the period from February 3, 2014 to September 30, 2014 has been deducted from the condensed consolidated financial information of the Group for the period ended September 30, 2014, and a pro-forma adjustment reflecting the statement of income for the period from January 1, 2014 to September 30, 2014 has been presented. This has been done to ensure comparability of information for the nine month periods ended September 30, 2014 and 2013 respectively.

On April 9, 2014, the Company acquired 97.2% of the share capital of Orange Dominicana S.A. ("ODO"). The excess of the acquisition price over the historical book value of the non-controlling interests was recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. The assets acquired and liabilities assumed of ODO are reflected in the consolidated statement of financial position as of September 30, 2014, and the difference between the consideration paid and the net asset position has been provisionally accounted for as goodwill, except for two identifiable assets that were recognized at the provisional fair values at the time of acquisition. These assets consist of the right to use the Orange brand in the Dominican Republic for a period of three years (plus an option of two additional years) and the capitalization of subscriber acquisition costs in line with Group accounting policies. Apart from this, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for ODO have been included in the historical consolidated statement of income since the date of acquisition on April 9, 2014. The historical consolidated statement of income of ODO, for the period from January 1, 2014 through April 8, 2014 have been included in the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2014. However, for practicality reasons, the data pertaining to the six month period from April 9, 2014 to September 30, 2014 has been deducted from the historical consolidated financial information of the Group, and a pro-forma adjustment reflecting the statement of income for the period from January 1, 2014, to September 30, 2014 has been presented. This has been done to ensure comparability of information for the nine month periods ended September 30, 2014 and 2013 respectively for the purpose of the Management Discussion and Analysis of ODO.

On May 8, 2014, the Company completed the issuance of a €4.2 billion senior notes due in 2022. These notes were issued in two tranches, a $2.9 billion tranche bearing interest at $7^3/_4$% and a €2.1 billion tranche bearing interest at $7^1/_4$%. Given that this issuance occurred on May 8, 2014, the proceeds from the issuance have been included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, the relevant pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial income in order to reflect this transaction as if it had occurred on January 1, 2013.

On May 8, 2014, Numericable Group S.A., an indirect subsidiary of the Company, completed the issuance of new loans and debts for a total euro equivalent amount of €11,653 million, falling due between 2019 and 2024. Given that this issuance occurred on May 8, 2014, the proceeds from the issuance have been included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, the relevant pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial income in order to reflect this transaction as if it had occurred on January 1, 2013.

In October 2014, Altice France S.A. completed the acquisition of 100% of the share capital of Fiberman S.C.A. Prior to this, Altice France held a 12.48% stake in Fiberman S.C.A and accounted for this investment as an available for sale. As this acquisition occurred after September 30, 2014, pro-forma adjustments have been made to reflect the impacts of the transaction. Further to this acquisition, the Company, through Altice France S.A. funded the contribution of Fiberman's share in the NG rights issuance completed on November 17, 2014. Given that this acquisition has not been included in the condensed consolidated statement of financial position as of September 30, 2014 pro-forma adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this new acquisition as if it had occurred on September 30, 2014. After the completion of this step, Altice France S.A. held a 75.375% stake in NG (diluted down to 60.3% after the allocation of a 20% stake in NG to Vivendi as part of the SFR closing). On December 31, 2014, Fiberman SCA and Fiberman Management SCA were merged into their mother company, Altice France S.A.

On November 27, 2014, an indirect subsidiary of the Company acquired 100% of the share capital of Société Francaise de Radiotéléphone S.A. ("SFR"). The Board of Directors has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. Given that this acquisition has not been included in the condensed consolidated statement of financial position as of September 30, 2014, the assets acquired and liabilities assumed of SFR are reflected in the unaudited pro forma consolidated statement of financial position as of

September 30, 2014 at their historical book value reflected in the Condensed Combined Financial Statements of SFR for the nine months ended September 30, 2014, and have not been adjusted. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the acquisitions mentioned above. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of consolidated operations of Altice S.A. will be significantly affected by amortization expense in relation to such identifiable assets acquired.

On December 2, 2014, the Company refinanced the mezzanine facility issued by Coditel Holding S.A. for a total amount of €125.7 million (this included the PIK interest due on the debt as well as the break costs of 6.75%). Given that this transaction has not been included in the condensed consolidated statement of financial position as of September 30, 2014 pro-forma adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned reimbursement have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2014, September 30, 2013 and the year ending on December 31, 2013.

In January 2015, Altice S.A. and two of its subsidiaries, Altice Finco S.A. and Altice Financing S.A., intend to proceed with the issuance of the Notes and entry into a term loan credit facility in an amount of €5,552 million (equivalent) and also draw on a new revolving credit facility of €180 million. Given that such issuance will occur after September 30, 2014, the liabilities arising from the issuance are not included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned issuance have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2014, September 30, 2013 and the year ending on December 31, 2013.

On December 9, 2014, Altice International S.à r.l. signed an agreement to acquire the Portuguese and Hungarian assets of Portugal Telecom from Oi and is subject to works council procedures and to certain conditions precedent, including antitrust approval. The main details of this offer are outlined in the section entitled, "The Transactions" elsewhere in these Listing Particulars. After the completion of the transaction, Altice International S.à r.l. is expected to hold 100% of the PT Portugal Group. The excess of the purchase price over the historical book value will be recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire PT Portugal. Given that such acquisitions will occur after September 30, 2014, the assets acquired and liabilities assumed of PT Portugal are not included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. The historical combined statements of income for the period from January 1, 2013 through December 31, 2013, January 1, 2013, to September 30, 2013, and from January 1, 2014, to September 30, 2014, have hence been included in the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2013, and December 31, 2013, and the period ended September 30, 2013, respectively.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act or any generally accepted accounting standards nor has it been audited or reviewed. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Group. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The Unaudited Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the transactions described below. The Unaudited Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition for the nine month and full year periods ended September 30, 2013 and December 31, 2013. Also, the Unaudited Pro Forma Financial Information does not give effect to the future disposal of the assets held by Outremer Telecom in the Indian Ocean region.

No consideration has been given to any potential effect of the early redemptions of the issued Notes in the statement of financial position.

There are certain differences in the way in which PT Portugal and the Company present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the Unaudited Pro forma Condensed Consolidated statements of income to comply with Altice International's presentation. There could be additional reclassifications following completion of the PT Portugal Acquisition.

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

In ODO, no pro forma effects have been given to the capitalization of subscriber acquisition costs (and related depreciation) for the nine months ended September 30, 2013, and year ended December 30, 2013, given the Board has concluded that these are not material.

Historical consolidated financial statements

The historical consolidated financial statements of the Company are represented by the consolidated financial statements of Altice S.A. as of and for the three month and nine month ended September 30, 2014 (and the comparative period for the three month and nine months ended September 30, 2013) prepared in accordance with IAS 34, and as of and for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

3—Pro-Forma adjustments

(a) Acquisition of ODO

Altice Dominican Republic II S.A.S., an indirectly fully-owned subsidiary of Altice International obtained control of ODO on April 9, 2014, further to a purchase of 97.2% of its shares. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2013, to December 31, 2013, and from January 1, 2014 to April 9, 2014 derived respectively from the unaudited financial statements of ODO prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income and from the notes to the historical condensed consolidated financial statements of Altice S.A. as of and for the three month and nine month ended September 30, 2014.

The ODO Acquisition has been accounted for in the condensed consolidated statement of financial position as of September 30, 2014, using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €677.9 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma consolidated financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

For the period ended September 30, 2014, the pro-forma adjustments pertain to the extraction of the result of Orange Dominicana for the period from April 9, 2014, through September 30, 2014, and adding back the results of the nine month period from January 1, 2014 through September 30, 2014.

(b) Acquisition of Numericable Group S.A.

Altice France S.A., an indirectly fully-owned subsidiary of Altice International obtained control of NG on February 3, 2014 pursuant to a purchase of an additional 10.0% (including a call option on 2.8%, exercised in June 2014) of its shares. These Pro-Forma Adjustments relate to the historical statement of income of NG for the period from January 1, 2013, to December 31, 2013, the period from January 1, 2013, to September 30, 2013, and from January 1, 2014, to February 3, 2014, derived respectively from the audited consolidated financial statements of NG prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income of Altice S.A.

The historical audited consolidated financial statements for Numericable Group S.A. have been prepared based on the audited historical financial statements of Numericable Group S.A. for the period ended September 30, 2013, and for the year ended December 31, 2013, prepared in accordance with IFRS after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial statements for the period ended September 30, 2013, and for the year ended December 31, 2013, to conform to the financial information presentation of the Unaudited Pro Forma Consolidated Financial Information of Altice S.A.

- The Numericable Group S.A. Acquisition has been accounted for in the condensed consolidated statement of financial position as of September 30, 2014, using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost for the purposes of the Unaudited Pro Forma Consolidated Financial Information. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €2,558.7 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired. Preliminary adjustments have been made to reflect the impact of the recognition of certain identifiable assets as part of the preliminary purchase price allocation of the initial goodwill recognized on the acquisition of a controlling stake in the Numericable Group. Such adjustments had an impact of EUR 3.6 million, EUR 32.1 million and EUR 42.8 million on the pro-forma statements of income (net of income tax effects) for the nine month periods ended September 30, 2014 and 2013 and the year ended December 31, 2013 respectively.

For the period ended September 30, 2014, the pro-forma adjustments pertain to the extraction of the period from February 3, 2014 through September 30, 2014 and adding back the results of the period from January 1, 2014 through September 30, 2014.

(c) Acquisition of PT Portugal (adjustments related to the Altice S.A. perimeter)

In connection with the Transactions, the Group, through its indirectly held subsidiary, Altice Portugal S.A., contemplates acquiring a 100.0% stake in the PT Portugal Group. Pro-forma adjustments relating to this transaction are reflected below, and pertain to the Pro-Forma Adjustments made by the Issuer to reflect the impact of the transaction on its unaudited Pro Forma Consolidated Financial Information.

In order to finance this acquisition, the Group, through its indirect subsidiaries Altice Finco S.A. and Altice Financing S.A. intends to issue the New Loans and Senior and Senior Secured Notes bearing interest at 5.25%, 6.6% and 5.3% respectively. These debts fall due in 2022, 2025 and 2023 respectively. Additionally, Altice S.A. issued Senior Notes bearing interest at 7.625% and 6.250% due in 2025. Additionally, the Group acquired and will draw on a new revolving credit facility for a total amount of €330 million bearing interest at 3.65%. The Pro forma adjustments relating to the new debt issuance are composed as follows:

- Payment of the purchase price to the vendors as agreed in the sale and purchase agreement.

- Payment of €128.1 million as underwriting and other fees related to the issuance of the new debts.

Pro-forma adjustments of €248.8 million and €331.7 million have been recorded for the nine month periods ended September 30, 2014 and 2013, and the twelve months ended December 31, 2013 respectively to reflect the net change to finance costs on borrowings and non-recurring deal fees, that would have been recorded had the above debt issuance taken place on January 1, 2013.

In case of a +/−10 basis points change in the interest rate, the final interest expense adjustment would have an impact of +/− €3.3 million for the twelve months ended December 31, 2013, and +/− €2.5 million for the nine months ended September 30, 2013, and September 30, 2014.

€ in millions	**Acquisition of PT Portugal Shares**	**Debt settlement**	**Cash free adjustment**	**Total impact of the proposed issuance**
ASSETS				
Current assets				
Cash and cash equivalents	—	—	(243.5)	(243.5)
Total Current assets	**—**	**—**	**(243.5)**	**(243.5)**
Non-current assets				
Goodwill	(962.3)	—	—	(962.3)
Total non-current assets				
Total assets	**(962.3)**	**—**	**(243.5)**	**(1,205.8)**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	—	(1,817.8)	—	(1,817.8)
Total current liabilities	**—**	**(1,817.8)**	**—**	**(1,817.8)**
Non-current liabilities				
Borrowings	—	1,817.8	(243.5)	1,574.2
Total non-current liabilities	**—**	**1,817.8**	**(243.5)**	1,574.2
Equity				
Invested equity	**(962.3)**	**—**	**—**	**—**
Non-controlling interests	—	—	—	—
Total equity	**(962.3)**	**—**	**—**	**(962.3)**
Total equity and liabilities	**(962.3)**	**—**	**(243.5)**	**(1,205.8)**

a) The net assets acquired of PT Portugal Group as their historical amounts as if the acquisition took place as at December 31, 2013. The value of the equity acquired (€962.3 million) has been computed as the aggregation of (i) the equity of the combined PT Portugal Group as at September 30, 2014 for €962.3 million minus (ii) the existing goodwill recorded in the books of the combined PT Portugal Group prior to its acquisition by Altice

International. Thus provisional goodwill of €2,761.4 million has been recorded in the pro-forma statement of financial position.

b) Provisional goodwill has been determined with regards to the acquisition of PT Portugal, and is calculated as the difference between the consideration transferred to the owners and the estimated acquisition date assumed fair value of the assets and liabilities acquired, as required by IFRS 3, 'Business combinations'. The SPA also includes an earn out due to the vendors in the event that certain pre-determined conditions are met before the fifth year following the closing of the transaction. As per the requirements of IFRS 3, this contingent consideration was evaluated at its fair value, using the probability weighted average fair value method (corresponding to the present value of the future payout, discounted at the weighted average cost of capital (WACC) of the Group and assuming a probability of occurrence for each discreet payout scenario). The following adjustments have been made to reflect the impact of the acquisition on the Pro-Forma Financial Information. The cash consideration expected to be paid to the vendors to acquire shares in the new combined PT Portugal Group, amounting to €1.

c) Subsequently, the PT Portugal Group will use the proceeds from the new debt issuance to reimburse shareholder loans held by the vendors for a total amount of €5,604.0 million. The cash position of the PT Portugal Group has been cancelled as it is assumed that PT will be sold to Altice on a cash free basis.

(d) Acquisition of SFR

On November 27, 2014, Numericable Group S.A. completed the planned acquisition of SFR S.A. from Vivendi S.A. The acquisition was financed using cash held in escrow from debt issuances performed in May 2014 and was also remunerated with a 20% equity offering in the Numericable Group S.A. Pro Forma Adjustments have been made to the unaudited pro forma consolidated statements of income and unaudited pro-forma statement of financial position to reflect these changes.

In order to finance this acquisition, the NG and the Company issued debts in an aggregate amount of €11,653 million (equivalent) and €4,072 million (equivalent), which were recorded in the condensed consolidated statement of financial position of the Company as of September 30, 2104. On November 17, 2014, Numericable Group S.A. also concluded a new rights offering for a net amount of €4,720 million, of which €3,530.1 million was fully subscribed by Altice France S.A (and funded using proceeds from the debts described above).

The following pro-forma adjustments have been recorded in the pro-forma statement of income to reflect the impact of the issuance of these, had such debts been issued on January 1, 2013:

- Payment of the purchase price of €13,366.3 million to the vendors as agreed in the sale and purchase agreement.

- Payment of €165.4 million as underwriting fees related to the issuance of the new debts by NG.

- Payment of €12.5 million as underwriting fees related to the rights issuance of NG.

- Payment of €34.7 million as discretionary fees related to the issuance of the new debts by NG.

- Payment of €7.8 million as discretionary fees related to the issuance of the new debts by Altice S.A.

Pro-forma adjustments of €137.0 million have been recorded for the nine month periods ended September 30, 2014 for the NG perimeter to reflect the impact of the debt and rights issuance on finance costs and restructuring, non-recurring costs and other expenses. For the nine months ended September 30, 2013 and the twelve months ended December 31, 2013, adjustments of €137.0 million and €326.7 million have been made to reflect the net change (after tax) to finance costs on borrowings and non-recurring deal fees, that would have been recorded had the above debt issuance taken place on January 1, 2013.

As of September 30, 2014 , the following pro-forma entries were recorded in the unaudited Pro Forma consolidated statement of financial position to reflect the closing of the transaction:

(i) Provisional goodwill has been determined with regards to the acquisition of SFR, and is calculated as the difference between the consideration transferred to the owners and the estimated acquisition date assumed fair value of the assets and liabilities acquired, as required by IFRS 3, 'Business combinations'. The SPA also includes an earn-out due to the vendors in the event that a certain pre-determined level of an operational indicator is achieved. As per the requirements of IFRS 3, this contingent consideration was evaluated at its fair value, which the Board of Directors estimates is equal to the nominal value of the earn-out, €750.0 million. The total cash consideration transferred to the vendors was €13,366.3 million (restricted cash held in escrow and recorded in the statement of financial position as of September 30, 2014) and the equity consideration transferred amounted to €2,674.2 million and the net fair value of assumed assets and liabilities was evaluated as €11,121.4 million (including adjustments on intercompany debt at SFR on a cash free/debt free basis). A residual goodwill of €5,669.1 was recognized in the pro forma condensed consolidated statement of financial position as at September 30, 2014.

The Board of Directors has not accounted for the pro-forma effect of the call options held by the Company on the 20% stake of Vivendi in NG.

3—Pro Forma adjustments

(ii) The variation between the amortised cost of the restricted cash recorded in the condensed consolidated statement of financial position as of September 30, 2014 and the actual cash released from escrow for a total amount of €794.0 million.

(iii) Payment of fees related to the issuance of debt at Numericable Group in relation to the transaction for a total amount of €200.1 million.

(iv) Numericable Group issued new shares under the rights issuance for a total amount of €4,732.0 (€4,720.0 million net of underwriting fees), under which Altice France S.A. subscribed to new NG shares for a total amount of €3,530.1. This portion was funded using the restricted cash held on the balance sheet of Altice S.A. as of September 30, 2014.

(v) Excess cash resulting from the closing of the acquisition for a total of €548.8 million at Altice S.A. and €67.4 million at NG.

(vi) The use of existing cash on balance sheet at SFR, as the planned acquisition of SFR was closed on a cash free basis.

(vii) The subscription by Fiberman S.C.A of its portion of the Numericable rights issuance, funded by available cash on the statement of financial position for a total amount of €43.4 million.

€ in millions	Closing of the transaction-NG	Fair value adjustment on restricted cash	Payment of transaction costs	ASA subscription to NG rights issue	Excess cash from closing-ASA	Excess cash from closing-NG	Adj. related to SFR cash utilization	Fiberman portion of rights offering	Total impact of the SFR acquisition
ASSETS									
Current assets									
Restricted cash	(8,642.5)	(794.0)	(200.1)	(3,627.6)	(548.8)	(67.4)	—	—	(13,880.4)
Cash and cash equivalents	—	—	—	—	548.8	67.4	(135.0)	(43.4)	437.7
Total Current assets	**(8,642.5)**	**(794.0)**	**(200.1)**	**(3,627.6)**	—	—	**(135.0)**	**(43.4)**	**(13,442.7)**
Non-current assets									
Goodwill	5,669.1	—	—	—	—	—	—	—	5,669.1
Total non-current assets	**5,669.1**	—	—	—	—	—	—	—	**5,669.1**
Total assets	**(2,973.4)**	**(794.0)**	**(200.1)**	**(3,627.6)**	—	—	**(135.0)**	**(43.4)**	**(7,773.6)**
EQUITY AND LIABILITIES									
Current liabilities									
Borrowings	—	—	—	—	—	—	(4,889.3)	—	(4,889.3)
Trade and other payables	—	—	(9.0)	(92.2)	—	—	—	—	(101.2)
Total current liabilities		—	**(9.0)**	**(92.2)**	—	—	**(4,889.3)**	—	**(4,990.4)**
Non-current liabilities									
Borrowings	—	—	—	—	—	—	(23.6)	—	(23.6)
Other financial liabilities	750.0	(794.0)	—	—	—	—	—	—	(44.0)
Total non-current liabilities	**750.0**	**(794.0)**	—	—	—	—	**(23.6)**	—	**(67.7)**
Invested Equity	**(3,808.1)**	—	**(191.2)**	**(3,535.4)**	—	—	**4,779.9**	**(43.4)**	**(2,800.1)**
Non-controlling interests	84.6	—	—	—	—	—	—	—	84.6
Total equity	**(3,723.4)**	—	**(191.2)**	—	—		**4,779.9**	**(43.4)**	**(2,715.5)**
Total equity and liabilities	**(2,973.4)**	**(794.0)**	**(200.1)**	**(3,627.6)**	—		**(135.0)**	**(43.4)**	**(7,773.6)**

(e) Acquisition of OMT

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

(f) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice International obtained control of Winreason on August 8, 2013, pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of

ONI for the period from January 1, 2013, through August 8, 2013, derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been applied to conform to the presentation of the accompanying unaudited pro forma statements of income.

(g) Acquisition of Ma Chaîne Sport

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

The measurement and recognition criteria of French Generally Accepted Accounting Principles ("French GAAP") do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRSs allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of €4.7 million, in other operating expenses of €1.6 million and an increase in depreciation and amortization of €6.1 million for the year ended December 31, 2013, and a decrease in purchasing and subcontracting services of €4.1 million, in other operating expenses of €1.4 million and an increase in depreciation and amortization of €4.4 million for the nine months ended September 30, 2013.

(h) Acquisition of SportV

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

(i) Acquisition of non-controlling interests

Coditel

(i) On November 29, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. it did not hold and refinanced certain Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis was €82.5 million. Pro forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €14.6 million for the nine month period ended September 30, 2013, and €18.7 million for the full year ended December 31, 2013. Additionally, a reversal of €7.2 million, pertaining to the interests paid on the preferred equity certificates for the period between January 1, 2013 and November 29, 2013, has been reflected in the unaudited pro-forma statement of financial income for the nine months ended September 30, 2013, and the twelve months ended December 31, 2013.

Cabovisao

(ii) On April 23, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was €105.1 million. Pro forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited proforma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €2.4 million for the nine months ended September 30, 2013 and twelve months ended December 31, 2013.

Outremer Telecom

(iii) On March 13 and November 13, 2014 Altice S.A. repurchased the minority interests in Altice Blue Two S.A.S. it did not hold. Pro forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited proforma consolidated income statement as if such transaction took place on January 1, 2013. Such adjustments represent the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €2.7 million for the full year ended December 31, 2013 and €2.5 million for the nine months ended September 30, 2013.

(j) Refinancing Transactions

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

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

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

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of €202.6 million;
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million; and
- The purchase of Orange Dominicana for an amount of €1,034.0 million and of Tricom and Global Interlinks for a total amount of €299.2 million.

(ii) Use of Term Loan

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

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million;
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.3 million; and
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million.

(iii) Refinancing of Coditel mezzanine

On December 2, 2014, the Company, through its indirectly held subsidiary, Coditel Holding S.A., exercised a call option held in a mezzanine facility, issued by Coditel Holding S.A. The total amount refinanced was €125.7 million, which included accumulated PIK interest and break costs of 6.75% of the nominal amount. This facility was refinanced by drawing on two RCFs currently available to the Group and will be subsequently refinanced in the future.

(iv) During the fourth quarter of 2013, Altice Finance secured a margin loan of €324 million. The proceeds were used to finance the increase in the share capital of NG. As part of the SFR Acquisition, this was repaid fully.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3—Pro Forma adjustments

Pro-Forma adjustments of €(15.3) million, € 66.5 and €145.8 million have been recorded to reflect the net change to finance costs on borrowings for the nine months ended September 30, 2014, and September 30, 2013, and the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2013.

(k) Acquisition of a controlling stake in Fiberman S.C.A

In October 2014, the Company through its direct subsidiary, acquired a 100% controlling stake in Fiberman S.C.A, a vehicle held by former majority stakeholders in NG and certain managers of the Numericable Group S.A.. As this transaction occurred after September 30, 2014, adjustments for a total amount of EUR 32.7 million have been recorded in the unaudited pro-forma consolidated statement of financial position.

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

The historical financial statements of ODO, from which amounts have been derived in preparing the Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2013, and the nine months ended September 30, 2013, have been drawn in Dominican Pesos (“DOP”). The amounts have been translated into Euro (“EUR”), for the purposes of their inclusion within the Unaudited Pro Forma Financial Information, using the following notes:

- As of September 30, 2013: DOP1.00 = EUR0.0186
- As of December 31, 2013: DOP1.00 = EUR0.0168

(m) Elimination of intercompany transactions between PT Portugal and Altice S.A. and its subsidiaries.

(i) Intercompany transactions between the entities included in the Unaudited Pro Forma Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Financial Information as the amounts were not considered material by the Board of Directors, except for certain transactions between Cabovisao S.A, ONI SGPS and PT Portugal and its subsidiaries that make up the transaction perimeter. These intercompany transactions had a net impact of €0 million that has been recorded in the unaudited Pro Forma consolidated statements of income for the nine month periods ended September 30, 2013 and 2014 and for the full year ended December 31, 2013.

(ii) Intercompany sales between Cabovisao and ONI and PT Portugal have been eliminated for an amount of €17.6 million, €24.3 million and €30.6 million respectively for the nine months ended September 30, 2014 and 2013 and the twelve months ended December 31, 2013.

(iii) Intercompany operating expenses and purchases and subcontracting services between Cabovisao and ONI and PT Portugal have been eliminated for an amount of €17.6 million, €24.3 million and €30.6 million respectively have been eliminated for the nine months ended September 30, 2014 and 2013 and the twelve months ended December 31, 2013.

(iv) The elimination of intercompany transactions between Cabovisao and ONI and PT Portugal relating to trade receivables and payables for €9.0 million that have been recorded in the unaudited proforma consolidated statement of financial position as at September 30, 2014.

(n) Elimination of intercompany transactions between SFR and Altice S.A. and its subsidiaries.

(i) Intercompany transactions between the entities included in the Unaudited Pro Forma Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Financial Information as the amounts were not considered material by the Board of Directors, except for certain transactions between SFR and Numericable Group and their subsidiaries that make up the transaction perimeter. These intercompany transactions had a net impact of €0 million that has been recorded in the unaudited pro-forma consolidated statements of income for the nine month periods ended September 30, 2013 and 2014 and the twelve month period ended December 31, 2013.

(ii) Intercompany sales between SFR and NG have been eliminated for a total amount of €45.1 million in the unaudited consolidated pro forma statement of income for the nine month period ending September 30, 2014, €44.8 million for the year ended December 31, 2013, and €33.6 million for the period ended September 30, 2013.

(iii) Intercompany purchasing and subcontracting costs between SFR and NG have been eliminated for an amount of €6.3 million in the unaudited pro forma statement of income for the nine months ended September 30, 2014, €1.6 million for the year ended December 31, 2013 and €1.2 million for the period ended September 30, 2013.

(iv) Intercompany operating expenses between SFR and NG have been eliminated for an amount of €38.8 million in the unaudited pro forma statement of income for the nine months ended September 30, 2014, €43.2 million for the year ended December 31, 2013, and € 32.4 million for the period ended September 30, 2013.

(v) Intercompany trade receivables and payables have been eliminated for a total amount of €84.6 million between SFR and NG and their subsidiaries in the unaudited pro forma consolidated statement of financial position as of September 30, 2014.

4—Notes to the unaudited Pro Forma Consolidated financial information

(a) Post Transaction revenue

€ in millions For the period ended September 30, 2014	France (NG) Jan 1, 2014 to Sep 30, 2014	France (SFR) Jan 1, 2014 to Sep 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2013 to April 9, 2014	ODO Apr 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 To Sep 30, 2014	Portugal Jan 1, 2014 to Sep 30, 2014	Portugal (PT Portug Jan 1, 2014 to Sep 30, 2014
Revenue	989.1	7,396.4	645.9	54.0	108.8	218.6	327.4	140.4	1,90

€ in millions for the period ended September 30, 2013	France (SFR)	France (NG)	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Portugal* (PT Portugal) Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	O Ju 20 Se 2
Revenues	7,616.2	968.9	669.4	53.1	333.9	83.4	17.5	59.0	159.8	1,963.2	18.7	

For the year ended December 31, 2013

France (SFR)	France (NG)	Israel	Cabovisao	ONI	ONI	Total Portugal	Portugal* (PT Portugal)	Belgium & Luxembourg	Le Cable	OMT	OMT	Tot Fren Overs Territ
		Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to July 31, 2013	Aug 1, 2013 to Dec 31, 2013		Jan 1, 2013 To Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Jun 30, 2013	Jul 1, 2013 to Dec 31, 2013	
10,199.0	1,341.2	881.9	108.7	59.0	41.9	209.5	2,627.4	70.5	24.9	96.5	102.1	

(*) Adjustments refer to the elimination of intercompany transactions between the Altice S.A. Group and the PT Portugal Group. Please see section 3 for more de

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

(b) Post transaction Adjusted EBITDA

€ in millions for the period ended September 30, 2013	France (SFR)	France (NG)	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	PT Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1 2013 t Sep 30 2013
Adjusted EBITDA	**2,269.3**	**453.6**	**269.9**	**35.4**	**131.7**	**33.8**	**2.0**	**9.4**	**45.1**	**775.7**	**10.3**	**18.**

€ in millions For the year ended December 31, 2013	France (SFR)	France (NG)	Israel	Cabovisao	ONI	ONI	Total Portugal	PT Portugal	Belgium & Luxembourg	Le Cable	OMT	OMT	To Fr Ove Terr
	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to July 31, 2013	Aug 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Jun 30, 2013	Jul 1, 2013 to Dec 31, 2013	Ja 201 De 20
Adjusted EBITDA	**2,845.8**	**615.9**	**363.0**	**43.3**	**9.3**	**5.7**	**58.2**	**1,026.4**	**45.0**	**13.9**	**33.3**	**37.4**	

€ in millions For the period ended September 30, 2014	France (SFR)	France (NG)	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2013 to April 9, 2014	ODO Apr 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 To Sep 30, 2014	Portugal Jan 1, 2014 to Sep 30, 2014	PT Portugal Jan 1, 2014 to Sep 30, 2014
Adjusted EBITDA	**2,011.7**	**464.8**	**314.6**	**36.3**	**45.5**	**104.5**	**150.0**	**44.3**	**746.6**

4—Notes to the unaudited Pro Forma Consolidated financial information (Continued)

(c) Post Transaction Capital Expenditure

€ in millions **For the period September 30, 2014**	**France (SFR) Jan 1, 2014 to Sep 30, 2014**	**France (NG) Jan 1, 2014 to Sep 30, 2014**	**Israel Total Jan 1, 2014 to Sep 30, 2014**	**BeLux Total Jan 1, 2014 to Sep 30, 2014**	**Dominican Republic Jan 1, 2014 To Sep 30, 2014**	**Portugal Jan 1, 2014 to Sep 30, 2014**	**Portugal* (PT Portugal) Jan 1, 2014 to Sep 30, 2014**
CAPEX	**909.0**	**250.2**	**155.8**	**14.3**	**48.4**	**18.1**	**316**

€ in millions **For the period September 30, 2013**	**France (SFR) Jan 1, 2013 to Sep 30, 2013**	**France (NG) Jan 1, 2013 to Sep 30, 2013**	**Israel Total Jan 1, 2013 to Sep 30, 2013**	**BeLux Total Jan 1, 2013 to Sep 30, 2013**	**Dominican Republic Jan 1, 2013 to Sep 30, 2013**	**Portugal Jan 1, 2013 to Sep 30, 2013**	**Portugal* (PT Portugal Jan 1, 2013 to Sep 30, 2013**
CAPEX	**1,009.0**	**206.0**	**136.0**	**14.7**	**38.9**	**18.3**	**428**

4—Notes to the unaudited Pro Forma Consolidated financial information (Continued)

€ in millions For the year ended December 31, 2013	France (SFR) Jan 1, 2013 to Dec 31, 2013	France (NG) Jan 1, 2013 to Dec 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Dominican Republic Jan 1, 2013 to Dec 31, 2013	Portugal Jan 1, 2013 to Dec 31, 2013	Portugal* (PT Portugal) Jan 1, 2013 to Dec 31, 2013	Fre Ter Ja D
CAPEX	**1,610.0**	**319.8**	**208.9**	**23.0**	**58.5**	**24.0**	**560.0**	

5—Other Information

Other referenced acquisitions and divestitures as disclosed in the "Presentation of Financial Information" have not been reflected in t acquisitions and divestitures were not individually or in the aggregate significant to Altice S.A.

The tax effect of the transaction adjustments in the Unaudited Pro Forma Financial Information has been calculated using a theoretica in France, 29.22% for companies based in Luxembourg and 23% for companies based in Portugal, for the nine month period ended Sep

PRO FORMA FINANCIAL INFORMATION OF ALTICE INTERNATIONAL

ALTICE INTERNATIONAL S.à r.l.

UNAUDITED PRO-FORMA FINANCIAL INFORMATION

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013 AND THE YEAR ENDED DECEMBER 31, 2013

For the nine months ended September 30, 2014	Altice International Condensed Consolidated Financial Information	ODO (Note 3a)	ODO (Note 3a)	Refinancing of Coditel mezzanine (Note 3h)	Issuance of new debt to finance the Acquisition (Note 3b)	Altice International Pre-PT Portugal Group Pro forma Accounts
	January 1, 2014 to September 30, 2014	**April 9, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**	**January 1, 2014 to September 30, 2014**
					€ in millions	
Revenue	**1,372.8**	**(218.6)**	**327.4**	**—**	**—**	**1,481.6**
Purchases and subcontracting services	(324.5)	48.8	(76.2)	—	—	(351.9)
Other operating expenses	(421.4)	65.3	(101.3)	—	—	(457.4)
Operating income before depreciation & amortisation	**626.9**	**(104.5)**	**149.8**	**—**	**—**	**672.3**
Depreciation and amortization	(397.6)	36.0	(51.3)	—	—	(412.9)
Management fees	(0.6)	—	—	—	—	(0.6)
Restructuring, non-recurring costs and other expenses	(58.5)	5.8	(8.7)	—	—	(61.4)
Operating profit/(loss)	**170.3**	**(62.7)**	**89.9**	**—**	**—**	**197.4**
Financial income	32.1	(1.7)	2.5	—	—	32.8
Finance costs	(334.3)	66.9	(67.2)	6.9	(248.8)	(576.5)
Share in income of associates	—	—	—	—	—	—
(Loss)/Profit before income tax expenses	**(132.0)**	**2.5**	**25.1**	**6.9**	**(248.8)**	**(346.2)**
Income tax (expense)/(income)	(27.6)	4.0	(12.2)	—	—	(35.8)
(Loss)/Profit for the period	**(159.6)**	**6.5**	**13.0**	**6.9**	**(248.8)**	**(382.0)**
Attributable to owners of the entity	*(156.5)*	*6.4*	*13.0*	*5.8*	*(248.8)*	*(380.1)*
Attributable to non-controlling interests	*(3.2)*	*0.2*	—	*1.1*	—	*(1.9)*

For the nine months ended September 30, 2013	Altice International Condensed Consolidated Financial Information	OMT 6m (Note 3c)	ONI 7m (Note 3d)	Ma Chaine Sport 9m (Note 3e)	SportV 9m (Note 3f)	Refinancing adjustments related to refinancing (Notes 3g,3h)	ODO 9m (Note 3a)	Issuance of new debt to finance the Acquisition (Note 3b)	Alt Interna Pre Port Gro Pro f acco
	January 1, 2013 to September 30, 2013	January 1, 2013 to July 4, 2013	January 1, 2013 to August 8, 2013	January 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013	Janua 201 Septem 20
						€ in millions			
Revenue	**928.4**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**333.9**	**—**	
Purchases and subcontracting services	**(262.2)**	**(30.1)**	**(31.2)**	**(3.4)**	**(1.1)**	**—**	**(101.5)**	**—**	
Other operating expenses	(289.2)	(33.2)	(18.4)	(3.4)	(0.3)	—	(100.7)	—	
Operating income before depreciation & amortisation	**377.0**	**33.2**	**9.4**	**7.0**	**3.1**	**—**	**131.7**	**—**	
Depreciation and amortization	(278.0)	(11.4)	(9.9)	1.9	(1.1)	—	(47.1)	—	
Management fees	(0.7)	(0.4)	—	0.4	—	—	(8.6)	—	
Restructuring, non-recurring costs and other expenses	(12.3)	(2.0)	(2.2)	—	—	**(7.0)**	(0.5)	—	
Operating profit/(loss)	**86.0**	**19.4**	**(2.7)**	**1.9**	**2.0**	**(5.9)**	**75.5**	**—**	
Financial income	36.2	0.2	—	—	—	—	0.5	—	
Finance costs	(184.3)	(2.2)	(5.7)	—	—	**(58.7)**	—	(248.8)	
Share in income of associates	—	—	—	—	—	—	—	—	
(Loss)/Profit before income tax expenses	**(62.1)**	**17.4**	**(8.4)**	**1.9**	**2.0**	**(65.7)**	**76.0**	**(248.8)**	
Income tax expense	(27.4)	(6.5)	(0.3)	(0.3)	—	**(0.8)**	(21.5)	—	
(Loss)/Profit for the period	**(89.5)**	**10.9**	**(8.8)**	**1.7**	**2.0**	**(66.5)**	**54.5**	**(248.8)**	
Attributable to owners of the entity	*(83.3)*	*10.9*	*(8.8)*	*—*	*1.9*	*(71.4)*	*52.9*	*(248.8)*	
Attributable to non-controlling interests	*(6.0)*	*(8.8)*	*—*	*—*	*—*	*4.9*	*1.5*	*—*	

For the twelve month ended December 31, 2013	Altice International Condensed Consolidated Financial Information	OMT 6m (Note 3c)	ONI 7m (Note 3d)	Ma Chaine Sport 9m (Note 3e)	SportV 9m (Note 3f)	Refinancing adjustments related to previous deals (Notes 3g.3h)	Altice International Pre-PT/ODO pro-forma accounts	ODO (Note 3a)	Issuance of new debt to finance the Acquisition (Note 3b)	Al Intern Pro Por Gr Pro acc
							€ in millions			
Revenue	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**1,460.6**	**446.3**	**—**	
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.4)	(1.1)	—	(433.6)	(121.6)	—	
Other operating expenses	(400.3)	(33.2)	(18.4)	(3.4)	(0.4)	—	(455.8)	(151.6)	—	
Other operating income	—	—	—	—	—	—	0	—	—	
Operating income before depreciation & amortisation	**518.7**	**33.2**	**9.4**	**7.0**	**3.9**	**—**	**571.2**	**173.1**	**—**	
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	(426.7)	(64.3)	—	
Management fees	(0.6)	(0.4)	—	(0.4)	—	—	(1.4)	(11.5)	—	
Restructuring, non-recurring costs and other expenses	(76.3)	(2.0)	(2.2)	—	—	**(7.0)**	(87.5)	0.1	—	
Operating profit/(loss)	**42.2**	**19.4**	**(2.7)**	**1.9**	**2.0**	**(7.0)**	**55.6**	**97.4**	**—**	
Financial income	93.6	0.2	—	—	—	—	93.8	0.5	—	
Finance costs	(336.9)	(2.2)	(5.7)	—	—	**(140.9)**	(485.7)	(1.1)	(331.7)	
Share in income of associates	—	—	—	—	—	—	—	—	—	
(Loss)/Profit before income tax expenses	**(201.1)**	**17.4**	**(8.4)**	**1.9**	**2.0**	**(147.9)**	**(336.3)**	**96.8**	**(331.7)**	
Income tax expense	(7.4)	(6.5)	(0.3)	(0.3)	—	—	(14.5)	(25.4)	—	
(Loss)/Profit for the Year	**(208.5)**	**10.9**	**(8.8)**	**1.7**	**2.0**	**(147.9)**	**(350.8)**	**71.4**	**(331.7)**	
Attributable to owners of the entity	*(186.2)*	*10.9*	*(8.8)*	*1.7*	*2.0*	**(169.1)**	*(349.6)*	*69.4*	*(331.7)*	
Attributable to non-controlling interests	*(22.2)*	—	—	—	—	**21.2**	*(1.0)*	*2.0*	—	

September 30, 2014 All € in millions	Altice International Condensed Consolidated Statement of Financial Position	Coditel mezzanine repayment (Note 3h)	PT-Portugal Group (Note 3b)	Adj. related to the Transactions (Note 3b)	Intercompany transactions (Note 3j)	Altice International Post-Transaction Pro Forma Accounts Sep 30, 2014
ASSETS						
Current assets						
Cash and cash equivalents	141.3	(0.2)	243.5	(243.5)	—	141.1
Restricted cash	—	—	—	—	—	—
Trade and other receivables	292.9	—	922.6	—	(9.0)	1,206.4
Inventories	21.9	—	75.5	—	—	97.4
Current tax assets	15.1	—	85.1	—	—	100.2
Total current assets	**471.2**	**(0.2)**	**1,326.7**	**(243.5)**	**(9.0)**	1,545.1
Non-current assets						
Deferred tax assets	98.7	—	391.5	—	—	490.2
Investment in associates	—	—	20.7	—	—	20.7
Financial assets	48.6	—	25.9	—	—	74.5
Trade and other receivables	26.9	—	3.7	—	—	30.6
Property, plant & equipment	1,441.7	—	3,103.7	—	—	4,545.4
Intangible assets	665.8	—	574.5	—	—	1,240.3
Goodwill	2,050.0	—	3,723.7	(962.3)	—	4,811.4
Total non-current assets	**4,331.7**	**—**	**7,843.7**	**(962.3)**	**—**	11,213.7
Total assets	**4,802.7**	**(0.2)**	**9,170.4**	**(1,205.8)**	**(9.0)**	12,758.2
LIABILITIES AND EQUITY						
Current liabilities						
Borrowings	102.2	—	1,817.8	(1,817.8)	—	102.2
Deferred revenue	100.9	—	159.0	—	—	259.9
Trade and other payables	535.6	—	823.7	—	(8.9)	1,350.5
Other current liabilities	63.3	—	—	—	—	63.3
Provisions	2.4	—	49.9	—	(0.2)	52.2
Current tax liabilities	81.3	—	90.9	—	—	172.2
Total current liabilities	**885.7**	**—**	**2,941.3**	**(1,817.8)**	**(9.0)**	2,000.1
Non-current liabilities						
Borrowings	3,581.6	6.2	4,012.4	273.3	—	7,873.5
Loans from related parties	—	—	—	—	—	—
Other financial liabilities	185.9	—	19.0	—	—	204.9
Deferred revenue	11.3	—	—	—	—	11.3
Trade and other payables	17.2	—	19.0	—	—	36.2
Retirement benefit obligations	8.2	—	1,073.6	—	—	1,081.8
Provisions	36.6	—	1.3	—	—	37.9
Deferred tax liabilities	169.5	—	141.5	—	—	311.0
Total non-current liabilities	**4,010.3**	**6.2**	**5,266.8**	**273.3**	**—**	**9,556.7**
Equity						
Total equity attributable to the shareholders of the parent	**(94.3)**	**(6.4)**	**962.3**	**338.6**	**—**	**1,200.2**
Non-controlling interests	1.0	—	—	—	—	1.0
Total equity	**(93.3)**	**(6.4)**	**962.3**	**338.6**	**—**	**1,201.2**
Total liabilities and equity	**4,802.7**	**(0.2)**	**9,170.4**	**(1,205.8)**	**(9.0)**	**12,758.2**

ALTICE INTERNATIONAL S.à r.l.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1—General information

The accompanying unaudited pro forma consolidated statement of income for the nine and twelve month periods ended September 30, 2014 and September 30, 2013, and the twelve months period ended December 31, 2013, the accompanying unaudited pro forma consolidated statement of financial position as of September 30, 2014 and these explanatory notes (together the "Unaudited Pro Forma Financial Information") present the unaudited pro forma consolidated financial information of Altice International S.à r.l. (the "Company" or the "Group"), giving effect to each of the acquisitions and the other transactions described in the basis of preparation described in Note 2.

The Unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Mobius S.A.S ("Mobius") for the nine month periods ended September 30, 2013 and December 31, 2013 respectively. However, as a result of the acquisition of the Mobius Group on January 15, 2014, the pro-forma condensed consolidated statement of income for the nine months ended September 30, 2014 contains information pertaining to the Mobius Group. The Board of Managers has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information. Additionally, the unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Tricom S.A., Global Interlinks Limited and their subsidiaries ("Tricom") for the nine and twelve month periods ended September 30, 2013 and December 31, 2013 respectively. However, as a result of the acquisition of the Tricom Group on March 12, 2014, the pro-forma condensed consolidated statement of income for the nine months ended September 30, 2014 contains information pertaining to the Tricom Group. The Board of Managers has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information. For the nine months ended September 30, 2014, the Mobius Group and Tricom Group contributed €13.1 million and €82.0 million to the Company's revenues and €1.0 million and €14.1 million to the Company's operating income respectively. The Unaudited Pro Forma Financial Information also does not give effect to the disposal of the assets of Outremer Telecom that are located in the Indian Ocean region, as this disposal is not deemed to be significant by the Board of Managers. In October 2014, the Company, through its indirect subsidiary, Altice Africa S.à r.l. acquired an additional stake in Wananchi Group (Holdings) Ltd for a total cash amount of €8.6 million. Management has deemed that this acquisition is not significant for the purposes of these accounts and hence no pro forma effect has been given to this transaction. The Unaudited Pro Forma Financial Information does not give effect to any hedging effects that the Company or the Group may enter into to cover its different financing and acquisitions. The Unaudited Pro Forma Financial Information has not been audited or reviewed.

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

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

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

2—Basis of preparation

The Unaudited Pro Forma Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma consolidated statements of income and, if applicable, on September 30, 2014 for the purpose of the unaudited condensed consolidated pro forma statement of financial position:

- The acquisition by the Company or its subsidiaries of:
    - 99.7% of the share capital of OMT Invest S.A.S. in two tranches of 77% and 22.7% respectively;
    - A supplementary 40% of the share capital of Altice Portugal and its direct subsidiary Cabovisao;
    - 100% of the share capital of Winreason S.A.;
    - 100% of the share capital of Sportv S.A.;
    - 100% of the share capital of Ma Chaîne Sport S.A.S.;
    - A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l
    - 97.2% of the share capital of Orange Dominicana S.A.S. (later renamed Altice Hispaniola S.A.S.).
- The planned acquisition by the Company and/or its subsidiaries of 100% of the share capital of PT Portugal and its subsidiaries as defined by the carve-out perimeter. A description of the planned carve out steps and adjustments is provided elsewhere in the Listing Particulars.
- The following Refinancing Transactions
    - The issuance by subsidiaries of the Company of:
        - 9% €250 million Senior Secured Notes falling due in 2023;
        - $6^1/_2$% $900 million Senior Secured Notes due in 2022;
        - $8^1/_8$% $400 million Senior Secured Notes due in 2024;
    - The planned issuance by the Company and its subsidiaries of:
        - 5.25% €400 million term loan due in 2022;
        - 5.25% €500 million term loan due in 2022;
        - 5.25% €500 million Senior Secured Notes due in 2023;
        - 6.625% $2,060 million Senior Secured Notes due in 2023;
        - 7.625% $385 million Senior Notes falling due in 2025;
    - The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to €795 million;
    - The repayment of the Coditel Mezzanine facility amounting to €125.7 million;
    - The repayment of the Coditel Senior Facility amounting to €138 million;
    - The repayment of the ABO credit facility amounting to €65.6 million;
    - The repayment of the Cabovisao facility amounting to €202.6 million; and
    - The repayment of the ONI facility amounting to €47.3 million.
    - The planned issuance of Mandatory Convertible Notes (“MCN”) to be fully subscribed by its sole shareholder for a total amount of up to €2,055 million (excluding transaction fees).
    - The obtaining of an additional revolving credit facility amounting to a total of €180 million.

- The borrowing costs on the aforementioned drawn amounts have been included in the unaudited pro forma statement of income for the nine months ended September 30, 2013 and 2014 and the year ended December 31, 2013.

As mentioned above, given the timing of the Acquisition, assets acquired and liabilities assumed of the PT Portugal Group are reflected in the unaudited pro forma consolidated statement of financial position as of September 30, 2014 at their historical book value reflected in the PT Portugal Combined Selected Financial Information for the nine months ended September 30, 2014, and have not been adjusted. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the acquisitions mentioned above. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of consolidated operations of Altice International S.à r.l. could be significantly affected by amortization expense in relation to such identifiable assets acquired.

On April 23, 2013, an indirect subsidiary of the Company acquired the remaining 40% of the share capital of Cabovisao. The Group had acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of Cabovisao are reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro forma effects on the non-controlling interests resulting from the increase in the Group's shareholding from 60% to 100% have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On June 14, 2013, Altice Finco S.A., an indirect subsidiary of the Company, issued 9% Senior Notes for an aggregate principal of €250 million maturing in 2023. Such liabilities are reflected in the combined consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of September 30, 2014. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 14, 2013 have been included in the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of €795 million. As of September 30, 2014, the full amount of €795 million has been drawn under this facility. The corresponding liability is reflected in the consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 24, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202.6 million. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On July 4, 2013, an indirect subsidiary of the Company acquired 77% of the share capital of OMT Invest S.A. ("OMT"). On June 27, 2014, the Company acquired the remaining 22.7% of the share capital of OMT. The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for OMT have been included in the consolidated statement of income of the Company since the date of acquisition on July 4, 2013. The OMT historical consolidated income statement for the period from January 1, 2013 through July 3, 2013 have hence been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On August 8, 2013, an indirect subsidiary of the Company acquired 100% of the share capital of Winreason S.A. ("ONI"). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the condensed consolidated statement of financial position as of September 30, 2014, at their fair value and a purchase price allocation has been completed. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for ONI have been included in the historical consolidated statement of income since the date of acquisition on August 8, 2013. The ONI historical consolidated income statement for the period from January 1, 2013 through August 7, 2013 have been included in the unaudited pro forma consolidated income statement for the nine months ended September 30, 2013 and the year ending on December 31, 2013. As per the requirements of IFRS 3, *Business Combinations*, the comparative historical period for ONI included in the condensed consolidated statement of income of the Company for the nine months ended September 30, 2013 has been restated to reflect the impact of the recognition of the fair value of the assumed assets and liabilities of ONI on the amortization and depreciation expense for the period in question.

On August 8, 2013, ONI repaid its credit facility for an amount of €47.3 million. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited consolidated pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of Ma Chaîne Sport SAS ("MCS"). The Board of Managers has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 4, 2013 have been included in the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of Sportv S.A. ("Sportv"). The Board of Managers has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 4, 2013 have been included in the unaudited pro forma consolidated income statements in the nine months ended September 30, 2013 and the year ending on December 31, 2013

On November 29, 2013, an indirect subsidiary of the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. ("Coditel") and reimbursed certain Preferred Equity Certificates held by the non-controlling interests in this entity. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed consolidated statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs and change in non controlling interests on the aforementioned operation for the period between January 1, 2013 and November 29, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On December 5, 2013, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of $6^1/_2$ Senior Secured Notes for an aggregate principal of $ 900 million maturing in 2022. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On December 5, 2013, Altice Finco S.A., an indirect subsidiary of the Company, proceeded with the issuance of $8^1/_8$% Senior Notes for an aggregate principal of $ 400 million maturing in 2024. The corresponding operation is reflected in the condensed consolidated statement of financial position as of September 30, 2014. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position.

Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013 and the year ending on December 31, 2013.

On April 9, 2014, the Company acquired 97.2% of the share capital of Orange Dominicana S.A. ("ODO"). The excess of the acquisition price over the historical book value of the non-controlling interests was recorded as goodwill after a preliminary purchase price allocation. The Board of Managers has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. The assets acquired and liabilities assumed of ODO are reflected in the consolidated statement of financial position as of September 30, 2014, and the difference between the consideration paid and the net asset position has been provisionally accounted for as goodwill, except for two identifiable assets that were recognized at the provisional fair values at the time of acquisition. These assets consist of the right to use the Orange brand in the Dominican Republic for a period of three years (plus an option of two additional years) and the capitalization of subscriber acquisition costs in line with Group accounting policies. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for ODO have been included in the historical consolidated statement of income since the date of acquisition on April 9, 2014. The historical consolidated income statement of ODO, for the period from January 1, 2014 through April 8, 2014 have been included in the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2014. However, for practicality reasons, the data pertaining to the six month period from April 9, 2014 to September 30, 2014 has been deducted from the historical consolidated financial information of the Group, and a pro-forma adjustment reflecting the income statement for the period from January 1, 2014 to September 30, 2014 has been presented. This has been done to ensure comparability of information for the nine month periods ended September 30, 2014 and 2013 respectively for the purpose of the Management Discussion and Analysis of ODO.

On December 2, 2014, the Company refinanced the mezzanine facility issued by Coditel Holding S.A. for a total amount of €125.7 million (this included the PIK interest due on the debt as well as the break costs of 6.75%). Given that this transaction occurred after September 30, 2014, this refinancing has not been included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this new acquisition as if it had occurred on September 30, 2014 as well as in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013, for the nine months ended September 30, 2014 and the year ending on December 31, 2013.

In January 2015, Altice Finco S.A. and Altice Financing S.A., two subsidiaries of Altice International S.à r.l., intend to proceed with the issuance of the Notes and entry into a term loan credit facility in an amount of €3,498 million (equivalent). Given that such issuance will occur after September 30, 2014, the liabilities arising from the issuance are not included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and September 30, 2014 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013, for the nine months ended September 30, 2014 and the year ending on December 31, 2013.

In addition to the debt issuances mentioned above, the Company will proceed with the issuance of Mandatory Convertible Notes for a total amount of up to €2,055 million. Given that such issuance will occur after September 30, 2014, the liabilities arising from the issuance are not included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and September 30, 2014 have been included in the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2013, for the nine months ended September 30, 2014 and the year ending on December 31, 2013.

On December 9, 2014, the Company signed an offer to acquire the Portuguese and Hungarian assets of the Portuguese from Oi and is subject to works council procedures and to certain conditions precedent, including antitrust approval. The main details of this offer are outlined in the section entitled, "The Transactions" elsewhere in these Listing Particulars. After the completion of the transaction, the Company is expected to hold 100% of the PT Portugal Group. The excess of the purchase price over the historical book value will be recorded as goodwill after a preliminary purchase price allocation. The Board of Managers has not conducted any impairment analysis on this goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire PT Portugal. Given that such acquisitions will occur after September 30, 2014, the assets acquired and liabilities assumed of PT Portugal are not included in the condensed consolidated statement of financial position as of September 30, 2014. Accordingly, adjustments have been made to the unaudited pro forma condensed consolidated statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2014. The historical combined statements of income for the period from January 1, 2013 through December 31, 2013, January 1, 2013 to September 30, 2013 and from January 1, 2014 to September 30, 2014 have hence been included in the unaudited pro forma consolidated statement of income for the nine months ended December 31, 2013 and September 30, 2014 and the year ended September 30, 2014, respectively.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with the requirements of Regulation S- X under the U.S. Securities Act or any generally accepted accounting standards nor has it been audited or reviewed. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Group. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The Unaudited Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the transactions described below. The unaudited Pro Forma Financial Information does not give effect to the Mobius Acquisition, Tricom Acquisition for the nine month period ended September 30, 2013 or the full year ended December 31, 2013. However, since the acquisition of Mobius S.A.S in January 2014 and of Tricom in March 2014, the results of these entities are included in the historical condensed consolidated statement of income and condensed consolidated statement of financial position of the Group for the nine months ended September 30, 2014. The unaudited pro- forma financial does not give effect to the disposal of the mobile assets of Outremer Telecom based in the Reunion Islands and Mayotte.

There are certain differences in the way in which PT Portugal and the Company present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the Unaudited Pro Forma Consolidated statements of income to comply with Altice International's presentation. There could be additional reclassifications and some remeasurements following completion of the PT Portugal Acquisition.

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

In ODO, no pro forma effects have been given to the capitalization of subscriber acquisition costs (and related depreciation) for the nine months ended September 30, 2013, and year ended December 31, 2013, given the Board has concluded these are not material.

Historical consolidated financial statements

The historical consolidated financial statements of the Company are represented by the consolidated financial statements of the Company as of and for the three month and nine month ended September 30, 2014 (and the comparative period for the three month and nine months ended September 30, 2013) prepared in accordance with IAS 34, and as of and for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

3—Pro-forma adjustments

(a) Acquisition of ODO

Altice Dominican Republic II S.A.S, an indirectly fully-owned subsidiary of Altice International obtained control of ODO on April 9, 2014 further to a purchase of 97.2% of its shares. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2013 to December 31, 2013 and from January 1, 2014 to April 9, 2014 derived respectively from the unaudited financial statements of ODO prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income and from the historical condensed consolidated financial statements of Altice International S.à r.l. as of and for the three month and nine month period ended September 30, 2014.

The pro-forma adjustments pertain to the extraction of the result of Orange Dominicana for the period from April 9, 2014 through September 30, 2014 and adding back the results of the full nine month period from January 1, 2014 through September 30, 2014.

(b) Acquisition of PT Portugal (adjustments related to the Altice perimeter)

In connection with the Transactions, the Group, through its subsidiary, Altice Portugal S.A., contemplates acquiring a 100.0% stake in the PT Portugal Group. Pro-forma adjustments relating to this transaction are reflected below and pertain to the pro-forma adjustments made by Altice International to reflect the impact of the transaction on its accounts.

In order to finance this acquisition, the Group, through its indirect subsidiaries Altice Finco S.A. and Altice Financing S.A. intends to issue the New Loans and Senior and Senior Secured Notes bearing interest at 5.7%, 7.6% and 6.0% respectively. These debts fall due in 2022, 2025 and 2023 respectively. The Company will also issue Mandatory Convertible Notes for a total amount of EUR 2,055 million, which will be fully subscribed by Altice S.A. These notes will bear interest at a rate of 6.4% and will become due in 2025. As per the provisions of IAS 32, the fair value of the coupon payments is characterised as debt and the remainder of the principal amount as equity. Additionally, the Group will acquire and draw on a new revolving credit facility for a total amount of EUR 180 million bearing interest at 3.65%. The Pro forma adjustments relating to the new debt issuance are composed as follows:

- Payment of the purchase price to the vendors as agreed in the sale and purchase agreement.
- Payment of EUR 128.1 million as underwriting and other fees related to the issuance of the new debts.

Pro-forma adjustments of €248.8 million and €331.7 million have been recorded for the nine month periods ended September 30, 2014 and 2013, and the twelve months ended December 31, 2013 respectively to reflect the net change to finance costs on borrowings and non-recurring deal fees, that would have been recorded had the above debt issuance taken place on January 1, 2013.

Actual interest rates at the time of pricing may differ from the indicative rate used herein. In case of a +/- 10 basis points change in the interest rate, the final interest expense adjustment would have an impact of +/- €3.3 million for the twelve months ended December 31, 2013 and +/- EUR 2.5 million for the nine months ended September 30, 2013 and September 30, 2014.

€ in millions	Acquisition of PT Portugal Shares	Debt Settlement	Cash free adjustment	Total impact of the proposed issuance
ASSETS				
Current assets				
Cash and cash equivalents		—	(243.5)	(243.5)
Total Current assets		—	(243.5)	(243.5)
Non-current assets				
Goodwill	(962.3)	—		(962.3)
Total non-current assets				
Total assets	**(962.3)**	**—**	**(243.5)**	**(1,205.8)**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings		(1,817.8)		(1,817.8)
Total current liabilities		**(1,817.8)**		**(1,817.8)**
Non-current liabilities				
Borrowings	—	516.9	(243.5)	273.3
Total non-current liabilities	**—**	**516.9**	**(243.5)**	**273.3**
Equity				
Invested equity	**(962.3)**	**1,300.9**	**—**	**338.6**
Non-controlling interests	—	—	—	—
Total equity	**(962.3)**	**1,300.9**	**—**	**338.6**
Total equity and liabilities	**(962.3)**	**—**	**(243.5)**	**(1,205.8)**

(a) The net assets acquired of PT Portugal Group as their historical amounts as if the acquisition took place as at December 31, 2013. The value of the equity acquired (EUR (962.3) million) has been computed as the aggregation of (i) the equity of the combined PT Portugal Group as at September 30, 2014 for €962.3 million minus (ii) the existing goodwill recorded in the books of the combined PT Portugal Group prior to its acquisition by Altice International. Thus provisional goodwill of €2,761.4 million has been recorded in the pro-forma statement of financial position.

(b) Provisional goodwill has been determined with regards to the acquisition of PT Portugal, and is calculated as the difference between the consideration transferred to the owners and the estimated acquisition date assumed fair value of the assets and liabilities acquired, as required by IFRS 3, 'Business combinations'. The SPA also includes an earn out due to the vendors in the event that certain pre-determined conditions are agreed in the fifth year following the closing of the transaction. As per the requirements of IFRS 3, this contingent consideration was valued at its fair value, using the probability weighted average fair value method (corresponding to the present value of the future payout, discounted at the weighted average cost of capital (WACC) of the Group and assuming a probability of occurrence for each discreet payout scenario). The following adjustments have been made to reflect the impact of the acquisition on the pro-forma accounts. The cash consideration expected to be paid to the vendors to acquire shares in the new PT Portugal Group, amounting to €1.

(c) Subsequently, the PT Portugal Group will use the proceeds from the new debt and mandatorily convertible notes issuance to reimburse shareholder loans held by the vendors for a total amount of €5,604.0 million. The cash position of the PT Portugal Group has been cancelled as it is assumed that PT will be sold to Altice on a cash free basis. The mandatarily convertible notes have been reflected for in accordance with IAS 32 with an equity and debt position.

(c) Acquisition of OMT

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

(d) Acquisition of Winreason S.A.

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

(e) Acquisition of Ma Chaîne Sport

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

The measurement and recognition criteria of French Generally Accepted Accounting Principles (“French GAAP”) do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRSs allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of EUR 4.7 million, in other operating expenses of EUR 1.6 million and an increase in depreciation and amortization of EUR 6.1 million for the year ended December 31, 2013 and a decrease in purchasing and subcontracting services of EUR 4.1 million, in other operating expenses of EUR 1.4 million and an increase in depreciation and amortization of EUR 4.4 million for the nine months ended September 30, 2013.

(f) Acquisition of SportV

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

(g) Acquisition of non-controlling interests

Coditel

(i) On November 29, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. it did not hold and refinanced certain Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis was €82.5 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €14.6 million for the nine month period ended September 30, 2013 and €18.7 million for the full year ended

December 31, 2013. Additionally, a reversal of €7.2 million, pertaining to the interests paid on the preferred equity certificates for the period between January 1, 2013 and November 29, 2013, has been reflected in the unaudited pro-forma statement of financial income for the nine months ended September 30, 2013 and the twelve months ended December 31, 2013.

Cabovisao

(ii) On April 23, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was €105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €2.4 million for the nine months ended September 30, 2013 and twelve months ended December 31, 2013.

Outremer Telecom

(iii) On June 27, 2014, Altice International repurchased the minority interests in Altice Blue Two S.A.S. it did not hold. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro forma consolidated income statement as if such transaction took place on January 1, 2013. Such adjustments represent the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of €2.7 million for the full year ended December 31, 2013 and €2.5 million for the nine months ended September 30, 2013.

(h) Refinancing Transactions

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

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

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

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of €202.6 million;
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million; and
- The purchase of Orange Dominicana for an amount of €1,034.0 million and of Tricom and Global Interlinks for EUR 299.2 million.
- The payment of transaction fees for a total amount of €7.0 million.

(ii) Use of Term Loan

On June 24, 2013, the Altice International Group secured a senior secured credit facility of EUR795 million. The proceeds were used to acquire ONI together with OMT and the rest was used to refinance the following liabilities:

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million;
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.3 million; and
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million.

(iii) Refinancing of Coditel mezzanine

On December 2, 2014, the Company, through its indirectly held subsidiary, Coditel Holding S.A., exercised a call option held on a mezzanine facility issued by Coditel Holding S.A. The total amount refinanced was €125.7 million, which included accumulated PIK interest and break costs of 6.75% of the nominal amount. This facility was refinanced by drawing on two RCFs currently available to the Group, which will subsequently be refinanced by the Group using debt raised as part of the Transaction.

Pro-forma adjustments of €(6.9) million, €58.7 and €147.9 million have been recorded to reflect the net change to finance costs on borrowings for the nine months ended September 30, 2014 and September 30, 2013 and the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2013.

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

The historical financial statements of ODO, from which amounts have been derived in preparing the Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2013 and the nine months ended September 30, 2013, have been drawn in Dominican Pesos (“DOP”). The amounts have been translated into Euro (“EUR”), for the purposes of their inclusion within the Unaudited Pro Forma Financial Information, using the following notes

- As of September 30, 2013: DOP1.00 = EUR0.0186

- As of December 31, 2013: DOP1.00 = EUR0.0168

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

  (i) Intercompany transactions between the entities included in the Unaudited Pro Forma Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Financial Information as the amounts were not considered material by the Board of Managers, except for certain transactions between Cabovisao S.A, ONI SGPS and PT Portugal and its subsidiaries that make up the transaction perimeter. These intercompany transactions had a zero net impact that has been recorded in the unaudited pro-forma consolidated statements of income for the nine month periods ended September 30, 2013 and 2014 and for the full year ended December 31, 2013.

  (ii) Intercompany sales between Cabovisao and ONI and PT Portugal have been eliminated for an amount of €17.6 million, €24.3 million and €30.6 million respectively have been eliminated for the nine months ended September 30, 2014 and 2013 and the twelve months ended December 31, 2013.

  (iii) Intercompany operating expenses and purchase and subcontracting services between Cabovisao and ONI and PT Portugal have been eliminated for an amount of €17.6 million, €24.3 million and € 30.6 million respectively have been eliminated for the nine months ended September 30, 2014 and 2013 and the twelve months ended December 31, 2013.

  (iv) The elimination of intercompany transactions between Cabovisao and ONI and PT Portugal relating to trade receivables and payables for €9.0 million that have been recorded in the unaudited pro forma condensed consolidated statement of financial position as at September 30, 2014.

4—Notes to the unaudited pro forma consolidated financial information

(a) Revenue Pre-PT Transaction

€ in millions for the period ended September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to April 9, 2014	ODO April 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 To Sep 30, 2014	Portugal Total Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
Cable based services	513.1	45.9	—	—	—	75.3	68.1	19.6	**728.3**
Mobile services	132.8	1.0	108.8	218.6	327.4	—	97.4	8.0	**573.4**
B2B & Others	—	7.1	—	—	—	65.1	13.2	107.7	**179.9**
Total	**645.9**	**54.0**	**108.8**	**218.6**	**327.4**	**140.4**	**178.7**	**135.2**	**1,481.6**

€ in millions for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
Cable based services	527.0	45.7		83.4	—	—	83.4	18.7	15.0	30.0	63.7	1.3	**721.1**
Mobile services	142.4	0.8	333.9	—	—	—	—	—	36.1	66.6	102.6	—	**579.7**
B2B & Others	—	6.7		—	17.5	59.0	76.4	—	—	—	—	52.1	**135.2**
Total	**669.4**	**53.1**	**333.9**	**83.4**	**17.5**	**59.0**	**159.9**	**18.7**	**51.1**	**96.5**	**166.3**	**53.4**	**1,436.1**

(b) Revenue Pre-PT/ODO Transactions

€ in millions for the year ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
Cable based services	694.2	60.9	108.7	—	—	108.7	24.9	34.8	30.0	89.6	1.3	**954.7**
Mobile services	187.6	1.2	—	—	—	—	—	67.3	66.6	133.9	—	**322.8**
B2B & Others	—	8.4	—	41.9	59.0	100.9	—	—	—	—	73.9	**183.1**
Total	**881.9**	**70.5**	**108.7**	**41.9**	**59.0**	**209.6**	**24.9**	**102.1**	**96.5**	**223.5**	**75.2**	**1,460.6**

(c) Purchases and subcontracting services pre-PT Transaction

€ in millions for the period September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2013 to Mar 31, 2014	ODO Apr 1, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 to Sep 30, 2014	Portugal Total Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
Cable based services	(86.5)	(7.4)	—			(23.3)	(12.5)	(14.1)	(143.8)
Mobile services	(42.1)	(1.2)	(27.4)	(48,8)	(76.2)	—	(26.2)	(2.2)	(147.9)
B2B & Others	—	(0.3)	—			(36.9)	(4.0)	(19.0)	(60.2)
Total	**(128.7)**	**(8.8)**	**(27.4)**	**(48.8)**	**(76.2)**	**(60.2)**	**(42.7)**	**(35.4)**	**(351.9)**

for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cable based services	(101.6)	(7.2)	—	(26.2)	—	—	(26.2)	(2.6)	(5.0)	(9.6)	(17.2)	(.3)	(152.4)
Mobile services	(82.8)	(0.7)	(101.5)	—	—	—	—	—	(11.1)	(20.5)	(31.6)	—	(216.3)
B2B & Others	—	(1.3)	—	—	(10.3)	(31.2)	(41.5)	—	—	—	—	(18.1)	(60.8)
Total	**(184.4)**	**(9.1)**	**(101.5)**	**(26.2)**	**(10.3)**	**(31.2)**	**(67.7)**	**(2.6)**	**(16.1)**	**(30.1)**	**(48.8)**	**(18.4)**	**(429.7)**

(d) Purchases and subcontracting services Pre-PT/ODO

€ in millions for the year ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
Cable based services	(129.6)	(10.6)	(34.1)	—	—	(34.1)	(11.6)	(9.6)	(3.9)	(25.1)	(0.3)	(199.7)
Mobile services	(107.8)	(0.9)	—	—	—	—	(21.2)	(20.5)	—	(41.7)	—	(150.4)
B2B & Others	—	(1.0)	—	(24.5)	(31.2)	(55.5)	—	—	—	—	(26.8)	(83.4)
Total	(237.4)	(12.6)	**(34.1)**	**(24.5)**	**(31.2)**	**(89.6)**	**(32.8)**	**(30.1)**	**(3.9)**	**(66.8)**	**(27.1)**	**(433.6)**

(e) Gross Profit Pre-PT Transaction

€ in millions for the period September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to April 9, 2014	ODO Apr 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 To Sep 30, 2014	Portugal Total Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
Cable based services	426.5	38.5	—	—	—	52.0	64.8	5.5	**587.4**
Mobile services	90.7	(0.1)	81.4	169.8	251.2	—	71.2	5.7	**418.7**
B2B & Others	—	6.8	—	—	—	28.2	0.0	88.6	**123.6**
Total	**517.2**	**45.2**	**81.4**	**169.8**	**251.2**	**80.2**	**136.1**	**99.8**	**1,129.7**

€ in millions for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
Cable based services	425.4	38.5	—	57.3	—	—	57.3	16.1	10.0	20.4	46.5	1.0	568.6
Mobile services	59.6	0.1	232.5	—	—	—	—	—	25.0	46.1	71.0	—	363.5
B2B & Others	—	5.4	—	—	7.2	27.7	35.1	—	—	—	—	34.1	74.5
Total	**485.0**	**44.1**	**232.5**	**57.3**	**7.2**	**27.7**	**92.3**	**16.1**	**34.9**	**66.4**	**117.5**	**35.1**	**1,006.7**

(f) Gross Profit Pre-PT/ODO Transactions

€ in millions for the year ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31, 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
Cable based services	564.6	50.2	74.5	—	—	74.5	21.0	23.1	20.4	64.5	1.0	754.9
Mobile services	79.9	0.3	—	—	—	—	—	46.2	46.1	92.2	—	172.4
B2B & Others	—	7.3	—	17.5	27.8	45.3	—	—	—	—	47.1	99.7
Total	**644.5**	**57.9**	**74.5**	**17.5**	**27.8**	**119.8**	**21.0**	**69.3**	**66.5**	**156.7**	**48.1**	**1,027.0**

4—Notes to the unaudited pro forma consolidated financial information

(g) Other expenses Pre-PT Transaction

€ in millions for the period ended September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to April 9, 2014	ODO April 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 to Sep 30, 2014	Portugal Total Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
Other operating expenses	(142.5)	(4.1)	(10.3)	(24.2)	(34.5)	(21.2)	(40.8)	(13.4)	(256.6)
Other sales and marketing expenses	(38.3)	(1.9)	(19.0)	(39.4)	(58.4)	(7.6)	(12.1)	(6.6)	(124.9)
General and administrative expenses	(21.7)	(2.8)	(6.7)	(1.8)	(8.5)	(7.2)	(10.4)	(25.2)	(75.8)
Total	**(202.6)**	**(8.9)**	**(36.0)**	**(65.3)**	**(101.3)**	**(35.9)**	**(63.4)**	**(45.2)**	**(457.4)**

€ in millions for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
Other operating expenses	(157.9)	(2.7)	(24.7)	(14.8)	(3.4)	(11.2)	(29.5)	(2.3)	(10.1)	(19.8)	(32.2)	(4.9)	(251.9)
Other sales and marketing expenses	(36.4)	(1.2)	(42.3)	(5.5)	(0.4)	(1.3)	(7.3)	(0.9)	(3.0)	(7.3)	(11.1)	(3.6)	(101.9)
General and administrative expenses	(20.8)	(4.8)	(33.7)	(3.1)	(1.4)	(5.9)	(10.5)	(2.6)	(3.4)	(6.1)	(12.1)	(9.3)	(91.2)
Total	**(215.1)**	**(8.6)**	**(100.7)**	**(23.5)**	**(5.2)**	**(18.4)**	**(47.2)**	**(5.8)**	**(16.4)**	**(33.2)**	**(55.5)**	**(17.8)**	**(449.9)**

(h) Other expenses Pre-PT/ODO Transactions

€ in millions for the year ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31, 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
Other operating expenses	(204.1)	(5.4)	(19.6)	(7.8)	(11.2)	(38.6)	(3.9)	(14.5)	(19.8)	(38.2)	(6.9)	(293.2)
Other sales and marketing expenses	(49.9)	(3.4)	(7.6)	(1.1)	(1.3)	(10.0)	(0.5)	(12.2)	(7.3)	(20.0)	(4.6)	(87.9)
General and administrative expenses	(27.5)	(4.1)	(4.0)	(3.0)	(5.9)	(13.0)	(2.7)	(5.2)	(6.1)	(14.0)	(16.0)	(74.6)
Total	**(281.5)**	**(12.9)**	**(31.2)**	**(11.8)**	**(18.4)**	**(61.5)**	**(7.1)**	**(31.9)**	**(33.2)**	**(72.2)**	**(27.5)**	**(455.8)**

(i) Operating profit before depreciation, amortization, other expenses and non-recurring items Pre-PT Transaction

€ in millions for the period ended September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to Mar 31, 2014	ODO Apr 1, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 to Sep 30, 2014	Portugal Total Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
EBITDA	**314.6**	**36.3**	**45.5**	**104.5**	**150.0**	**44.3**	**72.7**	**54.6**	**672.3**

€ in millions for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
EBITDA	**269.9**	**35.4**	**131.7**	**33.7**	**2.0**	**9.4**	**45.1**	**10.3**	**18.5**	**33.2**	**62.1**	**17.7**	**561.5**

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

(j) Operating income before depreciation and amortization, other expenses and non-recurring items Pre-PT/ODO Transactions

€ in millions	Israel Jan 1, 2013 to Dec 31, 2013	BeLux Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	O 1,
For the year ended December 31, 2013	**363.0**	**45.0**	**43.3**	**5.7**	**9.3**	**58.3**	**13.9**	**37.4**	

(k) Capital expenditures Pre-PT Transaction

	Pre-Transaction Pro Forma Financial Informa									
	For the nine months ended September 30, 2014								For th	
	Israel	Belgium and Luxembourg	Dominican Republic	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Domi Repu
	€ in millions									
Capital expenditures										
Cable based services	133.0	12.0	—	8.1	22.8	10.0	185.9	100.0	13.5	
Mobile services	22.8	—	48.4	—	12.3	—	83.5	36.0	1.2	
B2B and others	—	2.3	—	10.0	0.3	33.1	45.6	—	—	
Total capital expenditures	**155.8**	**14.3**	**48.4**	**18.1**	**35.4**	**43.1**	**315.1**	**136.0**	**14.7**	
EBITDA—total capital expenditures	**158.8**	**22.1**	**101.6**	**26.2**	**37.3**	**11.5**	**357.4**	**133.9**	**20.7**	

4—Notes to the unaudited pro forma consolidated financial information

(l) Capital expenditures Pre-PT/ODO Transactions

	For the year ended December 31, 2013							
for the year ended December 31, 2013	Israel Total	Belgium and Luxembourg Total	Cabovisao	Oni	Portugal Total	OMT 9m	Le cable 9m	French Territor
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	E
Cable based services	155.3	21.5	18.3	—	18.3	5.1	4.4	
Mobile services	53.6	—	—	—	—	8.3	—	
B2B & Others	—	1.4	—	5.7	5.7	17.4	1.1	
Total capital expenditures	**208.9**	**23.0**	**18.3**	**5.7**	**24.0**	**30.7**	**5.5**	

(m) Revenue Post Transaction

for the period September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to Mar 31, 2014	ODO Apr 1, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 to Sep 30, 2014	Portugal Jan 1, 2014 to Sep 30, 2014	PT Portugal Jan 1, 2014 to Sep 30, 2014	Fr Terri 201
	EUR	EUR	EUR	EUR			EUR	
Revenue	**645.9**	**54.0**	**108.8**	**218.6**	**327.4**	**140.4**	**1,900.9**	

for the period ended September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	PT Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT J 2013 to 30, 20
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EU
Revenue	**669.4**	**53.1**	**333.9**	**83.4**	**17.5**	**59.0**	**159.8**	**1,963.2**	**18.7**	**51.1**	

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

(n) Revenue Post Acquisition

Israel	Cabovisao	ONI	ONI	PT Portugal	Belgium & Luxembourg	Le Cable	OMT	OMT	Total French Overseas Territories	Dominican Republic	Others	Adj.(*)	Total
Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to July 31, 2013	Aug 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Jun 30, 2013	Jul 1, 2013 to Dec 31, 2013		Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013
881.9	**108.7**	**59.0**	**41.9**	**2,627.4**	**70.5**	**24.9**	**96.5**	**102.1**	**223.5**	**446.3**	**75.2**	**(30.6)**	**4,503.6**

(*) Adjustments refer to the elimination of intercompany transactions between the Altice International Group and the PT Portugal Group. Please see section 3 for more details.

(o) Operating income before depreciation and amortization, other expenses and non-recurring expenses Post Transaction

Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	ODO Jan 1, 2014 to April 9, 2014	ODO Apr 9, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 to Sep 30, 2014	Portugal Jan 1, 2014 to Sep 30, 2014	PT Portugal Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
314.6	36.3	45.5	104.5	150.0	44.3	746.6	72.7	54.6	1,418.9

(p) Operating income before depreciation and amortization, other expenses and non-recurring expenses Post Transaction

Israel	Cabovisao	ONI	ONI	Total Portugal	PT Portugal	Belgium & Luxembourg	Le Cable	OMT	OMT	Total French Overseas Territories	Dominican Republic	Others	Adjustments (*)	Total
Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to July 31, 2013	Aug 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Jun 30, 2013	Jul 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013	Jan 1, 2013 to Dec 31, 2013
363.0	**43.3**	**9.4**	**5.7**	**58.2**	**1,026.4**	**45.0**	**13.9**	**33.3**	**37.4**	**84.6**	**173.0**	**20.0**	**(1.6)**	**1,770.7**

Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Cabovisao Jan 1, 2013 to Sep 30, 2013	ONI Aug 1, 2013 to Sep 30, 2013	ONI Jan 1, 2013 to July 31, 2013	Portugal Total Jan 1, 2013 to Sep 30, 2013	PT Portugal Total Jan 1, 2013 to Sep 30, 2013	Le Cable Jan 1, 2013 to Sep 30, 2013	OMT July 1, 2013 to Sep 30, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUREUR
269.9	**35.4**	**131.7**	**33.8**	**2.0**	**9.4**	**45.1**	**775.7**	**10.3**	**18.5**	**33.2**	**62.0**	**17.3**	**1,337.2**

4—Notes to the unaudited condensed combined financial information

(q) Post Transaction Capital Expenditure

For the period September 30, 2014	Israel Total Jan 1, 2014 to Sep 30, 2014	BeLux Total Jan 1, 2014 to Sep 30, 2014	Dominican Republic Jan 1, 2014 To Sep 30, 2014	Portugal Jan 1, 2014 to Sep 30, 2014	Portugal *(PT Portugal) Jan 1, 2014 to Sep 30, 2014	French Overseas Territories Total Jan 1, 2014 to Sep 30, 2014	Other Jan 1, 2014 to Sep 30, 2014	Total Jan 1, 2014 to Sep 30, 2014
	EUR	EUR			EUR	EUR	EUR	EUR
CAPEX	**155.8**	**14.3**	**48.4**	**18.1**	**316.4**	**35.4**	**43.1**	**631.5**

For the period September 30, 2013	Israel Total Jan 1, 2013 to Sep 30, 2013	BeLux Total Jan 1, 2013 to Sep 30, 2013	Dominican Republic Jan 1, 2013 to Sep 30, 2013	Portugal Jan 1, 2013 to Sep 30, 2013	Portugal *(PT Portugal) Jan 1, 2013 to Sep 30, 2013	French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013	Other Jan 1, 2013 to Sep 30, 2013	Total Jan 1, 2013 to Sep 30, 2013
	EUR	EUR			EUR	EUR	EUR	EUR
CAPEX	**136.0**	**14.7**	**38.9**	**18.3**	**428.1**	**27.1**	**13.4**	**676.5**

For the period December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Dominican Republic Jan 1, 2013 to Dec 31, 2013	Portugal Jan 1, 2013 to Dec 31, 2013	Portugal *(PT Portugal) Jan 1, 2013 to Dec 31, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	EUR			EUR	EUR	EUR	EUR
CAPEX	**208.9**	**23.0**	**58.5**	**24.0**	**560.0**	**36.2**	**22.1**	**932.7**

5—Other Information

Other referenced acquisitions and divestitures as disclosed in the "Presentation of Financial Information" have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to the Company.

The tax effect of the transaction adjustments in the Unaudited Pro Forma Financial Information has been calculated using a theoretical effective tax rate of 38% for companies based in France, 29.22% for companies based in Luxembourg and 23% for companies based in Portugal, for the nine month period ended September 30, 2014.

PT PORTUGAL UNAUDITED COMBINED ADJUSTED FINANCIAL INFORMATION

The unaudited combined adjusted financial information presented below represents PT target assets (as defined below), which includes (1) unaudited combined balance sheet as of September 30, 2014, (2) unaudited combined income and cash flow statements for the nine months ended September 30, 2014 and 2013 and for the year ended December 31, 2013, (3) unaudited selected income and cash flow statement data for the years ended December 31, 2012 and 2011, and (4) selected notes to the main captions of the unaudited combined adjusted balance sheet and income statements as of and for the nine month period ended September 30, 2014.

				Eliminations and adjustements				
Combined Balance Sheet as of September 30, 2014	**PTC Standalone**	**MEO Standalone**	**Contribution from other entities**	**Between PTC and MEO**	**Between PTC/MEO and other entities**	**Combined pre carve-out/in adjustments**	**Assets carve-out/in to adjust the perimeter**	**Combined after carve-out/in adjustments**
					(€, in millions)			
ASSETS								
Current Assets								
Cash, cash equivalents and short-term investments	54.9	78.6	111.2	—	(0.0)	**244.7**	—	**244.7**
Accounts receivable,net	655.4	454.5	90.9	(306.7)	(19.7)	**874.3**	—	**874.3**
Inventories, net	31.8	19.4	24.4	—	—	**75.5**	—	**75.5**
Tax receivable	15.9	7.8	61.4	—	—	**85.1**	—	**85.1**
Other current assets	12.9	12.3	224.5	—	(1.3)	**248.3**	(200.0)	**48.3**
Non current assets held for sale	(0.0)	—	—	—	(0.0)	**(0.0)**	—	**(0.0)**
Total Current Assets	**770.9**	**572.5**	**512.3**	**(306.7)**	**(21.1)**	**1,527.9**	**(200.0)**	**1,327.9**
Non-Current Assets								
Investments in group and associated companies	7,037.1	4,923.3	1,777.9	(5,809.2)	(6,140.6)	**1,788.6**	(1,767.9)	**20.7**
Investments in intercompany loans	—	—	3,406.0	—	—	**3,406.0**	—	**3,406.0**
Other investments	22.8	—	0.1	—	—	**22.9**	—	**22.9**
Goodwill	2,982.4	10.2	1,255.7	—	(524.6)	**3,723.7**	—	**3,723.7**
Intangible assets	192.8	355.2	26.5	—	(0.0)	**574.5**	—	**574.5**
Fixed assets, net	2,534.7	424.6	150.3	—	(6.0)	**3,103.7**	—	**3,103.7**
Post retirement benefits	1.9	—	—	—	—	**1.9**	—	**1.9**
Defered taxes	316.1	36.4	39.0	—	(0.0)	**391.5**	—	**391.5**
Other non-current assets	0.4	0.1	1.4	—	0.0	**1.8**	—	**1.8**
Total Non-Current Assets	**13,088.2**	**5,749.8**	**6,657.0**	**(5,809.2)**	**(6,671.2)**	**13,014.6**	**(1,767.9)**	**11,246.7**
Total Assets	**13,859.1**	**6,322.2**	**7,169.3**	**(6,115.9)**	**(6,692.3)**	**14,542.5**	**(1,967.9)**	**12,574.5**
LIABILITIES								
Current Liabilities								
Short term debt	15.9	1.4	460.3	—	—	**477.6**	—	**477.6**
Short term intercompany debt	—	—	1,340.2	—	—	**1,340.2**	—	**1,340.2**
Accounts payable	554.9	256.5	68.2	(278.6)	(122.7)	**478.2**	—	**478.2**
Accrued expenses	280.8	142.4	77.5	(28.1)	(127.5)	**345.1**	—	**345.1**
Defered income	94.1	38.3	27.7	—	(1.1)	**159.0**	—	**159.0**
Tax payable	40.7	22.0	28.2	—	—	**90.9**	—	**90.9**
Provisions	25.3	16.6	8.0	—	—	**49.9**	—	**49.9**
Other liabilities	—	—	0.4	—	—	**0.4**	—	**0.4**
Total Current Liabilities	**1,011.7**	**477.3**	**2,010.4**	**(306.7)**	**(251.3)**	**2,941.3**	**—**	**2,941.3**
Non-Current liabilities								
Medium and long-term debt	11.4	1.6	863.9	—	(0.1)	**876.8**	—	**876.8**
Medium and long-term Intercompany debt	7,290.8	—	5,906.2	—	(6,337.4)	**6,859.6**	—	**6,859.6**
Accounts payable	—	9.9	9.0	—	0.1	**19.0**	—	**19.0**
Defered income	—	—	0.0	—	0.0	**0.0**	—	**0.0**
Provisions	0.4	—	—	—	0.9	**1.3**	—	**1.3**
Post retirement benefits	1,065.6	5.2	2.9	—	0.0	**1,073.6**	—	**1,073.6**
Defered taxes	141.5	(0.0)	0.0	—	—	**141.5**	—	**141.5**
Other liabilities	—	19.0	1.2	—	(1.2)	**19.0**	—	**19.0**
Total Non-Current Liabilities	**8,509.7**	**35.8**	**6,783.0**	**—**	**(6,337.6)**	**8,990.8**	**—**	**8,990.8**
Total Liabilities	**9,521.4**	**513.1**	**8,793.4**	**(306.7)**	**(6,589.0)**	**11,932.1**	**—**	**11,932.1**
Net Assets	**4,337.7**	**5,809.2**	**(1,624.1)**	**(5,809.2)**	**(103.3)**	**2,610.4**	**(1,967.9)**	**642.5**

Combined Income Statement for the nine months ended September 30, 2014	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements		Combined pre carve-out/in adjustments	Carve-out/in adjustments	COMBINED after carve-out/in adjustments
				Between PTC and MEO	Between PTC/MEO and other entities			
					(Euro million)			
Operating Revenues	**1,304.5**	**745.4**	**62.5**	**(200.1)**	**(11.4)**	**1,900.9**	**—**	**1,900.9**
Services rendered	1,251.6	678.6	42.9	(178.9)	(4.6)	**1,789.6**		**1,789.6**
Sales	18.0	60.3	17.8	(9.8)	(0.2)	**86.0**		**86.0**
Other operating revenues	34.9	6.6	1.8	(11.3)	(6.6)	**25.3**		**25.3**
Costs from operations	**884.5**	**455.0**	**263.3**	**(199.5)**	**(249.0)**	**1,154.4**	**—**	**1,154.4**
Wages and salaries	144.4	30.9	95.6	—	(1.2)	**269.6**		**269.6**
Direct costs	372.2	151.6	0.1	(171.1)	(11.2)	**341.5**		**341.5**
Commercial costs:								
Costs of products sold	11.5	60.6	(0.2)	(9.6)	(0.0)	**62.3**		**62.3**
Commissions	44.5	46.6	3.9	(0.6)	(38.5)	**55.9**		**55.9**
Marketing and publicity	14.5	10.2	10.8	(0.1)	(0.1)	**35.4**		**35.4**
Support Services	146.3	67.3	67.8	(1.5)	(181.8)	**98.1**		**98.1**
Maintenance and repairs	46.5	17.6	9.5	(1.9)	(4.8)	**66.9**		**66.9**
Supplies and external services	81.6	52.8	61.3	(13.0)	(11.8)	**170.9**		**170.9**
Provisions and adjustments	11.3	(2.7)	(0.0)	—	—	**8.6**		**8.6**
Taxes	12.0	13.5	3.5	(0.5)	0.5	**29.1**		**29.1**
Other operating costs	(0.3)	6.6	11.0	(1.2)	(0.1)	**16.0**		**16.0**
EBITDA(*)	**420.0**	**290.4**	**(200.8)**	**(0.6)**	**237.6**	**746.6**	**—**	**746.6**
Post retirement benefits	31.2	0.1	0.1	—	—	**31.4**		**31.4**
Depreciation and amortisation	327.9	122.8	128.9	(0.6)	(1.5)	**577.6**		**577.6**
Work force reduction program costs	(21.9)	—	0.3	—	—	**(21.6)**		**(21.6)**
Losses/(gains) on sales disposals of fixed assets,net	(23.5)	(3.5)	(0.2)	—	26.2	**(1.1)**		**(1.1)**
Other costs (gains), net	14.1	0.0	68.5	—	—	**82.7**	(68.7)	**14.0**
Income before financials and income taxes	**92.2**	**171.0**	**(398.5)**	**(0.0)**	**212.9**	**77.6**	**68.7**	**146.3**
Interests, net	273.9	5.5	154.5	—	(209.8)	**224.1**		**224.1**
Net foreign currency exchange losses/(gains)	(1.3)	(0.0)	(0.6)	—	—	**(2.0)**		**(2.0)**
Losses/(Gains) on financial assets	(0.5)	—	—	—	0.5	**(0.0)**		**(0.0)**
Equity in earnings of associated companies	1,021.3	1,034.7	1,005.9	921.3	(2,977.6)	**1,005.6**	(1,008.0)	**(2.3)**
Net other financial expenses/(income)	8.0	0.6	11.6	—	(0.5)	**19.7**		**19.7**
Income before income taxes	**(1,209.3)**	**(869.7)**	**(1,569.8)**	**(921.3)**	**3,400.3**	**(1,169.9)**	**1,076.7**	**(93.2)**
Provision for income taxes	47.2	51.6	(107.0)	—	—	**(8.2)**		**(8.2)**
Net income	**(1,256.5)**	**(921.3)**	**(1,462.9)**	**(921.3)**	**3,400.3**	**(1,161.7)**	**1,076.7**	**(85.0)**

(*) Defined as income before financials and income taxes plus post retirement costs, depreciation and amortization expenses, workforce reduction program costs, net losses, (gains) on sales disposals of fixed assets and net other costs (gains).

Combined Income Statement for the nine months ended September 30, 2013	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	Combined pre carve-out/in adjustments	Carve-out/in adjustments	COMBINED after carve-out/in adjustments
					(Euro million)			
Operating Revenues	**1,323.1**	**805.2**	**51.8**	**(207.1)**	**(9.7)**	**1,963.2**	—	**1,963.2**
Services rendered	1,265.7	727.0	41.5	(188.1)	(4.5)	**1,841.6**		**1,841.6**
Sales	13.3	71.8	8.8	(5.7)	(0.3)	**87.8**		**87.8**
Other operating revenues	44.1	6.3	1.5	(13.3)	(4.8)	**33.8**		**33.8**
Costs from operations	870.9	498.1	258.7	(206.4)	(233.7)	**1,187.5**	—	**1,187.5**
Wages and salaries	144.1	32.1	96.2	—	(0.3)	**272.1**		**272.1**
Direct costs	368.1	152.1	0.4	(181.1)	(10.8)	**328.7**		**328.7**
Commercial costs:								
Costs of products sold	8.4	79.0	3.8	(5.2)	(0.0)	**86.0**		**86.0**
Commissions	44.5	51.7	34.5	(0.7)	(36.1)	**94.0**		**94.0**
Marketing and publicity	18.9	13.6	11.2	(0.2)	(0.1)	**43.4**		**43.4**
Support Services	127.1	70.1	64.4	(3.3)	(163.4)	**95.0**		**95.0**
Maintenance and repairs	53.8	21.4	18.5	(1.1)	(8.8)	**83.7**		**83.7**
Supplies and external services	88.7	54.4	29.0	(13.4)	(13.9)	**144.8**		**144.8**
Provisions and adjustments	7.7	7.6	(0.2)	—	—	**15.2**		**15.2**
Taxes	11.5	12.0	0.5	—	—	**24.0**		**24.0**
Other operating costs	(2.1)	4.2	0.5	(1.5)	(0.3)	**0.8**		**0.8**
EBITDA(*)	**452.2**	**307.1**	**(206.9)**	**(0.7)**	**224.0**	**775.7**	—	**775.7**
Post retirement benefits	31.7	0.0	0.1	—	—	**31.8**		**31.8**
Depreciation and amortisation	357.6	125.2	114.1	(0.7)	(1.5)	**594.7**		**594.7**
Work force reduction program costs	102.3	3.7	13.8	—	—	**119.8**		**119.8**
Losses/(gains) on sales disposals of fixed assets,net	(2.9)	(0.1)	(0.1)	—	—	**(3.1)**		**(3.1)**
Other costs (gains) net	(1.3)	13.1	4.9	—	—	**16.7**		**16.7**
Income before financials and income taxes	**(35.2)**	**165.1**	**(339.7)**	**0.0**	**225.5**	**15.8**	—	**15.8**
Interests, net	263.2	12.2	57.4	—	(138.0)	**194.8**		**194.8**
Net foreign currency exchange losses/(gains)	1.3	0.0	1.8	—	—	**3.0**		**3.0**
Losses/(Gains) on financial assets	0.6	—	—	—	0.5	**1.1**		**1.1**
Equity in earnings of associated companies	(161.3)	(123.1)	(110.6)	(229.0)	513.4	**(110.7)**	107.4	**(3.2)**
Net other financial expenses/(income)	5.3	0.8	1.2	—	(0.5)	**6.9**		**6.9**
Income before income taxes	**(144.3)**	**275.2**	**(289.4)**	**229.0**	**(149.9)**	**(79.4)**	**(107.4)**	**(186.8)**
Provision for income taxes	(5.2)	46.1	(6.9)	—	—	**34.1**		**34.1**
Net income	**(139.1)**	**229.0**	**(282.5)**	**229.0**	**(149.9)**	**(113.4)**	**(107.4)**	**(220.9)**

(*) See definition above.

Combined Income Statement for the year ended December 31, 2013	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	Combined pre carve-out/in adjustments	Carve-out/in adjustments	COMBINED after carve-out/in adjustments
					(Euro million)			
Operating Revenues	**1,765.8**	**1,064.3**	**79.6**	**(269.3)**	**(13.0)**	**2,627.4**	**—**	**2,627.4**
Services rendered	1,686.6	953.5	65.3	(242.0)	(6.1)	**2,457.2**		**2,457.2**
Sales	22.0	102.5	11.7	(9.5)	(0.4)	**126.3**		**126.3**
Other operating revenues	57.3	8.2	2.6	(17.8)	(6.4)	**43.8**		**43.8**
Costs from operations	**1,210.8**	**655.8**	**345.4**	**(268.4)**	**(342.7)**	**1,601.0**	**—**	**1,601.0**
Wages and salaries	190.3	42.3	129.8	—	(0.6)	**361.8**		**361.8**
Direct costs	492.2	198.6	0.4	(232.7)	(14.8)	**443.7**		**443.7**
Commercial costs:								
Costs of products sold	16.2	111.8	5.1	(8.8)	(0.0)	**124.2**		**124.2**
Commissions	61.4	70.8	47.5	(0.9)	(49.6)	**129.1**		**129.1**
Marketing and publicity	26.2	18.8	14.9	(0.3)	(0.2)	**59.5**		**59.5**
Support Services	173.5	92.0	84.7	(4.4)	(219.1)	**126.7**		**126.7**
Maintenance and repairs	74.4	29.4	23.5	(1.8)	(11.4)	**114.1**		**114.1**
Supplies and external services	121.9	74.2	39.7	(17.6)	(18.5)	**199.6**		**199.6**
Provisions and adjustments	14.0	8.5	(0.2)	—	—	**22.3**		**22.3**
Taxes	14.2	14.6	0.5	—	0.0	**29.3**		**29.3**
Other operating costs	26.6	(5.1)	(0.5)	(2.0)	(28.5)	**(9.4)**		**(9.4)**
EBITDA(*)	**555.1**	**408.5**	**(265.8)**	**(1.0)**	**329.7**	**1,026.4**	**—**	**1,026.4**
Post retirement benefits	40.3	0.0	0.2	—	—	**40.5**		**40.5**
Depreciation and amortisation	477.7	168.2	153.7	(1.0)	(2.0)	**796.7**		**796.7**
Work force reduction program costs	112.8	4.1	1.4	—	—	**118.3**		**118.3**
Losses/(gains) on sales disposals of fixed assets,net	(3.4)	(0.1)	(0.1)	—	—	**(3.6)**		**(3.6)**
Other costs (gains) net	1.4	17.7	6.0	—	—	**25.1**		**25.1**
Income before financials and income taxes	(73.7)	218.5	(427.0)	0.0	331.7	**49.5**	**—**	**49.5**
Interests, net	353.3	15.9	85.0	—	(185.2)	**269.0**		**269.0**
Net foreign currency exchange losses/(gains)	2.4	0.0	2.6	—	—	**4.9**		**4.9**
Losses/(Gains) on financial assets	0.5	—	—	—	0.6	**1.1**		**1.1**
Equity in earnings of associated companies	(234.4)	(194.7)	(179.3)	(336.1)	765.2	**(179.3)**	174.8	**(4.5)**
Net other financial expenses/(income)	9.0	1.1	2.0	—	(0.6)	**11.4**		**11.4**
Income before income taxes	**(204.5)**	**396.3**	**(337.2)**	**336.1**	**(248.3)**	**(57.6)**	**(174.8)**	**(232.4)**
Provision for income taxes	5.8	60.1	8.8	—	—	**74.7**		**74.7**
Net income	**(210.2)**	**336.1**	**(346.0)**	**336.1**	**(248.3)**	**(132.3)**	**(174.8)**	**(307.1)**

(*) See definition above.

Combined Income Statement Information for the year ended December 31, 2012	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	Combined pre carve-out/in adjustments	Carve-out/in adjustments	COMBINED after carve-out/in adjustments
	(Euro million)							
Operating Revenues	**1,827.3**	**1,163.3**	**81.1**	**(285.1)**	**(17.2)**	**2,769.4**	**—**	**2,769.4**
Services rendered	1,749.2	1,064.6	53.2	(263.0)	(10.1)	**2,594.0**		**2,594.0**
Sales	25.5	88.7	25.7	(5.0)	(0.3)	**134.5**		**134.5**
Other operating revenues	52.7	9.9	2.2	(17.1)	(6.8)	**41.0**		**41.0**
Costs from operations	**1,210.3**	**682.5**	**358.6**	**(280.2)**	**(329.4)**	**1,641.8**	**—**	**1,641.8**
Wages and salaries	201.1	40.9	132.7	—	(0.5)	**374.2**		**374.2**
Direct costs	484.0	225.3	0.5	(247.7)	(22.4)	**439.7**		**439.7**
Commercial costs:								
Costs of products sold	24.6	100.9	6.1	(4.6)	(0.0)	**127.0**		**127.0**
Commissions	66.0	64.3	43.7	(1.3)	(46.6)	**126.1**		**126.1**
Marketing and publicity	20.7	23.6	18.8	(1.0)	(0.2)	**61.8**		**61.8**
Support Services	179.0	84.1	99.8	(4.6)	(219.4)	**139.0**		**139.0**
Maintenance and repairs	74.8	30.8	20.0	(2.6)	(21.8)	**101.2**		**101.2**
Supplies and external services	125.6	82.7	43.3	(16.4)	(17.8)	**217.5**		**217.5**
Provisions and adjustments	18.2	4.7	(0.2)	—	—	**22.7**		**22.7**
Taxes	15.4	15.8	0.7	—	—	**31.8**		**31.8**
Other operating costs	0.8	9.4	(6.8)	(1.9)	(0.7)	**0.8**		**0.8**
EBITDA(*)	**617.0**	**480.8**	**(277.5)**	**(4.9)**	**312.2**	**1,127.6**	**—**	**1,127.6**

Combined Income Statement Information for the year ended December 31, 2011	PTC Standalone	MEO Standalone	Contribution from other entities	Consolidation eliminations and adjustements: Between PTC and MEO	Consolidation eliminations and adjustements: Between PTC/MEO and other entities	Combined pre carve-out/in adjustments	Carve-out/in adjustments	COMBINED
	(Euro million)							
Operating Revenues	**1,858.2**	**1,255.4**	**76.8**	**(193.4)**	**(41.6)**	**2,955.3**	**—**	**2,955.3**
Services rendered	1,765.1	1,151.1	68.2	(171.0)	(11.3)	**2,802.1**		**2,802.1**
Sales	31.8	92.9	5.7	(8.3)	(0.4)	**121.7**		**121.7**
Other operating revenues	61.3	11.4	2.9	(14.1)	(29.9)	**31.5**		**31.5**
Costs from operations	**1,200.1**	**714.4**	**323.1**	**(188.0)**	**(361.9)**	**1,687.6**	**—**	**1,687.6**
Wages and salaries	208.2	45.1	121.9	—	(1.3)	**374.0**		**374.0**
Direct costs	413.4	226.3	0.6	(155.2)	(12.3)	**472.8**		**472.8**
Commercial costs:								
Costs of products sold	27.5	105.0	3.8	(7.6)	(0.2)	**128.6**		**128.6**
Commissions	64.0	75.8	39.3	(1.4)	(45.7)	**132.1**		**132.1**
Marketing and publicity	26.2	29.6	18.3	(0.8)	(0.2)	**73.1**		**73.1**
Support Services	217.8	85.3	104.2	(5.1)	(263.3)	**138.9**		**138.9**
Maintenance and repairs	96.1	31.6	24.7	(1.1)	(22.3)	**128.9**		**128.9**
Supplies and external services	118.9	86.9	29.5	(14.7)	(16.8)	**203.7**		**203.7**
Provisions and adjustments	15.2	2.6	(0.2)	—	—	**17.6**		**17.6**
Taxes	13.8	15.4	0.3	(0.2)	0.2	**29.5**		**29.5**
Other operating costs	(1.0)	10.8	(19.3)	(2.0)	(0.0)	**(11.5)**		**(11.5)**
EBITDA(*)	**658.1**	**541.0**	**(246.3)**	**(5.4)**	**320.4**	**1,267.7**	**—**	**1,267.7**

(*) See definition above.

Combined Cash Flow Statement for the Nine Months Ended September 30, 2014	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	COMBINED
			(Euro million)			
OPERATING ACTIVITIES						
Collections from clients	1,628.9	757.1	67.3	(266.7)	(19.3)	2,167.3
Payments to suppliers	(837.5)	(464.0)	(231.3)	261.1	318.6	(953.1)
Payments to employees	(142.7)	(34.7)	(106.8)	—	—	(284.1)
Payments relating to income taxes	(3.6)	9.2	(61.4)	—	0.0	(55.8)
Payments relating to post retirement benefits, net	(134.4)	(0.7)	(0.2)	—	(2.0)	(137.3)
Payments relating to indirect taxes and other	(26.6)	(77.7)	(31.5)	2.7	(18.7)	(151.7)
Cash flows from operating activities (1)	**484.2**	**189.2**	**(363.9)**	**(2.8)**	**278.6**	**585.2**
INVESTING ACTIVITIES						
Cash receipts resulting from:						
Short-term financial applications	—	—	55.9	—	—	55.9
Financial investments	5.9	0.0	6,445.4	—	(0.0)	6,451.2
Tangible and intangible assets	49.6	7.6	0.7	—	(52.3)	5.6
Interest and related income	2.1	1.3	39.7	—	—	43.0
Dividends	0.2	194.0	2.1	—	(194.0)	2.4
Other investing activities	—	—	11.3	—	—	11.3
	57.7	**202.9**	**6,555.1**	**—**	**(246.3)**	**6,569.5**
Payments resulting from:						
Short-term financial applications	—	—	(11.4)	—	—	(11.4)
Financial investments	(13.4)	—	(6,549.8)	—	—	(6,563.2)
Tangible assets	(258.2)	(54.8)	(14.8)	2.8	34.0	(291.0)
Intangible assets	(4.7)	(16.4)	(4.4)	—	0.0	(25.4)
Other investing activities	—	—	(200.0)[1]	—	—	(200.0)[*]
	(276.3)	**(71.2)**	**(6,780.3)**	**2.8**	**34.0**	**(7,091.0)**
Cash flows from investing activities (2)	**(218.6)**	**131.7**	**(225.1)**	**2.8**	**(212.3)**	**(521.5)**
FINANCING ACTIVITIES						
Cash receipts resulting from:						
Loans obtained	2,558.4	8.4	9,224.4	—	(2,558.4)	9,232.8
Increases in share capital and paid-in surplus	—	—	1,250.0	—	—	1,250.0
Subsidies	0.3	0.0	1.6	—	(0.0)	1.9
Other financing activities	—	—	0.0	—	—	0.0
	2,558.7	**8.4**	**10,476.0**	**—**	**(2,558.4)**	**10,484.8**
Payments resulting from:						
Loans repaid	(2,476.3)	(252.3)	(4,373.7)	—	0.9	(7,101.3)
Amortization of leasing contracts	(12.4)	(1.1)	(2.2)	—	—	(15.8)
Reductions in share capital and paid-in surplus	—	—	(2,967.7)	—	—	(2,967.7)
Interest and related expenses	(303.1)	(7.5)	(263.0)	—	216.7	(356.9)
Dividends	—	—	(0.9)	—	—	(0.9)
	(2,791.8)	**(260.9)**	**(7,607.5)**	**—**	**217.7**	**(10,442.6)**
Cash flows from financing activities (3)	**(233.2)**	**(252.5)**	**2,868.6**	**—**	**(2,340.7)**	**42.2**
Cash and cash equivalents at the beginning of the period	21.7	10.3				128.2
Change in cash and cash equivalents (4)=(1)+(2)+(3)	32.4	68.3				105.9
Effect of exchange differences	0.7	—				3.4
Changes in the consolidation perimeter	—	—				—
Cash and cash equivalents at the end of the period	**54.9**	**78.6**				**237.6**

(*) The payment related to other investment activities of €200 million for the nine months ended September 30, 2014 relates to the subscription of commercial paper of Rio Forte Investments, S.A. ("Rio Forte") on April 15, 2014 and matured on July 15, 2014, which was not repaid by Rio Forte on the respective maturity date. This investment is carved-out from the unaudited balance sheet as of September 30, 2014 presented in the section "PT Portugal Unaudited Combined Adjusted Financial Information", as it is out of the scope of the transaction perimeter.

Combined Cash Flow Statement for the Nine Months Ended September 30, 2013	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	COMBINED
			(Euro million)			
OPERATING ACTIVITIES						
Collections from clients	1,683.1	918.6	64.6	(319.2)	(23.9)	2,323.2
Payments to suppliers................	(937.7)	(571.7)	(190.1)	309.4	329.9	(1,060.2)
Payments to employees	(139.1)	(33.9)	(120.3)	—	0.0	(293.3)
Payments relating to income taxes......................................	(2.0)	(46.3)	(37.0)	—	(0.0)	(85.3)
Payments relating to post retirement benefits, net.........	(134.2)	(1.0)	(0.1)	—	(1.0)	(136.3)
Payments relating to indirect taxes and other......................	(73.5)	(71.7)	(92.4)	8.1	1.1	(228.3)
Cash flows from operating activities (1)	**396.6**	**194.0**	**(375.3)**	**(1.7)**	**306.1**	**519.8**
INVESTING ACTIVITIES						
Cash receipts resulting from:						
Short-term financial applications...........................	—	—	38.3	—	—	38.3
Financial investments................	376.0	—	2,270.9	(340.0)	—	2,306.9
Tangible and intangible assets ..	5.2	0.8	0.5	—	—	6.4
Interest and related income	1.7	1.5	98.7	—	0.0	101.9
Dividends..................................	2.7	67.9	3.2	—	(67.9)	5.9
Other investing activities...........	—	—	0.1	—	—	0.1
	385.5	**70.2**	**2,411.5**	**(340.0)**	**(67.9)**	**2,459.4**
Payments resulting from:						
Short-term financial applications...........................	—	—	(40.7)	—	—	(40.7)
Financial investments................	(8.4)	—	(2,450.8)	—	—	(2,459.2)
Tangible assets	(307.4)	(90.0)	(51.0)	1.7	41.9	(404.8)
Intangible assets	(7.5)	(15.1)	(0.8)	—	—	(23.3)
Other investing activities...........	—	—	(0.6)	—	—	(0.6)
	(323.3)	**(105.1)**	**(2,543.7)**	**1.7**	**41.9**	**(2,928.5)**
Cash flows from investing activities (2)	**62.2**	**(34.9)**	**(132.2)**	**(338.3)**	**(26.0)**	**(469.2)**
FINANCING ACTIVITIES						
Cash receipts resulting from:						
Loans obtained	365.3	260.0	1,075.8	—	(252.0)	1,449.1
Increases in share capital and paid-in surplus......................	—	—	34.2	—	—	34.2
Subsidies....................................	0.4	0.0	1.0	—	—	1.3
Other financing activities	—	—	—	—	—	—
	365.7	**260.0**	**1,110.9**	**—**	**(252.0)**	**1,484.6**
Payments resulting from:						
Loans repaid	(592.0)	(376.1)	(750.8)	340.0	—	(1,378.9)
Amortization of leasing contracts...............................	(11.7)	(1.6)	(2.7)	—	0.0	(16.0)
Reductions in share capital and paid-in surplus......................	—	—	(35.5)	—	—	(35.5)
Interest and related expenses.....	(191.5)	(9.6)	(90.7)	—	65.5	(226.2)
Dividends..................................	—	—	(0.9)	—	—	(0.9)
	(795.2)	**(387.3)**	**(880.6)**	**340.0**	**65.5**	**(1,657.5)**
Cash flows from financing activities (3)	**(429.5)**	**(127.3)**	**230.3**	**340.0**	**(186.5)**	**(172.9)**
Cash and cash equivalents at the beginning of the period	21.2	7.8				286.5
Change in cash and cash equivalents (4)=(1)+(2)+(3) .	29.3	31.9				(122.3)
Effect of exchange differences..	(1.0)	—				(7.7)
Changes in the consolidation perimeter..............................	—	—				—
Cash and cash equivalents at the end of the period	**49.5**	**39.6**				**156.4**

Combined Cash Flow Statement for the Year Ended December 31, 2013	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	COMBINED
			(Euro million)			
OPERATING ACTIVITIES						
Collections from clients	2,234.2	1,224.6	81.0	(459.5)	(30.4)	3,049.9
Payments to suppliers	(1,265.7)	(747.0)	(323.8)	446.2	436.3	(1,453.9)
Payments to employees	(193.1)	(46.3)	(161.3)	—	(0.0)	(400.7)
Payments relating to income taxes	(6.3)	(69.9)	(41.5)	—	—	(117.7)
Payments relating to post retirement benefits, net	(178.9)	(1.3)	(0.2)	—	1.7	(178.7)
Payments relating to indirect taxes and other	(101.4)	(100.3)	(37.8)	11.1	(1.5)	(230.0)
Cash flows from operating activities (1)	**488.8**	**259.8**	**(483.6)**	**(2.1)**	**406.0**	**668.9**
INVESTING ACTIVITIES						
Cash receipts resulting from:						
Short-term financial applications	—	—	38.5	—	—	38.5
Financial investments	376.5	—	2,270.9	(340.0)	—	2,307.3
Tangible and intangible assets	6.1	1.1	0.6	—	(0.0)	7.7
Interest and related income	33.3	2.2	114.1	(30.1)	(0.0)	119.4
Dividends	2.7	67.9	3.1	—	(67.9)	5.8
Other investing activities	—	—	0.2	—	—	0.2
	418.5	**71.1**	**2,427.3**	**(370.1)**	**(67.9)**	**2,478.9**
Payments resulting from:						
Short-term financial applications	—	—	(40.8)	—	—	(40.8)
Financial investments	(44.0)	—	(2,464.8)	—	0.0	(2,508.9)
Tangible assets	(399.1)	(126.4)	(58.3)	2.1	54.9	(526.7)
Intangible assets	(8.8)	(22.8)	(1.7)	—	(0.0)	(33.3)
Other investing activities	—	—	(0.6)	—	—	(0.6)
	(451.9)	**(149.2)**	**(2,566.2)**	**2.1**	**54.9**	**(3,110.3)**
Cash flows from investing activities (2)	**(33.4)**	**(78.1)**	**(138.9)**	**(368.0)**	**(13.0)**	**(631.4)**
FINANCING ACTIVITIES						
Cash receipts resulting from:						
Loans obtained	476.4	252.0	1,060.0	—	(252.0)	1,536.3
Increases in share capital and paid-in surplus	—	—	2,134.2	—	—	2,134.2
Subsidies	0.3	0.0	1.3	—	—	1.7
Other financing activities	—	—	—	—	—	—
	476.7	**252.0**	**3,195.4**	**—**	**(252.0)**	**3,672.1**
Payments resulting from:						
Loans repaid	(592.0)	(386.2)	(754.6)	340.0	—	(1,392.8)
Amortization of leasing contracts	(16.6)	(2.1)	(3.5)	—	—	(22.2)
Reductions in share capital and paid-in surplus	—	—	(2,135.5)	—	—	(2,135.5)
Interest and related expenses	(321.0)	(42.9)	(131.2)	30.1	160.4	(304.5)
Dividends	—	—	(0.9)	—	—	(0.9)
	(929.7)	**(431.2)**	**(3,025.6)**	**370.1**	**160.4**	**(3,856.0)**
Cash flows from financing activities (3)	**(453.0)**	**(179.2)**	**169.8**	**370.1**	**(91.6)**	**(183.9)**
Cash and cash equivalents at the beginning of the period	21.2	7.8				286.5
Change in cash and cash equivalents (4)=(1)+(2)+(3)	2.4	2.5				(146.4)
Effect of exchange differences	(1.9)	—				(11.4)
Changes in the consolidation perimeter	—	—				—
Cash and cash equivalents at the end of the period	**21.7**	**10.3**				**128.7**

Combined Cash Flow Statement Information for the Year Ended December 31, 2012	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	COMBINED
			(Euro million)			
OPERATING ACTIVITIES						
Collections from clients	2,404.8	1,424.9	73.0	(419.6)	(15.0)	3,468.0
Payments to suppliers	(1,409.9)	(765.6)	(360.2)	393.4	444.5	(1,697.7)
Payments to employees	(206.4)	(48.7)	(144.8)	—	—	(400.0)
Payments relating to income taxes	35.9	(92.1)	(15.2)	—	—	(71.4)
Payments relating to post retirement benefits, net	(186.4)	(0.2)	(0.1)	—	4.9	(181.8)
Payments relating to indirect taxes and other	(94.3)	(85.6)	(38.1)	8.8	(19.4)	(228.5)
Cash flows from operating activities	**543.8**	**432.6**	**(485.4)**	**(17.3)**	**415.0**	**888.6**
INVESTING ACTIVITIES						
Cash receipts resulting from:						
Short-term financial applications	—	—	285.5	—	—	285.5
Financial investments	—	—	116.5	—	—	116.5
Tangible and intangible assets	3.7	2.7	0.2	—	—	6.5
Interest and related income	2.9	3.4	94.4	—	—	100.7
Dividends	238.3	5.0	3.8	(235.5)	(5.1)	6.6
Other investing activities	—	—	1.9	—	—	1.9
	244.8	**11.1**	**502.2**	**(235.5)**	**(5.1)**	**517.6**
Payments resulting from:						
Short-term financial applications	—	—	—	—	—	—
Financial investments	(2.8)	—	(2,270.0)	—	1.2	(2,271.6)
Tangible assets	(531.2)	(163.2)	(18.9)	17.3	70.5	(625.5)
Intangible assets	(7.8)	(129.4)	(1.0)	—	—	(138.1)
Other investing activities	—	—	(0.6)	—	(1.1)	(1.6)
	(541.8)	**(292.6)**	**(2,290.4)**	**17.3**	**70.6**	**(3,036.9)**
Cash flows from investing activities	**(296.9)**	**(281.5)**	**(1,788.2)**	**(218.2)**	**65.5**	**(2,519.3)**

Combined Cash Flow Statement Information for the Year Ended December 31, 2011	PTC Standalone	MEO Standalone	Contribution from other entities	Eliminations and adjustements: Between PTC and MEO	Eliminations and adjustements: Between PTC/MEO and other entities	COMBINED
			(Euro million)			
OPERATING ACTIVITIES						
Collections from clients	2,402.7	1,457.5	100.4	(286.8)	(26.4)	3,647.4
Payments to suppliers	(1,318.1)	(762.0)	(324.1)	277.9	445.0	(1,681.2)
Payments to employees	(211.8)	(48.9)	(150.2)	—	2.8	(408.1)
Payments relating to income taxes	(52.2)	(83.6)	(30.3)	—	—	(166.1)
Payments relating to post retirement benefits, net	(194.5)	(0.5)	(1.4)	—	(2.8)	(199.2)
Payments relating to indirect taxes and other	(47.5)	(86.5)	(52.9)	6.2	0.2	(180.4)
Cash flows from operating activities	**578.7**	**476.0**	**(458.4)**	**(2.7)**	**418.8**	**1,012.3**
INVESTING ACTIVITIES						
Cash receipts resulting from:						
Short-term financial applications	—	—	—	—	—	—
Financial investments	160.1	—	2,142.6	(160.0)	—	2,142.8
Tangible and intangible assets	3.2	6.9	0.3	—	—	10.3
Interest and related income	3.0	7.8	62.6	—	—	73.4
Dividends	2.4	—	0.4	—	(0.3)	2.6
Other investing activities	—	—	323.3	—	—	323.3
	168.7	**14.7**	**2,529.2**	**(160.0)**	**(0.3)**	**2,552.3**
Payments resulting from:						
Short-term financial applications	—	—	—	—	—	—
Financial investments	(2.3)	—	(3,902.8)	—	(85.4)	(3,990.4)
Tangible assets	(559.7)	(115.2)	(7.4)	2.7	74.4	(605.2)
Intangible assets	(10.3)	(52.5)	(2.1)	—	—	(64.9)
Other investing activities	—	—	(9.1)	—	(2.3)	(11.3)
	(572.3)	**(167.7)**	**(3,921.3)**	**2.7**	**(13.3)**	**(4,671.8)**
Cash flows from investing activities	**(403.5)**	**(153.0)**	**(1,392.1)**	**(157.3)**	**(13.5)**	**(2,119.5)**

Basis of Preparation

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

ENTITIES WITHIN THE TRANSACTION PERIMETER AS OF SEPTEMBER 30, 2014

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

This unaudited combined adjusted financial information has been prepared to present the financial information of the target perimeter companies for the applicable periods.

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

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

The combined balance sheet as of September 30, 2014 reflects the aggregation of the following:

1. *PTC Standalone and MEO Standalone*: Unaudited condensed balance sheets of PTC and Meo, S.A. prepared in accordance with Portuguese GAAP ("PGAAP"), which for purposes of this combined financial information were presented under the same format as that used for financial information published by Portugal Telecom SGPS, S.A. (the "international format" or "PT format"), reflecting certain reclassifications as compared to the

balance sheet format presented for PGAAP purposes. Under this PT format, EBITDA is defined as income before financials and income taxes plus post retirement benefits costs, depreciation and amortization expenses, work force reduction program costs, net losses/(gains) on sales disposals of fixed assets and net other costs (gains).

2. *Contribution from other entities*: Unaudited financial information (assets and liabilities) of the other companies that will be included in the target perimeter. These other companies' financial information include the investments of PT Portugal and its subsidiaries in the net assets of PT Finance, PT Investimentos, PT Participações (companies that are excluded from the target perimeter) and in Rio Forte Investments, S.A., which are eliminated in the column "Assets carve-out/in to adjust the perimeter"—see point 5 below. This financial information have been extracted from the accounting records of each company included in the transaction perimeter, adjusted for intercompany eliminations;

3. *Eliminations and adjustments between PTC and MEO*: Eliminations of the intercompany balances between PTC and MEO and the financial investment recorded by PTC relating to MEO, a wholly owned subsidiary of PTC, since under PGAAP PTC accounts for the investment in MEO by the equity method;

4. *Eliminations and adjustments between PTC/MEO and other PT Target Businesses* include:

   (a) the elimination of intercompany balances between both PTC and MEO and the other subsidiaries of the PT Portugal Group, which relate mainly to trade payables due by PTC and MEO to support companies, intercompany debt and related accrued interest due by PTC to PT Portugal, and income tax liabilities due by PTC and MEO to PT Portugal in connection with the tax consolidation regime adopted by PT Portugal. Income tax receivables from or payables to the Portuguese State in relation to the tax consolidation regime are recorded in the standalone financial statements of PT Portugal, currently the parent company of the tax consolidation group, while its subsidiaries also included in this tax consolidation regime, including PTC and MEO, record its income tax receivables or payables as intercompany receivables from or payables to PT Portugal, which are therefore eliminated in the consolidation process and also in this combination process;

   (b) the elimination of the financial investments held by PTC and Meo S.A. in the other subsidiaries of the target perimeter; and

   (c) the elimination of goodwill generated following internal sale and purchase agreements settled between companies within the PT Portugal Group;

5. *Assets carve-out/in to adjust the perimeter:* The elimination and incorporation of certain assets in order to adjust the unaudited combined balance sheet to reflect only the assets and liabilities of the target companies; these adjustments reflect (i) the carve-out of the financial investments in PT Finance BV, S.A. (a finance vehicle) and PT Investimentos (holding company for foreign investments) in the amounts of €235.4 million and €6.9 million, respectively, which were recorded at PT Portugal standalone financial statements, (ii) the carve-out of the financial investment in PT Participações (holding company that holds the investments in Africa and Timor) in the amount of €1,533.8 million, which was recorded at PT Móveis, (iii) the elimination of the Rio Forte investment (commercial paper issued by Rio Forte) recorded at PT Portugal, amounting to € 200.0 million, and (iv) the incorporation of the financial investments in Hungaro Digitel and Siresp, in the amounts of €2.5 million and €5.7 million, respectively, entities that are included in the target perimeter companies but the investments of which were recorded at PT Participações, an entity outside the target perimeter companies.

The PT Portugal unaudited combined income and cash flow statements for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011 reflect the aggregation of the following:

1. *PTC Standalone and MEO Standalone*: Unaudited income and cash flow statements of PTC and Meo, S.A. for the nine months ended September 30, 2014 and 2013 and audited condensed income and cash flow statements of PTC and Meo, S.A. for the years ended December 31, 2013, 2012 and 2011 . As already explained above in relation to the balance sheet, the income statements are also prepared in accordance with Portuguese GAAP but for purposes of this combined financial information of the PT Portugal Group were presented under an PT format, reflecting certain reclassifications as compared to the profit and loss format presented for PGAAP purposes. These reclassifications primarily reflect certain captions that under Portuguese GAAP are included as operating items while under the PT format are presented as operating item but not included on the computation of EBITDA (as defined above), namely "Post retirement benefits", "Work force reduction program costs", "Losses/(gains) on sales disposals of fixed assets, net", "Non-recurring items" and "Equity in earnings of associated companies". It should also be mentioned that prior to 2014, the parent company of the tax consolidation regime was Portugal Telecom and whenever entities included in this tax consolidation group, such

as PTC and MEO, presented tax losses, the related income tax gain was not recorded in that entity but in the parent company of the tax consolidation group, which prior to 2014 was Portugal Telecom, an entity not included in the transaction perimeter. For the years ended December 31, 2013, 2012 and 2011, the income tax gain recorded by Portugal Telecom (and thus not included in this combined profit and loss statement) relating to PTC's tax losses amounted to €90.8 million, €170.1 million and €217.0 million, respectively, since deferred tax assets on tax losses are recorded directly by the parent company of the tax consolidation group.

2. *Contribution from other entities*: Unaudited aggregation of financial information (revenues and costs) of the other subsidiaries included in the target perimeter, which was presented net of intercompany eliminations;

3. *Eliminations and adjustments between PTC and MEO*: eliminations of the intercompany revenues, costs, cash receipts and cash payments between PTC and Meo, S.A. and also PTC's equity in earnings of Meo, S.A.;

4. *Eliminations and adjustments between PTC/MEO and other PT Target Businesses* include:

   (a) the elimination of intercompany revenues, costs, cash receipts and cash payments between PTC and/or MEO and the other entities within the PT Portugal Group, which relate mainly to operating costs incurred by PTC and/or MEO with other companies and interest expenses in connection with intercompany debt due from PTC to PT Portugal;

   (b) the elimination of PTC's and MEO's equity in earnings of the other subsidiaries of the PT Portugal Group; and

   (c) IFRS adjustments related to the impact of the adoption of the revised version of IAS 19 in the combined adjusted income statement for the year ended December 31, 2011, because PTC's unaudited standalone financial statements for that year did not yet reflect the adoption of this revised standard; these IFRS adjustments are included because as PT Portugal's consolidated financial statements are prepared in accordance with IFRS, this combined financial information was also prepared in accordance with IFRS, despite PTC and MEO's financial statements being prepared under PGAAP;

5. *Carve-out/in adjustments:* The elimination and inclusion adjustments of the gains and costs incurred with the companies that have been excluded and included in the Transaction, reflecting the reversal of the gains and losses resulting from either the equity method of accounting in or the disposal of entities that are outside the target perimeter, and the inclusion of the gains and losses resulting from the equity method of accounting in entities included in the target perimeter. These adjustments primarily include (1) the equity in the earnings or losses of PT Finance and PT Investimentos, both of which recorded at PT Portugal, (2) the equity in the earnings or losses of Bratel BV (an entity that is not included in the transaction perimeter that held the investments in Oi and Contax) and PT Participações, both of which recorded at PT Móveis, and (3) the gains or losses on the disposal of the investments in CTM and UOL, which were recorded by PT Comunicações and PT Brasil in 2013 and 2011, respectively.

The table below presents a summary of the effects on the combined adjusted balance sheet as of September 30, 2014 resulting from the carve-out and carve-in adjustments:

Adjustments to the combined adjusted balance sheet as of September 30, 2014	**Investments in associated companies**	**Other current assets**	**Total carve-out/in adjustments**
		(€, in millions)	
Carve-out of PT Participações	(1,533.8)	—	**(1,533.8)**
Carve-out of PT Finance	(235.4)	—	**(235.4)**
Carve-out of PT Investimentos	(6.9)	—	**(6.9)**
Carve-out of Carrigans and CV TEL	(0.0)	—	**(0.0)**
Carve-out of Rio Forte	—	(200.0)	**(200.0)**
Acquisition of Hungaro Digitel	2.5	—	**2.5**
Acquisition of Siresp	5.7	—	**5.7**
	(1,767.9)	**(200.0)**	**(1,967.9)**

The table below presents a summary of the effects on the combined adjusted income statements for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011 resulting from (i) the elimination of the gains and losses recorded by perimeter entities in connection with the equity method of accounting in or the disposal of entities that are outside the target perimeter and (2) the inclusion of gains and losses recorded by entities outside perimeter that relate to the equity method of accounting in entities included in the target perimeter:

Adjustments to the combined adjusted income statements	Years ended December 31, 2011	2012	Nine months ended September 30, 2013	2013	2014
			(€, in millions)		
Reversal of equity accounting over entites outside perimeter					
PT Participações (i)	—	—	—	—	17.9
PT Finance (i)	—	—	—	—	14.8
PT Investimentos (i)	—	—	—	—	(2.2)
Carrigans and CV TEL	0.1	0.0	0.0	(0.0)	(0.0)
Bratel BV (ii)	37.9	2.4	(141.2)	(76.0)	25.2
Contax (ii)	0.4	(0.2)	(1.4)	(0.0)	1.1
CTX (ii)	1.4	0.5	(0.9)	0.4	0.9
CTM (iii)	(2.5)	(2.8)	—	—	—
Mobitel (iv)	9.0	—	—	—	—
Reversal of gains and losses on the disposal of entities outside perimeter					
CTM (iii)	—	—	(33.5)	(33.5)	—
UOL (v)	(9.0)	—	—	—	—
Inclusion of equity accounting over entites inside perimeter					
Hungaro Digitel (vi)	0.6	0.5	0.5	0.3	0.3
Siresp (vi)	1.2	1.4	1.8	1.4	0.1
Sportinveste (vii)	(0.1)	(2.3)	0.0	0.1	—
Yunit (vii)	0.0	(0.2)	(0.2)	(0.1)	—
Foreign currency losses recycled to net income by PT Móveis upon the disposal of Bratel BV (viii)	—	—	—	—	949.9
Loss recorded by PT Móveis relating to the investment in PT Participações (ix)	—	—	—	—	68.7
Total impact in net income	**38.8**	**(0.6)**	**(174.8)**	**(107.4)**	**1,076.7**

(i) Represents the equity accounting in losses (gains) of these entities recorded by PT Móveis (investment in PT Participações) and PT Portugal (PT Finance and PT Investimentos) as from May 2014, which were excluded from the combined income statement since these investments are outside the target perimeter. PT Móveis and PT Portugal acquired these investments in the beginning of May 2014.

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

(iii) These captions correspond to gains recorded by PTC regarding its 3% interest in Companhia de Telecomunicações de Macao ("CTM"), including the gains through the equity accounting method until the end of 2012 and the capital gain recorded in 2013 upon the disposal of this investment.

(iv) This caption corresponds to the losses recorded by PT Brasil through the equity method of accounting over Mobitel, Portugal Telecom, SGPS, S.A. group's call centre operation in Brasil prior to the disposal of Vivo. During the year 2011, PT Brasil subscribed a share capital increase in Contax (call centre business rendering services to Oi) through the contribution in kind of this investment.

(v) This caption corresponds to the capital gain recorded by PT Brasil in connection with the disposal of this investment in January 2011.

(vi) These captions correspond to the losses (gains) recorded by PT Participações (outside perimeter) over these entities through the equity method of accounting, since both Hungaro Digitel and Siresp are included in the target perimeter. As mentioned above, these entities will be acquired by PT Móveis from PT Participações prior to the closing of the acquisition of PT Portugal by Altice.

(vii) These captions correspond to the losses (gains) recorded by Portugal Telecom SGPS (outside perimeter) over these entities through the equity method of accounting, since both Sportinveste and Yunit are included in the target perimeter. These entities were disposed by Portugal Telecom SGPS to PTC in the end of 2013.

(viii) This caption corresponds to the net loss recorded by PT Móveis in connection with the sale of Bratel BV to Portugal Telecom SGPS, including (1) a capital gain of €50.0 million corresponding to the difference between the sale price and the carrying value of the investment, and (2) foreign currency losses of €1,000.0 million relating to the depreciation of the Brazilian Real against the Euro since the acquisition of the investment in Oi in March 2011, which were recycled to net income upon the disposal of the investment. This net loss was excluded from the combined adjusted income statement as it relates to an entity outside the perimeter.

(ix) This caption corresponds to a loss recorded by PT Móveis in connection with the acquisition of PT Participações in order to adjust the carrying value of its investments to the correspondent recoverable amounts. This loss was also excluded from the combined profit and loss statement as it relates to entities outside the perimeter.

Selected Notes to the Combined Adjusted Balance Sheet and Income Statements

The tables below present unaudited selected disclosures to the main captions of the combined adjusted balance sheet as of September 30, 2014 (€ , in millions):

Cash and equivalents	Sep 30, 2014
Cash, cash equivalents	237.6
Short-term investments	7.1
Total	**244.7**

Accounts receivable, net	Sep 30, 2014
Accounts receivable from customers	799.5
Unbilled revenues	113.7
Receivables from related parties	30.6
Advances to suppliers	9.7
Accrued interest income	1.6
Other	130.2
Sub-total	**1,085.2**
Adjustments for doubtful accounts receivable—trade	(200.5)
Adjustments for other current accounts receivable	(10.5)
Total	**874.3**

Tax receivable	Sep 30, 2014
Value Added Tax	19.6
Corporate Income Tax	62.5
Other Taxes	3.0
Total	**85.1**

Prepaid expenses and other current assets	Sep 30, 2014
Prepaid expenses—direct costs	11.5
Prepaid expenses—commissions and up-front fees	12.4
Prepaid expenses—other	23.3
Other current assets	1.1
Total	**48.3**

Fixed assets, net	Sep 30, 2014
Land	173.0
Buildings and other constructions	515.8
Basic equipment	2,117.9
Transportation equipment	19.3
Tools and dies	0.2
Administrative equipment	123.7
Other tangible assets	3.8
In-progress tangible assets	149.3
Advances to suppliers of tangible assets	0.6
Total	**3,103.7**

Deferred tax assets	Sep 30, 2014
Post-retirement benefits	289.4
Tax losses carryforward (iii)	35.4
Provisions and adjustments	56.8
Other	10.0
Total	**391.5**

Deferred tax liabilities	Sep 30, 2014
Revaluation of fixed assets	141.0
Other	0.5
Total	**141.5**

Debt	Sep 30, 2014
Short-term debt	
Bank loans (EIB)	61.1
External commercial paper	396.3
Intercompany loans (PT Finance and Oi)	1,340.2

Leasings	20.3
Total	**1,817.8**
Medium and long-term debt	
Retail Bond	—
Bank loans (EIB)	453.6
Intercompany loans (PT Finance)	6,859.6
Leasings	23.2
Total	**7,336.4**

Current accounts payable	Sep 30, 2014
Accounts payable-trade	385.5
Fixed asset suppliers	37.3
Licenses and concessions	6.0
Accounts payable to employees	1.5
Due to PT SGPS under consolidation tax regime	0.0
Due to PT Prestações under a transfer of customer receivables	45.0
Other	2.9
Total	**478.2**

Non-current accounts payable	Sep 30, 2014
Licenses and concessions	9.9
Other	9.1
Total	**19.0**

Accrued expenses	Sep 30, 2014
Supplies and external services	159
Vacation pay and bonuses	90.5
Interest and other financial expenses	37.6
Discounts to clients	26.0
Indirect taxes	11.2
Other	20.5
Total	**345.1**

Tax payable	Sep 30, 2014
Value Added Tax	50.1
Income taxes	21.0
Social Security Contributions	10.1
Other Taxes	9.7
Total	**90.9**

Current provisions and other liabilities	Sep 30, 2014
Provisions for taxes	30.1
Provisions for legal actions	17.4
Provisions for other risks and charges	2.4
Other current liabilities	0.4
Total	**50.3**

Non-current provisions and other liabilities	Sep 30, 2014
Assets retirement obligation	19.0
Other non-current liabilities	1.3
Total	**20.3**

The tables below present selected disclosures to the main captions of the combined adjusted income statements for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011 (amounts in € millions):

CAPTION	FY11	FY12	FY13	9M13	9M14
Portugal telecomunications business	2,892.0	2,700.5	2,559.6	1,920.3	1,849.0
Consumer	1,450.7	1,399.8	1,371.0	1,024.1	997.6
Residential	682.3	711.7	708.8	531.5	528.8
Personal	768.4	688.1	662.3	492.6	468.8

Enterprise	1,008.6	896.0	796.1	598.0	563.0
Other and eliminations	432.7	404.7	392.5	298.1	288.3
Other entites in transaction perimeter	63.3	68.9	67.7	43.0	52.0
Operating revenues	**2,955.3**	**2,769.4**	**2,627.4**	**1,963.2**	**1,900.9**

Direct Costs	**FY11**	**FY12**	**FY13**	**9M13**	**9M14**
Traffic costs	231.2	211.7	210.0	154.7	168.3
Capacity costs	38.0	37.3	39.9	29.0	30.4
Programming costs	120.0	122.6	127.9	94.8	94.4
Directories	35.6	26.4	20.7	16.0	13.3
Other	48.0	41.7	45.2	34.2	35.1
Total	**472.8**	**439.7**	**443.7**	**328.7**	**341.5**

Supplies and External Services	**FY11**	**FY12**	**FY13**	**9M13**	**9M14**
Specialized work	68.9	67.8	56.7	41.8	69.9
Electricity	45.6	46.7	47.3	35.2	32.4
Operating leases	26.0	25.2	27.1	19.1	19.9
Communications	15.4	13.3	12.6	9.6	8.9
Other	47.8	64.5	55.9	39.2	39.7
Total	**203.7**	**217.5**	**199.6**	**144.8**	**170.9**

Provisions and Adjustments	**FY11**	**FY12**	**FY13**	**9M13**	**9M14**
Allowance for bad debt	20.0	22.8	22.9	15.6	14.2
Provisions for contingencies	(3.5)	(0.9)	(4.3)	(3.4)	(0.4)
Other	1.0	0.8	3.7	2.9	(5.3)
Total	**17.6**	**22.7**	**22.3**	**15.2**	**8.6**

PT PORTUGAL PRE-CLOSING UNAUDITED COMBINED PRO FORMA BALANCE SHEET

The Pre-Closing Unaudited Combined Pro forma Balance Sheet presented below reflects the Unaudited Combined Adjusted Balance Sheet as of September 30, 2014 presented under section "Unaudited Combined Adjusted Financial Information" adjusted for the effects of certain transactions agreed between Oi and Altice to be completed prior to the completion of the business combination.

Pre-Closing Combined Pro forma Balance Sheet as of September 30, 2014	Combined after carve-out/in adjustments	Corporate transactions pre-closing	COMBINED PROFORMA
		€, in millions	
ASSETS			
Current Assets			
Cash, cash equivalents and short-term investments	244.7	(1.2)	**243.5**
Accounts receivable, net	874.3	—	**874.3**
Inventories, net	75.5	—	**75.5**
Tax receivable	85.1	—	**85.1**
Other current assets	48.3	—	**48.3**
Non current assets held for sale	(0.0)	—	**(0.0)**
Total Current Assets	**1,327.9**	**(1.2)**	**1,326.7**
Non-Current Assets			
Investments in group and associated companies	20.7	(0.0)	**20.7**
Investments in intercompany loans	3,406.0	(3,406.0)	**(0.0)**
Other investments	22.9	3.0	**25.9**
Goodwill	3,723.7	—	**3,723.7**
Intangible assets	574.5	—	**574.5**
Fixed assets, net	3,103.7	—	**3,103.7**
Post retirement benefits	1.9	—	**1.9**
Deferred taxes	391.5	—	**391.5**
Other non-current assets	1.8	—	**1.8**
Total Non-Current Assets	**11,246.7**	**(3,403.0)**	**7,843.7**
Total Assets	**12,574.5**	**(3,404.2)**	**9,170.4**
LIABILITIES			
Current Liabilities			
Short term debt	477.6	—	**477.6**
Short term intercompany debt	1,340.2	—	**1,340.2**
Accounts payable	478.2	—	**478.2**
Accrued expenses	345.1	—	**345.1**
Defered income	159.0	—	**159.0**
Tax payable	90.9	—	**90.9**
Provisions	49.9	—	**49.9**
Other liabilities	0.4	—	**0.4**
Total Current Liabilities	**2,941.3**	—	**2,941.3**
Non-Current liabilities			
Medium and long-term debt	876.8	(400.0)	**476.8**
Medium and long-term Intercompany debt	6,859.6	(3,324.0)	**3,535.6**
Accounts payable	19.0	—	**19.0**
Deferred income	0.0	—	**0.0**
Provisions	1.3	—	**1.3**
Post retirement benefits	1,073.6	—	**1,073.6**
Defered taxes	141.5	—	**141.5**
Other liabilities	19.0	—	**19.0**
Total Non-Current Liabilities	**8,990.8**	**(3,724.0)**	**5,266.8**
Total Liabilities	**11,932.1**	**(3,724.0)**	**8,208.1**
Net Assets	**642.5**	**319.8**	**962.3**

The transactions referred to above consisted basically of the following corporate transactions to be completed prior to the execution of the business combination:

(a) repayment of debt due by CV TEL, B.V. (entity not included in the transaction perimeter) to PT Móveis amounting to €3,401.0 million, recorded in the balance sheet under the caption "*Investments in intercompany loans*", through the reduction of a portion of the "*Medium and long-term intercompany debt*" due to Portugal Telecom International Finance B.V. ("PTI Finance", an entity not included in the transaction perimeter);

(b) a dividend distribution of €44.0 million from PT Participações to PT Móveis and with these proceeds PT Móveis shall acquire the investments in Hungaro Digitel, PLC ("Hungaro Digitel") and SIRESP, Gestão de Redes Digitais de Segurança e Emergência, S.A. ("SIRESP") (both entities are included in the target assets) previously held by PT Participações, SGPS, S.A. ("PT Participações", an entity not included in the transaction perimeter), for total amounts of €34.0 million and €10.0 million, respectively;

(c) sale by PT Móveis to Oi of its investments in shares of PT Participações, CV TEL and Carrigans Finance S.A.R.L ("Carrigans") (all three entities are not included in the target assets) for a total amount of €1,549.0 million, prior to which PT Portugal shall reduce its share capital in favor of Oi through the assignment of a receivable from PT Móveis amounting to €1,549.0 million that shall be used to settle the above mentioned sale. These transactions do not produce an impact in the unaudited combined pro forma balance sheet because these investments had already been eliminated in the combined adjusted balance sheet;

(d) sale by PT Portugal to Oi of its investment in shares of PTI Finance for a total amount of €255.0 million, prior to which PT Portugal shall reduce its share capital in favor of Oi by the same amount; this transaction did not produce an impact in the combined pro forma balance sheet because this investment had already been eliminated in the unaudited combined adjusted balance sheet;

(e) transfer by PT Portugal of its existing €200.0 million Rio Forte receivable to PTI Finance by offsetting against €200.0 million of debt due from PT Portugal to PTI Finance; this transaction does produce an impact in the combined pro forma balance sheet because the Rio Forte receivable had already been eliminated in the combined adjusted balance sheet;

(f) sale by PT Investimentos Internacionais, Consultoria Internacional, S.A. ("PT Investimentos", an entity not included in the transaction perimeter) of its shares in Taguspark—Sociedade de Promoção e Desenvolvimento do Parque de Ciência e Tecnologia da Área de Lisboa, S.A. ("Tagusparque") and APOR—Agência para a Modernização do Porto, S.A. ("APOR") to PT Portugal for a total amount of €3.0 million, by offsetting a portion of the €5.0 million debt due from PT Investimentos to PT Portugal, with the remaining portion of the €2.0 million debt due from PT Investimentos being transferred from PT Portugal to PTI Finance BV by offsetting a portion of the debt due by PT Portugal to PTI Finance BV;

(g) sale by PT Portugal to Oi of its investment in shares of PT Investimentos for €7.0 million, prior to which PT Portugal shall reduce its share capital in favor of Oi by the same amount; this transaction did not produce an impact in the combined pro forma balance sheet because this investment had already been carve-out in the combined adjusted balance sheet;

(h) Transfer to Oi of PT Portugal's EMTN Notes due to third-party lenders, totalling €404.5 million (principal of €404.0 million and €4.5 million of accrued interest), as a result of which this debt is replaced at PT Portugal by an intercompany debt to Oi of the same amount;

(i) Capitalization of a €321 million portion of New Loan held by Oi against PT Portugal into the share capital of PT Portugal in exchange for shares issued by the latter, as a result of which the loan due by PT Portugal to Oi is decreased from €404 million to € 83 million; and

(j) A loan granted by PT Móveis to Siresp amounting to €1.2 million, amount that was used by Siresp to repay its debt due to PT Participações of the same amount.

The table below presents a summary of the effects on the balance sheet as of September 30, 2014 resulting from the corporate transactions to be completed prior to the closing of the acquisition of PT Portugal by Altice:

Adjustments to the combined proforma balance sheet as of September 30, 2014	Notes above	Cash and cash equivalents	Investments in group and associated	Investments in intercompany loans	Other investments	Medium and long term debt	Total corporate transactions
				(€, in millions)			
Settlement of intercompany loans granted by PT Móveis to CV TEL	(a)	—	—	(3,401.0)	—	(3,401.0)	—
Dividend distribution by PT Participações to PT Móveis	(b)	44.0	(44.0)	—	—	—	—
Acquisition of Hungaro Digitel	(b)	(34.0)	34.0	—	—	—	—
Acquisition of Siresp	(b)	(10.0)	10.0	—	—	—	—
Acquisition of Tagusparque and Apor.........................	(f)	—	—	(3.0)	3.0	—	—
Settlement of intercompany loans granted by PT Portugal to PT Investimentos............	(f)	—	—	(2.0)	—	(2.0)	—
Capitalization of a portion of debt due to Oi	(i)	—	—	—	—	(321.0)	**321.0**
Loan granted to Siresp	(j)	(1.2)	—	—	—	—	**(1.2)**
		(1.2)	—	**(3,406.0)**	**3.0**	**(3,724.0)**	**319.8**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ALTICE INTERNATIONAL GROUP

The following discussion and analysis is intended to assist in providing an understanding of the Altice International Group's financial condition, changes in financial condition and results of operations and should be read together with the Historical Consolidated Financial Information, with the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, including the accompanying notes, included elsewhere in these Listing Particulars. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-looking statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.

In this section, we use "pro forma basis" and "aggregated basis" or similar terms to describe financial information derived from the Pro Forma Financial Information or the Illustrative Aggregated Selected Financial Information as the case may be. When used in this section, the terms "we", "our", "Altice International", "Company", the "Group", and "us" refer to the business constituting the Altice International Group (excluding PT Portugal, and other than for the purposes of comparing the results of operations and capital expenditures for the nine months ended September 30, 2014 versus the nine months ended September 30, 2013, ODO) as of the date of these Listing Particulars even though we may not have owned such business for the entire duration of the periods presented. Since the Issuer did not consolidate the results of ODO for any periods prior to April 9, 2014 and only commenced presenting the Dominican Republic as a separate geographic segment after such date, the results of ODO for the years ended December 31, 2013, 2013 and 2011 have been discussed separately in these Listing Particulars. See "Management's Discussion and Analysis or Financial Condition and Results of Operations of ODO" for the Years Ended December 31, 2013, 2012 and 2011.

In the subsections "—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" and "—Capital Expenditures—Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" below, we compare certain financial information as of and for the year ended December 31, 2012 derived from the Illustrative Aggregated Selected Financial Information with the corresponding financial information as of and for the year ended December 31, 2013 derived from the Pre-PT/ODO Transactions Pro Forma Financial Information. While we do not present any pro forma financial information for the year ended December 31, 2012, the adjustments used to prepare the selected information included in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 are substantially similar to the adjustments used to prepare the corresponding information in the Pre-PT/ODO Transactions Pro Forma Financial Information for the year ended December 31, 2013 and therefore a comparison between the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the corresponding information in the Pre-PT/ODO Transactions Pro Forma Financial Information for the year ended December 31, 2013 is on a like-for-like basis for items above EBITDA. However, we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation, amortization, restructuring costs and other expenses", or EBITDA, and therefore do not compare any such financial information appearing in the Pre-PT/ODO Transactions Pro Forma Financial Information. In addition, the Illustrative Aggregated Selected Financial Information does not provide for certain pro forma adjustments included in the Pre-PT/ODO Transactions Pro Forma Financial Information which affect the line items in the pro forma income statement below "operating income before depreciation and amortization", or EBITDA.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the unaudited condensed consolidated financial statements of Altice International as of and for the nine months ended September 30, 2014 and 2013, and the audited consolidated financial statements of Altice International as of and for the years ended December 31, 2013 and 2012 (including comparative numbers as of and for the year ended December 31, 2011) (the "Historical Consolidated Financial Information of Altice International").

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

During the year ended December 31, 2011, Altice International made the following acquisitions that fundamentally changed the business undertaking: (i) in the first quarter of 2011, Altice International increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the

"HOT Group"; and (ii) in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from July 1, 2011). In addition, Altice International sold 5% of its equity interest in MIRS Communications Limited during the course of 2011.

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

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

In 2014, Altice International consummated the acquisitions of (i) Tricom (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014), (ii) ODO (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 9, 2014) and (iii) Mobius (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014). On December 9, 2014, we entered into an agreement with Oi S.A.to purchase 100% of the issued share capital of PT Portugal. In addition, in connection with the acquisition of SFR by Numericable Group (which is indirectly controlled by our parent Altice S.A., and therefore an affiliate of the Group), we have entered into a commitment agreement with the French Competition Authority to dispose of our mobile network assets in Mayotte and La Réunion (which are part of our Group's business in the French Overseas Territories and which in aggregate contributed €10 million to aggregated and pro forma EBITDA for the fiscal year ended 2013.). If this disposal is not completed by mid-2015, we are committed to appoint an independent agent (who must be approved by the French Competition Authority) to complete such disposal. Further, we have undertaken to ensure that such mobile assets in La Réunion and in Mayotte are managed independently from the other activities of Numericable Group (including those of SFR) prior to such disposal. We expect that the disposal of the mobile network assets of OMT in Mayotte and La Réunion will reduce the overall leverage of the Group.

As a result of the series of these significant acquisitions that have been consummated by Altice International since 2011, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information of Altice International does not consolidate the results of operations of the entire business undertaking of the Altice International Group as it existed as of September 30, 2014 for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Altice International Group's results of operations and financial condition, this discussion and analysis is being supplemented by the following information:

For the nine months ended September 30, 2014 and the nine months ended September 30, 2013

(i) financial information derived from the unaudited pro forma consolidated interim financial information of Altice International for each of the nine-months periods ended September 30, 2013 and 2014, giving effect to each of the significant acquisitions described above (but without giving effect to the PT Portugal Acquisition, the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake and, except as described below, without giving pro forma effect to the Tricom Acquisition or the Mobius Acquisition) (the "Pre-PT Transaction Pro Forma Financial Information") ;

For the years ended December 31, 2013, 2012 and 2011

(ii) financial information derived from the unaudited pro forma consolidated financial statements of Altice International for the year ended December 31, 2013, giving effect to each of the significant acquisitions described above (but without giving effect to the PT Portugal Acquisition, the ODO Acquisition, the Tricom Acquisition, the Mobius Acquisition or the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake) (the "Pre-PT/ODO Transactions Pro Forma Financial Information" and, together with the "Pre-PT Transaction Pro Forma Financial Information", the "Pro Forma Financial Information"); and

(iii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (the "Illustrative Aggregated Selected Financial Information"), which aggregates financial information of each of the business undertakings the acquisition of which was consummated by Altice International prior to December 31, 2013 (but does not include the financial information of PT Portugal, ODO, Tricom or Mobius).

For further details regarding the basis of presentation of the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, please see basis of preparation to the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, respectively, included elsewhere in these Listing Particulars.

With effect from March 12, 2014, and January 1, 2014, respectively, the financial information of Tricom and Mobius have been consolidated in the Historical Consolidated Financial Information of Altice International. As a result, the Pro Forma Financial Information also consolidates the financial information of Tricom and Mobius from March 12, 2014 and January 1, 2014, respectively, but does not give pro forma effect to the Mobius Acquisition or the Tricom Acquisition for any other periods. The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information also includes the results of operations of Valvision even though the Altice International Group disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In each of the years ended December 31, 2013, 2012 and 2011, respectively, Valvision contributed €1.3 million, €2.5 million and €2.6 million to pro forma revenues and €0.5 million, €0.9 million and €0.9 million to pro forma EBITDA. In the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA.

As we control Coditel Holding through which we conduct our operations in Belgium and Luxembourg, we consolidate 100% of their revenue and expenses in our consolidated income statements despite the fact that third parties own or owned significant interests in this entity. The non-controlling owners' interests in the operating results of Coditel Holding in the Historical Consolidated Financial Information and the Pro Forma Financial Information are reflected in the line item "profit or loss attributable to non-controlling interests" in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortization", or EBITDA, the non-controlling interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests may be significant. The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information have not been prepared in accordance with IFRS and are unaudited.

Geographic Segments

We have historically discussed the results of operations of our businesses based on the following geographic segments: Israel (which includes HOT and HOT Mobile); Belgium and Luxembourg (which includes Coditel); Portugal (which includes Cabovisao and ONI); the French Overseas Territories (which includes Outremer and Le Cable) and Others (which include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). Following the acquisition of ODO in April 2014, we have added the Dominican Republic as a new geographic segment for the purposes of the discussion of our results for the nine months ended September 30, 2014 and the comparative period in 2013 (but not for any prior period). Currently, the Dominican Republic segment only reflects the results of ODO. We also acquired Tricom in the Dominican Republic in March 2014. The result of Tricom have been included in the Others segment with effect from March 12, 2014. Following the acquisition of Mobius, with effect from January 1, 2014, Mobius has been included in the French Overseas Territories segment.

Key Factors Affecting Our Business

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, network upgrades, including the roll-out of our UMTS network in Israel and the concurrent phase-out of the old iDEN technology, competition, acquisitions and integration of acquired businesses, macro-economic and political risks in the areas where we operate, pricing, our cost structure, churn and the introduction of new products and services, including multiple-play services. For further discussions of the factors affecting our results of operations, see "*Risk Factors*".

Acquisitions and Integration of Businesses

Since our formation in 2008, we have from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information is limited. Our revenues and EBITDA increased from €784.2 million and €297.8 million in the year ended December 31, 2011 to €1,286.8 million and €518.8 million in the year ended December 31, 2013, mainly as a result of the impact of such acquisitions. See "*—Basis of Presentation*". We plan to continue to evaluate value-enhancing acquisition opportunities in the cable and telecommunication sector with the aim of generating strong cash flow and operational synergies.

In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Altice International Group. When seeking to integrate and improve a newly acquired business, we look to several key areas: (i) reviewing current products and prices and improving operational processes and cost structure to achieve satisfactory operating margins; (ii) implementing cable and mobile network upgrades to bring the acquired business in line with our Group-wide standards; (iii) researching ways to create synergies and benefit from economies of scale including with respect to customer equipment such as set- top boxes and outsourcing of certain services; (iv) sharing knowledge and experience and implementing Group-wide best practices; and (v) leveraging our ability to raise financing, including in the international capital markets. Many of these integration measures require expenditure by us. In the year ended December 31, 2013 and the nine months ended September 30, 2014, respectively, we incurred restructuring and other non-recurring costs of €76.3 million and €58.5 million, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies, fees paid to external counsel and other administrative expenses related to re-organization of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of September 30, 2014, the goodwill recorded on our balance sheet amounted to €2,050 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit/net operating income.

Network Upgrades

Our ability to provide new or enhanced cable-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network. During each of 2012 and 2013, we deployed fiber on and upgraded a substantial part of our cable networks. As of September 30, 2014, our networks, on a blended basis, are 99.5% Docsis 3.0-enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our regions, excluding the Dominican Republic. For the nine months ended September 30, 2014 and for the year ended December 31, 2013, on a pro forma basis, we invested €53.2 million and €57.5 million, respectively, and for the year ended December 31, 2011 and 2012, on an aggregated basis, we invested €58.1 million and €76.8 million, respectively, in cable network and construction related capital expenditures. We continue to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber on an ongoing basis.

In May 2012, we launched our UMTS network in Israel, which allows us to offer 3G mobile services to our customers in Israel under the "HOT Mobile" brand. Under the terms of our license, among other things, we have committed to provide UMTS network coverage to 90% of the Israeli population and inhabited territory by 2018. Our network already extends to approximately 56% of the inhabited territory of Israel. For the nine months ended September 30, 2014 and for the year ended December 31, 2013, we invested €22.8 million and €83.8 million, respectively, in capital expenditures in our mobile business in Israel, of which most related to the build out of our UMTS network (and if we are successful, in connection with the tender for LTE frequencies built on our 4G LTE network). In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. Accordingly, we expect that the Network Sharing Agreement will optimize the amount of capital expenditures we incur in relation to the build-out of our UMTS network. The Network Sharing Agreement has received approval from the Israeli Antitrust Authority (subject to certain conditions) but remains subject to final approval from the Israeli Ministry of Communications and any required agreement or regulation. See "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*."

In Israel, on July 2, 2014, the Ministry of Communications published a tender for a mobile phone license for the provision of advanced services using 4G-LTE technology, through which a total of eight frequency bands in the area of 1,800 MHz will be allocated. The tender conditions clarified that a licensee may enter into a network sharing agreement with another licensee subject to certain conditions, as a result of which HOT Mobile updated its request for approval by the Ministry of Communications of the Network Sharing Agreement with Partner. On November 18, 2014, HOT Mobile submitted its offer in response to the tender. On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval. It is also expected that ARCEP will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the French Overseas Territories in the near term. In the event of a successful tender bid, our ability to provide LTE mobile services to complement our existing mobile services in Israel and the French Overseas Territories respectively will depend in part on our ability to upgrade our mobile network and roll out an LTE network, which would involve additional capital expenditure or, subject to regulatory approval, investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In Israel, because of our extensive fixed line network and the technologically advanced nature of our UMTS network, as well as the Network Sharing Agreement, we believe upgrading our mobile network to the LTE standard will require lesser investment as compared to some of our competitors and significantly less capital expenditure than we incurred to roll out our UMTS network.

Competition

Our Cable Customer Relationships, RGUs and ARPUs are impacted by the levels of competition we experience in each of our regions. Although we increased our total cable RGUs in 2012, our total cable RGUs declined by 87,000 (or 2.6%) for the year ended December 31, 2013 and by 121,000 RGUs (or 3.7%) for the nine months ended September 30, 2014, due to significant competition in most of the regions in which we operate. In Portugal, we experienced increased churn and a decline in total cable RGUs and ARPUs in the nine months ended September 30, 2014, and in the twelve months ended December 31, 2013, mainly as a result of aggressive competition and adverse economic conditions as well as our strategic decision to cease offering certain aggressively-priced packages and to migrate customers to our triple play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. Furthermore, in Belgium, we also experienced a decline in total cable RGUs in the nine months ended September 30, 2014 and the twelve months ended December 31, 2013, resulting from a net decrease in digital television RGUs, partially due to customers churning to different platforms such as digital television providers over DSL and satellite operators. We expect competitive pressures to intensify in each of our regions due to a variety of factors. For example, in Israel, we expect to experience an increase in competition particularly with respect to the broadband internet services as a result of an increase in speeds offered by the incumbent operator. Further, the number of total mobile subscribers declined in the French Overseas Territories in 2013 and in the nine months ended September 30, 2014, primarily due to intense competition. For details regarding our key competitors, please see "Industry and Market Overview". Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate.

In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers except in limited circumstances and prohibiting the linkage of the price and terms of a handset to mobile services or benefits. In 2014, the Israeli Ministry of Communications also introduced a policy for the establishment of a wholesale market for broadband internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. Further, the Israeli Ministry of Communications has issued regulatory instructions, including the method of setting wholesale service rates and, in the case of Bezeq, the maximum rates that can be collected by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018, in an attempt to create a wholesale market for broadband Internet infrastructure access and fixed line telephony services which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect our results of operations. See "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Israel—We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business.*"

The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects on our results of operations.

In addition, the cable services and mobile telephony industries typically exhibit churn as a result of high levels of competition, which could lead to increased costs and reduced revenue. Our churn levels may be affected by a variety of factors including changes in our or our competitors' pricing, our level of customer satisfaction, disconnection of non-paying subscribers and changes in regulations. Churn rates in the cable segment in our individual markets are also impacted by customers moving out of our network area, although our nationwide network in Israel, allows us to minimize the impact of our customers moving homes as there is a high likelihood that such customer will move into a home passed by our cable network or that could be connected to our cable network without materially extending our cable network plan. We could in some instances incur some capital expenditures related to installation and connection of such relocating customers. With respect to our mobile business, in Israel, prior to the launch of our UMTS based 3G services in May 2012, our churn rates have increased in recent years as subscribers left our iDEN-based network for the more advanced networks of our competitors. Our churn rates further increased in our mobile sector in Israel in 2012 as our contract with the Israeli Defense Force for the provision of iDEN-based mobile services terminated in the last quarter of 2012, but were partially offset by certain of our iDEN subscribers switching to our 3G services launched in May 2012 as opposed to those offered by our competitors. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. With the launch of our UMTS network, we expect that our mobile churn rate in Israel will increase from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, regulatory actions of the Israeli Ministry of Communications which have increased competition by prohibiting exit fees, except in limited circumstances, long-term commitments and, as of January 2013, the linkage of the price and terms of handsets to the mobile service prices and benefits are also likely to have an impact on mobile churn rates in Israel. In Portugal, we experienced an increase in churn in recent periods mainly as a result of aggressive competition and adverse economic conditions. Business customer retention is generally high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Our long term business customer relationships in Portugal (our largest B2B market) usually last on average for six years with contract terms ranging between 24 to 36 months.

On December 29, 2014, Cellcom, an Israeli telecommunication company, which also offers mobile services, announced the launch of "Cellcom TV", its new service for offering television over the internet. Cellcom TV services include the Israeli DTT broadcasting television channels, VOD services and additional advanced features and viewing capabilities. Although this service was only recently introduced (and, as such, we are unable to fully anticipate the effect that this development may have on HOT), we expect that it may increase the competition in the television services market in which HOT currently operates, and as such could have a material effect on our business, financial condition and results of operations.

Multiple-Play Strategy

We have implemented a product offering across the regions in which we operate with a strategic focus on multiple-play, including triple-play bundles. Subscribers who elect to subscribe for our multiple-play bundles realize cost savings on their monthly bill as compared to purchasing each of the services individually. We believe that offering bundled services allows us to meet customers' communication and entertainment requirements increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. As a result of our focus on providing subscribers with multiple- play bundles, we have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play services, with the number of triple-play subscribers increasing from 560,000 as of December 31, 2011, to 693,000 as of September 30, 2014, which has driven growth in our cable based services ARPU (other than in Portugal where our ARPU was negatively impacted in 2013 and the nine months ended September 30, 2014, by aggressive competition and adverse economic conditions). Our cable-based services ARPU for the years ended December 31, 2011, 2012 and 2013 and for the nine months ended September 30, 2013 and 2014, respectively, were €42.4, €44.4, €47.6, €47.6 and €48.8 in Israel, €36.7, €39.5, €41.9, €41.1 and €43.6 in Belgium and Luxembourg, €36.9, €34.9, €34.6, €35.1 and €33.4 in Portugal and €43.1, €48.3, €51.4, €50.8 and €55.6 in the French Overseas Territories.

Introduction of New Products and Services

We have significantly expanded our presence and product and service offerings in the past. HOT has been a leader in bringing cable-based services to the Israeli market. HOT launched digital cable television in 2001, high-speed broadband internet infrastructure access in 2003 and cable-based fixed telephony services in 2005. HOT has continued to enhance its product and service offerings, being the first company to introduce VoD services in Israel in 2005 and launching a 100 Mbps broadband internet service in 2010. In May 2012, we launched UMTS- based 3G mobile services in Israel. We have taken similar measures in the other countries in which we operate including introducing mobile services in Belgium, launching our most advanced set top boxes, LaBox after the successful introduction in Belgium and Luxembourg (2012), Portugal (2012) and Israel (as "FibreBox" in March 2014). In the French Overseas Territories, Outremer pioneered flat-fee rate mobile telephony plans by introducing packages with unlimited calls to the French Overseas Territories and mainland France in 2012. In addition, we regularly review and invest in the content we offer in order to provide our subscribers with a flexible and diverse range of programming options, including high-quality local content and exclusive premium content. The introduction of new products and services have impacted our result of operations in the periods presented, by among other things, opening new revenue streams (e.g. 3G mobile services in Israel and Belgium) and, in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS network build out costs and roaming costs in Israel relating to our 3G mobile services and costs relating to the roll-out of the LaBox in Western Europe).

Pricing

We focus our product offering on multiple-play offers. In Israel, we believe our ability to offer triple-play services provides us with a competitive price advantage. The cost of a multiple-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e. number of regular and premium channels offered for television, maximum speed for broadband internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions such as our flat-fee rate plans in the French Overseas Territories which we introduced in the first half of 2012, the more options, content and included usage time, the higher the price of the multi-play package or stand-alone offering in question. We adjust our pricing policies based on evolving market practices as well as the Altice International Group's overall business strategy. For example, in Belgium we increased the prices for our triple-play and stand-alone products in 2012 in line with the market which has resulted in an increase in cable-based ARPU, while in Portugal, during the course of 2012, we took the strategic decision to cease offering certain aggressively-priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive and very low margin, as voice services are highly commoditized, with sophisticated customers and relatively short-term contracts. The B2B market for data services is less price sensitive, as data services require more customization and service level agreements. In both markets, price competition is strongest in the large corporates segment and public sector, whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Cost Structure

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue-enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved and expect to continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. As a result, we have generally managed to achieve growth in EBITDA, profitability and operating cash flow of businesses we have acquired. For example, in our Israeli business, following the acquisition by Altice International of HOT in 2011, HOT's cable EBITDA margin increased to 55.1% in 2013 from 41.8% in 2011. Likewise, in our Portuguese business, following the acquisition by Altice International of Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% in 2013 compared to 14.2% in 2011. In our Dominican Republic business, following the acquisition by Altice International of ODO in April 2014, ODO's EBITDA margin increased to 47.8% for the nine months ended September 30, 2014 compared to 38.9% for the nine months ended September 30, 2013.

We make expansion-related capital expenditure decisions by applying strict investment return and payback criteria. For the nine months ended September 30, 2014 and for the year ended December 31, 2013, respectively, we incurred capital expenditure of €315.1 million and €314.2 million, in each case on a pro forma basis. Of such capital expenditures, approximately 21.0% and 22.6% related to CPE and installations cable capital expenditures, 16.9% and 18.3% related to our cable network and construction, 21.1% and 24.3% related to other cable capital expenditures, 26.5% and 19.7% related to capital expenditures for our mobile businesses and 14.5% and 15.1% related to B2B and other capital expenditures in each case for the nine months ended September 30, 2014 and the year ended December 31, 2013, respectively.

We have recently incurred significant capital expenditures related to the building-out and launching of our UMTS network in Israel as well as significant operating expenditures, including national roaming costs pursuant to our roaming arrangement with Pelephone. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will each own equal shares of a newly formed limited partnership, which is expected to hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement is valid until December 31, 2028 and has received approval from The Israeli Antitrust Authority (subject to certain conditions) but remains subject to final approval from the Israeli Ministry of Communications. This agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, HOT Mobile and Pelephone amended their underlying agreement in December 2013 repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner (once final approval from the Israeli Ministry of Communications has been given) and we expect that the arrangements we have entered into with Partner will result in savings related to network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. We have already experienced savings relating to roaming costs under our RoU Agreement for the nine months ended September 30, 2014; however there can be no assurance that we will be able to obtain the required the outstanding regulatory approvals or otherwise be able to implement the other arrangements we have entered into with Partner in a timely or cost effective manner. For further details, see "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*."

Macro Economic and Political Developments

Our operations are subject to macro-economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S., certain European countries and countries in the Middle East, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition. For example, our results of operations in the period under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Moreover, in Israel, we are subject to the inherent risks associated with the political and military conditions there and the potential for armed conflicts with Israel's neighbors.

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is euros but a majority of our revenue and expenses are currently earned or incurred in other currencies. In Israel, which accounted for approximately 68.5% and 47% of the total revenue of the Altice International Group in the year ended December 31, 2013 and for the nine months ended September 30, 2014, respectively, on a pro forma basis, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2013 and nine months ended September 30, 2014, respectively, approximately 9% and 12% of our total operating expenses in Israel and approximately 47% and 35% of our total capital expenditures in Israel were incurred in currencies other than NIS. In the Dominican Republic, which accounted for approximately 22.1% of total revenue of the Altice International Group in the nine months ended September 30, 2014, on a pro forma basis, a substantial portion of our revenue is in Dominican pesos and 37% of our operating expenses and 52% of our capital expenditure were incurred in U.S. dollars. Our borrowings are denominated in NIS, euros and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. The exchange rate between U.S. dollars and NIS, the euro and NIS and U.S. dollars and Dominican pesos has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of HOT into Altice International's consolidated financial statements and with effect from March 12, 2014 and April 9, 2014, respectively, the consolidation of our operations in the Dominican Republic into Altice International's consolidated financials statements. In the year ended December 31, 2013, compared to 2012, foreign exchange translation movements between the NIS and the euro had a positive impact of €32.6 million on our total revenues and €11.8 million on our EBITDA and in the nine months ended September 30, 2014 compared to the corresponding period in 2013, foreign exchange translation movements between NIS and the euro had a positive impact of €8.3 million on our total revenues and € 4.0 million on our total EBITDA. In the nine months ended September 30, 2014, foreign exchange translation movements between Dominican pesos and the euro had a negative impact of €26.4 million on our total revenues and €12.1 million on our total EBITDA. Further, as adjusted to give effect to the Transactions, as of September 30, 2014, we had approximately €2,149 million of outstanding indebtedness, which bears interest at a floating rate and is therefore subject to interest rate risk. In addition, any indebtedness that we incur under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate.

Key Operating Measures

We use several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

	As of and for the nine months ended September 30, 2014 in thousands except percentages and as otherwise indicated					
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Dominican Republic[10]	Total[8]
CABLE-BASED SERVICES						
Market and Network						
Homes Passed..........	2,329	233	910	178	—	3,650
Docsis 3.0 Upgraded (%)......................	100%	100%	99%	95%	—	99.5%
Unique Customers						
Cable Customer Relationships[1]	1,088	110	225	44	—	1,467
Triple-Play Cable Customer Relationships........	484	50	133	26	—	693
RGUs & Penetration[2][3]						
Total RGUs.............	2,270	231	578	95	—	3,174
Pay Television RGUs	862	120	214	44	—	1,243
Pay Television Penetration (%)....	37%	52%	24%	25%	—	34%
Broadband internet RGUs..................	727	59	152	26	—	964
Broadband internet Penetration (%)....	31%	25%	17%	15%	—	26%
Fixed-Line Telephony RGUs .	681	52	213	26	—	972
Fixed-Line Telephony Penetration (%)....	29%	22%	23%	14%	—	27%
RGUs Per Cable Customer Relationship.........	2.1x	2.1x	2.6x	2.2x	—	2.2x
ARPU[4]						
Cable ARPU (€).......	48.8	43.6	33.4	55.6	—	—
MOBILE-BASED SERVICES						
Market and Network						
UMTS Mobile Coverage of Territory (%)........	56.30%	—	—	90%[9]	77%	—
Subscribers............			—			
Total Mobile Subscribers[5]........	932	3	—	365[14]	3,158[11][12]	4458
Post-paid.................	927	3	—	205[14]	685[11][12]	1820
Prepaid....................	5	—	—	160[14]	2,473[11][13]	2638
ARPU[4]..................			—			
Mobile ARPU (€)	15.0	32.2	—	28.4	9.21	—
xDSL/NON-CABLE BASED SERVICES						
RGUs						
Total RGUs.............	—	—	—	152	—	152
Broadband internet RGUs..................	—	—	—	54	—	54
Fixed Line Telephony RGUs .	—	—	—	90	—	90

	As of and for the nine months ended September 30, 2013 in thousands except percentages and as otherwise indicated					
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Dominican Republic[10]	Total[8]
CABLE-BASED SERVICES						
Market and Network						
Homes Passed	2,272	233	906	154	—	3,565
Docsis 3.0 Upgraded (%)	100%	100%	99%	49%	—	98%
Unique Customers						
Cable Customer Relationships[1]	1,145	115	240	38	—	1,538
Triple-Play Cable Customer Relationships	448	51	136	15	—	650
RGUs & Penetration[2][3]						
Total RGUs	2,316	239	609	69	—	3,233
Pay Television RGUs	881	130	227	38	—	1,276
Pay Television Penetration (%)	39%	56%	25%	25%	—	36%
Broadband internet RGUs	755	56	156	15	—	982
Broadband internet Penetration (%)	33%	24%	17%	10%	—	28%
Fixed-Line Telephony RGUs	680	53	226	15	—	974
Fixed-Line Telephony Penetration (%)	30%	23%	25%	10%	—	27%
RGUs Per Cable Customer Relationship	2.0x	2.1x	2.5x	1.8x	—	2.1x
ARPU[4]						
Cable ARPU (€)	47.6	41.1	35.1	50.8	—	—
MOBILE-BASED SERVICES						
Market and Network						
UMTS Mobile Coverage of Territory (%)	50%	—	—	89%[9]	72%	—
Subscribers						
Total Mobile Subscribers[5]	773	3	—	367[14]	3,178[11]	4,132
Post-paid	762	3	—	188[14]	591[12]	1,356
Prepaid	11	—	—	179[14]	2,587[11][13]	2,777
ARPU[4]						
Mobile ARPU (€)	16.9	40.9	—	26.8	9.8	—
xDSL/NON-CABLE BASED SERVICES						
RGUs						
Total RGUs	—	—	—	135	—	135
Broadband internet RGUs	—	—	—	55	—	55
Fixed Line Telephony RGUs	—	—	—	80	—	80

	As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,282	233	908	154	3,577
Docsis 3.0 Upgraded (%)	100%	100%	99%	53%	98%
Unique Customers					
Cable Customer Relationships[1]	1,127	114	237	40	1,518
Triple-Play Cable Customer Relationships	452	50	135	17	654
RGUs & Penetration[2][3]					
Total RGUs	2,295	239	603	74	3,211
Pay Television RGUs	875	129	224	40	1,268
Pay Television Penetration (%)	38%	55%	25%	26%	40%
Broadband internet RGUs	744	57	156	17	974
Broadband internet Penetration (%)	33%	25%	17%	11%	30%
Fixed-Line Telephony RGUs	676	53	223	17	969
Fixed-Line Telephony Penetration (%)	30%	23%	25%	11%	30%
RGUs Per Cable Customer Relationship	2.0x	2.1x	2.54	1.86x	2.1x
ARPU[4]					
Cable ARPU (€)	47.6	41.9	34.6	51.4	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	61%	—	—	89%[9]	—
Subscribers			—		
Total Mobile Subscribers[5]	810	3	—	375[14]	1,188
Post-paid	801	3	—	197[14]	1,001
Prepaid	9	—	—	178[14]	187
ARPU[4]			—		
Mobile ARPU (€)	16.8	36.8	—	27.1	—
xDSL/NON-CABLE BASED SERVICES					
RGUs	—		—		
Total RGUs	—	—	—	133	133
Broadband internet RGUs	—	—	—	56	56
Fixed Line Telephony RGUs	—	—	—	78	78

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,243	233	906	154	3,536
Docsis 3.0 Upgraded (%)	100%	100%	94%	37%	95%
Unique Customers					
Cable Customer Relationships[1]	1,198	120	255	39	1,612
Triple-Play Cable Customer Relationships	413	50	147	12	626
RGUs & Penetration[2][3]					
Total RGUs	2,343	244	648	63	3,298
Pay Television RGUs	896	136	245	39	1,316
Pay Television Penetration (%)	40%	58%	27%	25%	37%
Broadband internet RGUs	771	55	159	12	997
Broadband internet Penetration (%)	34%	24%	18%	8%	28%
Fixed-Line Telephony RGUs	676	53	243	12	984
Fixed-Line Telephony Penetration (%)	30%	23%	27%	8%	28%
RGUs Per Cable Customer Relationship	2.0x	2.0x	2.5x	1.6x	2.0x
ARPU[4]					
Cable ARPU (€)	44.4	39.5	34.9	48.3	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	41%	—	—	89%[9]	—
Subscribers					
Total Mobile Subscribers[5]	766	2	—	385[14]	1,153
Post-paid	738	2	—	183[14]	923
Prepaid	28	—	—	203[14]	231
ARPU[4]					
Mobile ARPU (€)	19.4	14.7	—	26.7	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	140	140
Broadband internet RGUs	—	—	—	57	57
Fixe-Line Telephony RGUs	—	—	—	83	83

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,204	213	906	154	3,477
Docsis 3.0 Upgraded (%)	100%	100%	85%	17%	92%
Unique Customers					
Cable Customer Relationships[1]	1,245	117	264	41	1,667
Triple-Play Cable Customer Relationships	348	49	154	9	560
RGUs & Penetration[2][3]					
Total RGUs	2,294	241	669	59	3,263
Pay Television RGUs	891	135	256	41	1,323
Pay Television Penetration (%)	40%	63%	28%	27%	38%
Broadband internet RGUs	768	54	162	9	993
Broadband internet Penetration (%)	35%	25%	18%	6%	29%
Fixed-Line Telephony RGUs	635	52	251	9	947
Fixed-Line Telephony Penetration (%)	29%	24%	28%	6%	27%
RGUs Per Cable Customer Relationship	1.8x	2.1x	2.5x	1.4x	2.0x
ARPU[4]					
Cable ARPU (€)	42.4	36.7	36.9	43.1	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	—	—	—	88%[9]	—
Subscribers					
Total Mobile Subscribers[5]	444	—	—	355[14]	799
Post-paid	389	—	—	158[14]	547
Prepaid	55	—	—	197[14]	252
ARPU[4]					
Mobile ARPU (€)	25.5	—	—	28.9	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	147	147
Broadband internet RGUs	—	—	—	58	58
Fixe-Line Telephony RGUs	—	—	—	89	89

(1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband internet or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services.

(2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

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

(4) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel, ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2011 € 0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) average rate for the year ended December 31, 2013, €0.2092 = NIS 1.00, (iv) average rate for the nine months ended September 30, 2013, €0.2086 = NIS 1.00 and (v) average rate for the nine months ended September 30, 2014, € 0.2113 = NIS 1.00. For ODO, ARPU has been calculated by using the following exchange rates: (i) average rate for the nine months ended September 30, 2013 €0.0186 = DOP 1.00 and (ii) average rate for the nine months ended September 30, 2014 €0.017210 = DOP 1.00.

(5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

	As of December 31,			As of September 30,	
	2011	**2012**	**2013**	**2013**	**2014**
Mobile Subscribers					
iDEN	444	325	218	234	186
UMTS	—	441	592	539	742
Total	**444**	**766**	**810**	**773**	**932**

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

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

(8) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest from the Numericable Group in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012) but not ONI; French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013); and Dominican Republic represents operating measures of ODO (in which we acquired a controlling interest in April 2014) but not Tricom.

(9) Excludes French Guiana.

(10) Excludes Tricom.

(11) Includes subscribers through resellers as ODO enters into direct contractual arrangements with customers of resellers. All post-paid subscribers are considered as active. Also includes exclusively mobile subscribers, with mobile broadband/internet subscribers excluded.

(12) Includes both post-paid residential subscribers and post-paid business subscribers.

(13) Prepaid residential subscribers only

(14) In connection with the acquisition of SFR by Numericable (which is indirectly controlled by the Issuer, and therefore an affiliate of the Altice International Group), we have entered into a commitment with the French Competition Authority to dispose of our mobile network assets in Mayotte and La Réunion (which are part of our Group's business in the French Overseas Territories) by mid-2015.

Key Income Statement Items

In 2014, in the context of the anticipated acquisition and integration of the French mobile operator Société Francaise du Radiotéléphone S.A. ("SFR") into the Altice Group, the board of directors of the Issuer decided to amend the presentation of its operational segments, by regrouping the cable-based services segment and B2B segment into a single line called 'Fixed', and by maintaining the mobile segment. Other activities such as content, datacenters and holding company operations are classified under "Others". With effect from January 1, 2014, the Altice International Group now follows the same segmentation as the Issuer for financial reporting purposes. See Note 8 to the historical consolidated financial statement of Altice International as of and for the nine months ended September 30, 2014. However, for comparative purposes, we have continued to present the discussion and analysis of the results of operations of Altice International for all periods in line with the historical segmentation of the business, i.e. cable-based services, mobile services and B2B and others.

Revenue

Revenue consists of income generated from the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. Revenue is recognized at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Altice International Group. We have presented revenue generated from the following services:

Cable-based services: Revenue from cable-based services consists of revenue from pay television services, including related services such as VoD, broadband internet services, fixed-line telephony services and ISP services to our customers. This primarily includes (i) recurring subscription revenue for pay television services, broadband internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from Video On Demand ("VoD") and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

Mobile services: Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

B2B and others: Revenue from the B2B and others segment includes broadband internet access, telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to large and small businesses or government agencies. However, it does not include revenue from standard pay television, broadband internet, fixed-line telephony and mobile services to businesses, which are included under cable or mobile revenue as the case may be. In addition, it also includes revenue from other businesses units such as content delivery and production, provided either directly to customers or to other cable network operators. These primarily include revenue from our B2B business in Portugal, certain pure B2B services in Belgium and Luxembourg, our datacenter and B2B businesses in Switzerland and our content business.

Purchasing and subcontracting services

Purchasing and subcontracting services consists of direct costs associated with the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. We present purchasing and subcontracting services paid for the procurement of the following services:

Cable-based services: Purchasing and subcontracting services associated with cable based services consists of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services, (iii) interconnect costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set top boxes and decoders). In Israel, costs relating to the procurement of exclusive television content from third party providers were included in purchasing and subcontracting services for cable based services until March 31, 2013, but these costs have been capitalized thereafter.

Mobile services: Purchasing and subcontracting services associated with mobile services consists primarily of mobile interconnect fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

B2B and others: Purchasing and subcontracting services associated with B2B and other services consist of, (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) hosting and interconnect fees for telephony and broadband internet services to corporate clients or small businesses, and (iv) costs of professional services. In addition, it includes in relation to the content activity of the Altice International Group, technical costs associated with the delivery of content, such as satellite rental costs.

Other operating expenses

Other operating expenses consist mainly of the following subcategories:

Customer service costs: Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debts and recovery costs associated therewith.

Technical and maintenance: Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter equipment, maintenance and upkeep of the cable and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

Staff expenses: For the Historical Financial Information "Other operating expenses" also includes staff expenses, comprised of all costs related to wages and salaries, bonuses, social security, pension contribution and other outlays paid to Group employees involved in technical operations and customer services functions (except for Outremer, which historically has accounted for all salary expenses under this item). Prior to the year ended December 31, 2013, staff costs and employee benefits were recorded under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they related to. Beginning with the year ended December 31, 2013, such staff costs and employee benefits have been accounted for in a separate line item and reflect total staff costs for all functions. See the historical financial statements for the nine months ended September 30, 2014 and for the year ended December 31, 2013 elsewhere in these Listing Particulars for further details. For comparative purposes staff and employee costs have been reclassified for the nine months ended September 30, 2013 and for the year ended December 31, 2012, respectively, to match the new reporting method of the Altice International Group. For the Pre-PT Transaction Pro Forma Financial Information and the Pre-PT/ODO Transactions Pro Forma Financial Information, staff costs and employee benefits expenses are accounted for under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they related to.

Business taxes: Business taxes include all costs related to payroll and professional taxes or fees.

General and administrative expenses

General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses. For the purposes of the discussion and analysis of the Pre-PT/ODO Transactions Pro Forma Financial Information, the Pre-PT Transaction Pro Forma Financial Information and their respective comparative periods, it also includes staff costs and employee benefits expenses relating to administrative personnel.

Other sales and marketing expenses

Other sales and marketing expenses consist of salary and associated payments for sales and marketing personnel, advertising and sale promotion, office rent and maintenance, commission's for marketers, external sales and storage and other expenses related to sales and marketing efforts. For Pre-PT/ODO Transactions Pro Forma Financial Information, the Pre-PT Transaction Pro Forma Financial Information and their respective comparative periods, it also includes staff costs and employee benefits expenses relating to sales and marketing personnel.

Depreciation and amortization

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and amortization of intangible assets.

Goodwill impairment

Goodwill impairment includes the write off of any goodwill that has been recognized on the acquisition of new assets based upon a re-evaluation of the cash generating capacity of these assets compared to the initial valuation assigned to the original goodwill of such asset acquisition.

Other expenses, net

Other expenses, net includes any one-off or non-recurring income or expenses incurred during the on-going financial year, excluding restructuring and other non-recurring costs. This includes deal fees paid to external consultants for merger and acquisition activities. With effect from January 1, 2014, other expenses, net have been included in restructuring and other non recurring costs.

Management fees

Management fees include all consulting and management fees paid to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

Restructuring and other non-recurring costs

Restructuring and other non-recurring costs include one-off expenses incurred to reorganize existing or newly acquired businesses. Cost incurred are categorized under: (i) operating and maintenance costs when related to equipment redundancies, (ii) rents and other general and administrative expenses when related to building or redundancies of general installations and (iii) staff expenses, when related to employee redundancies. With effect from January 1, 2014, restructuring and other non-recurring costs include other expenses, net.

Gain arising on step acquisition

Gain arising on step acquisition includes the gain on achieving control in an investment or business and switching from the equity method of accounting to full integration in the consolidated accounts. See note 27 to Altice International's historical consolidated financial statements as of and for the year ended December 31, 2011 included elsewhere in these Listing Particulars.

Share of profit of associates

Share of profit of associates includes revenue arising from activities that are accounted for using the equity method for associates in the consolidation perimeter of the Altice International Group.

Finance income

Finance income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other finance income.

Finance costs

Finance costs includes financing expenses for short-term credit facilities, changes in the net fair value of the financial derivatives that do not qualify as hedges for accounting purposes, financing expenses for banking and credit card companies' commissions, financing expenses for long-term loans, financing expenses for bonds, net exchange rate differences and other expenses paid for financing operations recognized at amortized cost.

Income tax expenses

Income tax expenses or income comprise current tax and deferred tax. Taxes on income are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Discussion and Analysis of Our Results of Operations

Nine Months Ended September 30, 2014 compared to the Nine Months Ended September 30, 2013

	Historical Consolidated Financial Information				**Pre-PT Transaction Pro Forma Financial Information(2)**			
	For the nine months ended September 30,		**Change**		**For the nine months ended September 30,**		**Change**	
Statement of Income Items	**2013**	**2014**	**Amount**	**%**	**2013**	**2014**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services....................	676.1	721.9	45.8	6.8%	721.1	728.3	7.2	1.0
Mobile services............................	175.9	457.8	281.9	160.3%	579.8	573.4	(6.3)	(1.1)
B2B and others	76.3	193.1	116.8	153.5%	135.2	179.9	44.7	33.1
Total Revenue..............................	**928.4**	**1,372.8**	**444.4**	**47.9%**	**1,436.0**	**1,481.6**	**45.6**	**3.2**
Purchasing and subcontracting services	(262.2)	(324.5)	(62.3)	23.8%	(429.7)	(351.9)	77.8	(18.1)
Gross Profit	**666.2**	**1,048.3**	**382.1**	**57.4%**	**1,006.3**	**1,129.7**	**123.4**	**12.3**
Other operating expenses(1)	(235.7)	(299.7)	(64.0)	27.2%	(251.9)	(256.6)	4.7	(1.9)

General and administrative expenses	(24.0)	(36.8)	(12.8)	53.3%	(91.2)	(75.8)	15.4	(16.9)
Other sales and marketing expenses	(29.4)	(84.9)	(55.5)	188.8%	(101.9)	(124.9)	(23.0)	22.6
Operating income before depreciation, amortization, restructuring costs and other expenses	**377.1**	**627.0**	**249.9**	**66.3%**	**561.5**	**672.3**	**110.8**	**19.7**
Depreciation and amortization	(278.0)	(397.6)	(119.6)	43.0%	(352.2)	(412.9)	(60.7)	17.2
Management fees	(0.7)	(0.6)	0.1	(14.3)%	(10.2)	(0.6)	9.6	(94.1)
Restructuring and other non-recurring costs(3)	(12.3)	(58.5)	(46.2)	375.6%	(24.0)	(61.4)	37.4	155.8
Operating profit	**86.1**	**170.3**	**84.2**	**97.8%**	**175.3**	**197.5**	**22.3**	**12.7**
Finance income	36.2	32.1	(4.1)	(11.3)%	36.9	32.8	(4.1)	(11.1)
Finance costs	(184.3)	(334.3)	(150.0)	81.4%	(529.8)	(606.6)	(76.8)	14.5
(Loss)/profit before income tax expenses	**(62.0)**	**(132.0)**	**(70.0)**	**112.9%**	**(317.8)**	**(376.3)**	**58.5**	**18.4**
Income tax expenses	(27.4)	(27.6)	(0.2)	0.7%	(56.8)	(35.8)	21.0	(37.0)
Loss for the period/year	**(89.4)**	**(159.6)**	**(70.2)**	**78.5%**	**(374.6)**	**(412.1)**	**(37.5)**	**10.0**

(1) For the Historical Financial Information "Other operating expenses" also includes staff costs and employee benefits expenses. Prior to the year ended December 31, 2013, staff costs and employee benefits were recorded under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they related to. Beginning with the year ended December 31, 2013, such staff costs and employee benefits have been accounted for in a separate line item and reflect total staff costs for all functions. See the historical financial statements for the nine months ended September 30, 2014 elsewhere in these Listing Particulars for further details. For comparative purposes staff and employee costs have been reclassified for the nine months ended September 30, 2013 to match the new reporting method of the Altice International Group. For the Pre-PT Transaction Pro Forma Financial Information, staff costs and employee benefits expenses are accounted for under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they relate to.

(2) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT Transactions Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

(3) With effect from January 1, 2014, "Other expenses, net" have been included in the "Restructuring and other non-recurring costs" line item.

Significant Events Affecting Historical Results

Our results of operations for the nine months ended September 30, 2014 and September 30, 2013 were significantly impacted by the following events:

- In the third quarter of 2013, Altice International acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €51.0 million to revenue, €8.4 million to operating profit and €18.1 million to EBITDA of Altice International on a consolidated basis in the nine months ended September 30, 2013 since July 5, 2013 compared to €145.4 million to revenue, €16.9 million to operating profit and €54.0 million to EBITDA of Altice International on a consolidated basis for the nine months ended September 30, 2014. For the period from January 1 to July 5, 2013, Outremer had €96.5 million of revenue, €19.4 million of operating profit and € 33.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice International.

- In the third quarter of 2013, Altice International acquired a 100% equity interest in ONI (through its indirect subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from August 8, 2013. ONI contributed €17.4 million to revenue, €1.2 million to operating loss and €2.0 million to EBITDA of Altice International on a consolidated basis in the nine month ended September 30, 2013 since August 8, 2013 and €65.1 million to revenue, €2.4 million to operating loss and €14.4 million to EBITDA of Altice International on a consolidated basis in the nine months ended September 30, 2014. For the period from January 1 until August 8, 2013, ONI had €59.0 million of revenue, € 2.8 million of operating loss and €9.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the fourth quarter of 2013, Altice International acquired a controlling interest in Ma Chaîne Sport S.A.S and SportV, two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from October 4, 2013. The two entities contributed €20.1 million to revenue, €2.6 million to operating profit and €10.5 million to the EBITDA of Altice International on a consolidated basis in the nine months ended September 30 2014. These entities did not have an impact on the financial information of Altice International for the nine months ended September 30, 2013.

- In the first quarter of 2014, Altice International acquired a controlling interest in Mobius, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014. Mobius contributed €13.2 million to revenue, €1.0 million to operating profit and €3.1 million to EBITDA of Altice International on a consolidated basis in the nine months ended September 30, 2014.

  Furthermore, during the first quarter, Altice International also acquired a controlling interest in Tricom, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014. Tricom contributed €82.0 million to revenue, €14.1 million to operating profit and €40.5 million to EBITDA of Altice International on a consolidated basis in the nine months ended September 30, 2014. Tricom and Mobius did not have an impact on the consolidated financial information for the nine months ended September 30, 2013.

  In the second quarter of 2014, Altice International acquired a controlling interest in ODO, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April, 1 2014. ODO contributed €218.6 million to revenue, €62.7 million to operating profit and €104.5 million to EBITDA of Altice International on a consolidated basis in the nine months ended September 30, 2014. ODO did not have an impact on the consolidated financial information for the nine months ended September 30, 2013.

Revenue

Historical Consolidated Basis

For the nine months ended September 30, 2014, we generated total revenue of €1,372.8 million, a 47.9% increase compared to €928.4 million for the nine months ended September 30, 2013. Our total revenue by our key regions in the nine months ended September 30, 2014 and 2013, respectively, were: (i) in Israel, €645.9 million and €669.4 million, (ii) in Belgium and Luxembourg, €54.0 million and €53.2 million, (iii) in Portugal, €140.4 million and €100.9 million (revenue for the nine months ended September 30, 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013 and revenue for the nine months ended September 30, 2014 was impacted by the contribution from ONI for the entire period), (iv) in the French Overseas Territories, €178.7 million and €69.8 million (revenue for the nine months ended September 30, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013 and revenue for the nine months ended September 30, 2014 was impacted by the contribution from Outremer and Mobius for the entire period) and (v) in the Dominican Republic, €300.5 million and nil (the Altice International Group did not have any activities in the Dominican Republic prior to March 12, 2014). Foreign exchange translation movements between the NIS and the euro had a positive impact of €8.3 million on total revenue. Foreign exchange translation movements between Dominican pesos and the euro had a negative impact of €26.4 million on total revenue.

Cable based services: For the nine months ended September 30, 2014, we generated cable based services revenue of €721.9 million, a 6.8% increase compared to €676.1 million for the nine months ended September 30, 2013. The increase was primarily due to the inclusion of cable based services revenue from Outremer for the entire duration of the nine months ended September 30, 2014, with cable based services revenue increasing to €68.1 million for the French Overseas Territories for the nine months ended September 30, 2014 compared to €18.7 million for the nine months ended September 30, 2013, offset by a decline in cable based services revenue in Israel and Portugal from €527.0 million and €83.4 million in the nine months ended September 30, 2013, respectively, to €513.0 million and €75.3 million in the nine months ended September 30, 2014, respectively. Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.6 million on cable based service revenue.

Mobile services: For the nine months ended September 30, 2014, we generated mobile services revenue of €457.7 million, a 160.3% increase compared to €175.9 million for the nine months ended September 30, 2013. This was primarily due to the inclusion of € 218.6 million in mobile services revenue generated by ODO for the nine months ended September 30, 2014 (with effect from April 9, 2014). Foreign exchange translation movements between the NIS and the euro had a positive impact of €1.7 million on mobile revenues. Foreign exchange translation movements between Dominican pesos and the euro had a negative impact of €24.6 million on total revenue.

B2B and others: For the nine months ended September 30, 2014, we generated B2B and other services revenue of €193.1 million, a 153.5% increase compared to €76.3 million for the nine months ended September 30, 2013, predominantly due to the inclusion of B2B and others revenue from ONI (€65.1 million for the nine months ended September 30, 2014, compared to €17.5 million for the nine months ended September 30, 2013, and the inclusion of the B2B and others revenue of Tricom (with effect from March 12, 2014) (€54.4 million for the nine months ended September 30, 2014, compared to nil for the nine months ended September 30, 2013).

Pro Forma Consolidated Basis

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

	Pre-PT Transaction Pro Forma Financial Information[5]													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[2]	Dominican Republic[4]	Others[1]	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[2]	Dominican Republic[4]	Others[1]	Total[3]
	€ in millions													
Revenue														
Cable based services	527.0	45.7	83.4	63.7	—	1.3	721.1	513.1	45.9	75.3	74.5	—	19.7	728.4
Mobile Services	142.4	0.8	—	102.6	333.6	—	579.8	132.8	1.0	—	104.3	327.4	8.0	573.4
B2B and others	—	6.7	76.5	—	—	52.1	135.3	—	7.1	65.3	—	—	107.6	179.8
Total Revenue	669.4	53.1	159.9	166.3	333.6	53.4	1,436.3	645.9	54.0	140.4	178.7	327.4	135.2	1,481.6

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. For the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. See note 3 below for details.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. For the nine months ended September 30, 2014, it also includes the contribution of Mobius. See note 3 below for details.

(3) Total revenue for the nine months ended September 30, 2014 includes the contribution of Mobius since its consolidation into the Altice International Group from January 1, 2014. For the nine months ended September 30, 2014, Mobius generated €13.2 million of revenue in B2B and other. Mobius has no other revenue streams. Total revenue for the nine months ended September 30, 2014 also includes the contribution made by Tricom from March 12, 2014. For the nine months ended September 30, 2014, Tricom generated total revenue of €82.0 million, cable based service revenue of €19.6 million, mobile services revenue of €8.0 million and B2B/Other revenue of €54.4 million. Mobius and Tricom did not have any impact on the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013.

(4) Excludes Tricom.

(5) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

Israel: For the nine months ended September 30, 2014, we generated total revenue in Israel of €645.9 million, a 3.5% decrease compared to €669.4 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our cable based services revenue decreased by 2.6% and our mobile services revenue decreased by 6.7%. Foreign exchange translation movements between the NIS and euro had a positive impact of €8.3 million on total revenue, €6.6 million on cable services revenue and €1.7 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel decreased by 4.8%, our cable based service revenue decreased by 3.9% and our mobile services revenue decreased by 7.9%.

Cable based services revenue in Israel was negatively impacted by a 46,000 net decrease in our total cable RGUs, comprising a 19,000 net decrease in pay television RGUs and a 28,000 net decrease in broadband internet infrastructure access RGUs. The decrease in our cable RGUs was mainly due to significant disruptions to our customer service in the second and third quarter of 2014. The disruptions were caused by (i) the conflict in Gaza in the third quarter of 2014 which had led to closures of several of our service centers and (ii) certain procedural issues experienced by to our third party customer service provider, which are in the process of being addressed by management. The decrease in cable based services revenue was partially offset by an increase in cable based services ARPU of 2.6% (1.3% at a constant exchange rate) from €47.6 for the nine months ended September 30, 2013 to €48.8 for the nine months ended September 30, 2014, primarily as a result of our strategic focus on multiple-play offerings and an increase in the take-up of our higher value higher speed broadband internet services. We also experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our bundling strategy, with the number of triple-play Cable Customer Relationships increasing from 448,000 as of September 30, 2013 to 484,000 as of September 30, 2014 as well as the launch of "FiberBox" and our revised broadband internet with speeds of up to 200MG.

The decrease in the interconnection fees for fixed line telephony which were implemented in December 2013, following the change in the regulation from the Ministry of Communication, had an impact on the cable based services revenue with the interconnection rate being set at 0.99 agorot per minute for both peak and off peak time calls.

The decrease in mobile services revenue in Israel was mainly due to the decrease in mobile ARPU by €1.9, or 11.2%, to €15.0 for the nine months ended September 30, 2014 compared to €16.9 for the nine months ended September 30, 2013, caused by subscribers disconnecting from our higher ARPU iDEN mobile network, with iDEN customers decreasing to 186,000 for the nine months ended September 30, 2014 compared to 234,000 for the nine months ended September 30, 2013. On a constant foreign exchange rate mobile ARPU decreased by 14.8%. Mobile services revenue for the nine months ended September 30, 2014 was further negatively impacted by a decrease in handset sales in our iDEN service, primarily during the first half of 2014. The decrease in mobile services revenue was offset by an increase in total mobile RGUs from 773,000 for the nine months ended September 30, 2013 to 932,000 for the nine months ended September 30, 2014, due to the increase in UMTS mobile subscribers to 746,000 for the nine months ended September 30, 2014 compared to 592,000 for the nine months ended September 30, 2013. Although the decline in mobile ARPU was offset by an increase in our lower ARPU UMTS based network subscribers, ARPU from gross adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services.

Belgium and Luxembourg: For the nine months ended September 30, 2014, we generated total revenue in Belgium and Luxembourg of €54.0 million, a 1.5% increase compared to €53.2 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our cable based services revenue increased by 0.5% to €45.9 million and our mobile services revenue increased from €0.8 million to €1.0 million.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by 6.0% to €43.6 in the nine months ended September 30, 2014 compared to €41.1 for the nine months ended September 30, 2013. The increase in cable based services ARPU was due to price increases of some of our triple-play packages in June 2014 and higher sales of our high-end triple-play packages. Cable based services revenue was also positively impacted by a slight increase in broadband internet RGUs which was due to (i) our ability to offer subscribers higher broadband internet connection speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband internet networks, (ii) our attractive pricing of broadband internet services and (iii) an increase in the uptake of our triple-play bundles, which include broadband internet services. These factors were offset by a decline in television RGUs, including a net decrease in digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due to the general trend of customers switching to mobile telephony services.

The increase in mobile services revenue was due to an increase in the number of subscribers during the nine months ended September 30, 2014 with 9,000 net adds during this period as compared to the nine months ended September 30, 2013, offset by a decrease in ARPU due to an increase in basic mobile services subscribers.

Portugal: In the nine months ended September 30, 2014, we generated total revenue in Portugal of €140.4 million, a 12.2% decrease compared to €159.9 million in the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our revenue in Portugal for our cable based services decreased by 9.7% and our B2B and other services revenue decreased by 14.8%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 31,000, comprising of a net decrease of 13,000 pay television RGUs, 13,000 fixed line telephony RGUs and 4,000 broadband internet RGUs. These were the result of the continuous intense competition in the Portuguese cable services market during 2014, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Cable based services ARPU decreased slightly by €1.7, or 4.8%, to €33.4 in the nine months ended September 30, 2014 compared to €35.1 in the nine months ended September 30, 2013, predominantly due to the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers, despite an increase in the prices of our products in January 2014. As a result, the ARPU from gross adds to our RGUs were generally lower than the ARPU for customers churned.

The decrease in B2B and other revenue in Portugal was primarily due to the competitiveness in the market. Furthermore, as we renewed contracts with certain of our major clients (data services) who experienced revenue losses, this affected the revenue we generated under these contracts. A decrease in interconnection revenues, due to activity reduction and lower prices of national fixed termination, also contributed to the decrease in B2B and other revenue.

French Overseas Territories: For the nine months ended September 30, 2014, we generated total revenue in the French Overseas Territories, excluding Mobius, of €165.5 million, a 0.5% decrease compared to €166.3 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our revenue in the French Overseas Territories for our cable based services decreased by 4.0% and our mobile services revenue increased by 1.5%.

The €2.5 million decrease in cable based services revenue in the French Overseas Territories was due to (i) a decrease in fixed line revenue of Outremer, which in turn was mainly as a result of a net decrease of 7,000 fixed line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple play VoIP packages and (ii) a decrease in broadband internet services revenue of Outremer which in turn was mainly as a result of a net decrease of 1,000 xDSL broadband internet RGUs and a 6.5% decrease in ARPU due to increased competition, partly as a result of the launch of "Canal Box" by Canal+. This was partially offset by a 4.4% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €55.6 for the nine months ended September 30, 2014 compared to €50.8 for the nine months ended September 30, 2013 and a net increase of 26,000 cable RGUs during this period as a result of our strategic focus on triple play offerings reflected in an increase in triple play Cable Customer Relationships by 11,000 to 26,000 as of September 30, 2014 compared to 17,000 as of December 31, 2013.

The €1.6 million increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to a net increase of 17,000 post-paid mobile subscribers over the period, offset by a decline in prepaid mobile subscribers. This increase was a result of the revamping of Outremer's mobile post-paid offering that was launched in the first half of 2012, particularly due to the success of flat fee rate plans with unlimited calls within the French Overseas Territories and mainland France. Mobile ARPUs increased by €1.7 primarily due to the improvements in our product mix and an increase in the take-up of Outremer's higher value post-paid packages following the revamping of its mobile product offering.

Dominican Republic (ODO): For the nine months ended September 30, 2014, we generated total revenue in the Dominican Republic of €327.4 million, a 2.0% decrease compared to €333.9 million for the nine months ended September 30, 2013.

The decrease in revenue in the Dominican Republic was due to the foreign exchange translation movements between Dominican pesos and the euro, which had a negative impact of €29.0 million in the nine months ended September 30, 2014. At a constant exchange rate, our total revenue increased by 6.8% in the nine months ended September 30, 2014, driven by an increase in both our residential and business post-paid subscribers, with a net addition of 94,000 post-paid subscribers during this period, of which 69.6 were residential subscribers and 24.4 were business subscribers. The increase in post-paid residential subscribers was primarily due to the success of our flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers. The increase in post-paid business subscribers was primarily due to the continuous expansion of our enterprise business and a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. This was partially offset by a slight decrease in ODO's mobile ARPU to €9.21 for the nine months ended September 30, 2014 from €9.8 for the nine months ended September 30, 2013, primarily due to the fact that ODO altered its postpaid offerings to tackle competition, resulting in price erosion, and that ODO is encouraging migration from prepaid to postpaid mobile plans and such migrated customers usually opt for basic, lower-cost plans.

Gross Profit

Historical Consolidated Basis

For the nine months ended September 30, 2014, our total gross profit was €1,048.3 million, a 57.4% increase compared to €666.2 million for nine months ended September 30, 2013. Our gross profit by our key regions in the nine months ended September 30, 2013 and 2014 respectively, were: (i) in Israel, €485.0 million and €517.2 million, (ii) in Belgium and Luxembourg, €44.0 million and €45.2 million, (iii) in Portugal, €64.5 million and €80.2 million (gross profit for the nine months ended September 30, 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013 and for the nine months ended September 30, 2014 was impacted by the consolidation of ONI for the entire duration), (iv) in the French Overseas Territories, €50.8 million and €136.0 million (gross profit for the nine months ended September 30, 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013 and for the nine months ended September 30, 2014 was impacted by the consolidation of Outremer and Mobius for the entire duration) and (v) in the Dominican Republic, nil and €234.1 million (the Altice International Group did not have any activities in the Dominican Republic prior to March 12, 2014). Our gross margin increased from 71.8% in the nine months ended September 30, 2013 to 76.4% in the nine months ended September 30, 2014. Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.7 million on total gross profit. Foreign exchange translation movements between Dominican pesos and the euro had a negative impact of €12.7 million on total gross profit.

Cable based services: For the nine months ended September 30, 2014, our gross profit from our cable based services was €578.1 million, a 7.4% increase compared to €538.3 million for the nine months ended September 30, 2013. The increase was primarily due to the inclusion of cable based services gross profit from Outremer for the entire duration of nine months ended September 30, 2014 of €108.7 million compared to €34.6 million for the nine months ended September 30, 2013, following the consolidation of Outremer on July 5, 2013. Our gross margin for cable based services increased to 80.1% in the nine months ended September 30, 2014 from 79.6% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €5.5 million on gross profit for our cable based services.

Mobile services: For the nine months ended September 30, 2014, our gross profit from our mobile services increased to €339.1 million compared to €82.1 million in the previous year. The increase was predominantly due to the inclusion of mobile based services gross profit from ODO of €171.6 million for the nine months ended September 30, 2014, following the consolidation of ODO on April 9, 2014. Our gross margin for mobile based services increased to 74.1% in the nine months ended September 30, 2014 from 46.7% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €1.2 million.

B2B and others: For the nine months ended September 30, 2014, our gross profit from B2B and others was €131.1 million, a 187.3% increase compared to €45.6 million for the nine months ended September 30, 2013. Our gross margin for B2B and other services decreased from 78.6% in the nine months ended September 30, 2013 to 67.9% in the nine months ended September 30, 2014. The increase in gross profit was primarily due to inclusion of B2B and other services gross profit of ONI of €28.6 million for the entire duration of the nine months ended September 30, 2014 compared to €7.2 million for the nine months ended September 30, 2013, following the consolidation of ONI on August 5, 2013.

Pro Forma Consolidated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a Pro Forma Consolidated Basis based on the Pre- PT Transaction Pro Forma Financial Information.

	Pre-PT Transaction Pro Forma Financial Information(5)													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Dominican Republic(4)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Dominican Republic(4)	Others(1)	Total(3)
	€ in millions													
Purchasing and subcontracting services														
Cable based services	101.6	7.2	26.2	17.2	—	0.3	152.5	86.5	7.4	23.3	16.5	—	14.1	147.8
Mobile Services	82.8	0.7	—	31.6	101.5	—	216.3	42.1	1.2	—	26.2	76.2	2.2	147.9
B2B and others	—	1.3	41.5	—	—	18.1	60.8	—	0.3	36.9	—	—	19.0	56.2
Total purchasing and subcontracting services	**184.4**	**9.1**	**67.7**	**48.8**	101.5	**18.4**	**429.6**	**128.7**	**8.8**	**60.2**	**42.7**	76.2	**35.4**	**351.9**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. For the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. See note 3 below for details.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. For the nine months ended September 30, 2014 it also includes the contribution of Mobius. See note 3 below for details.

(3) Total purchasing and subcontracting services costs for the nine months ended September 30, 2014 includes the contribution of Mobius since its consolidation into the Altice International Group from January 1, 2014. For the nine months ended September 30, 2014, Mobius generated €4.0 million of purchasing and subcontracting services costs in B2B and other. Mobius has no other revenue streams. Total purchasing and subcontracting services for the nine months ended September 30, 2014 also includes the contribution made by Tricom from March 12, 2014. For the nine months ended September 30, 2014, Tricom generated total purchasing and subcontracting services costs of €17.6 million, cable based service purchasing and subcontracting services costs of €14.1 million, mobile services purchasing and subcontracting services costs of €2.2 million and B2B/Other purchasing and subcontracting services of €1.3 million. Mobius and Tricom did not have an impact in the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013.

(4) Excludes Tricom.

(5) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom

and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

Israel: For the nine months ended September 30, 2014, our purchasing and subcontracting services costs in Israel were €128.7 million, a 30.2% decrease compared to €184.4 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our purchasing and subcontracting services costs for cable based services decreased by 14.9% and our purchasing and subcontracting services costs for mobile services decreased by 49.2%. Foreign exchange translation movements between NIS and euro had a negative impact of increasing purchasing and subcontracting services costs by €1.6 million (including €1.1 million of cable based services purchasing and subcontracting services costs and €0.5 million of mobile services purchasing and subcontracting services costs). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services costs in Israel decreased by 31.1%, our cable based service purchasing and subcontracting services costs decreased by 15.9% and our purchasing and subcontracting services costs for mobile services decreased by 49.8%.

The decrease in purchasing and subcontracting services costs for cable based services in Israel was due to (i) a decrease in interconnection fees paid as a result of lower fixed-line telephony call volumes by our customers with fixed-line telephony customers switching to mobile services, with the latter providing competitive prices and unlimited price plan packages, (ii) a decrease in the interconnection fees for fixed-line (thereby having a greater impact in the nine months ended September 30, 2014) telephony services which came into effect in December 2013, as a result of changes to the regulation implemented by the Ministry of Communication, (iii) the positive effect of renegotiated movie channel contracts, and (iv) the change in the amortization rate for certain productions since April 1, 2013, allowing us to amortize related costs over a three year period as opposed to the previous one year period, reflecting the fact that consumers make use of the content subscription for more than one year.

The decrease in purchasing and subcontracting services costs for mobile services in Israel was primarily due to a decrease in interconnection fees stemming from the decrease in national roaming costs as a result of the arrangements we have with Partner under the RoU.

Belgium and Luxembourg: For the nine months ended September 30, 2014, our purchasing and subcontracting services costs in Belgium and Luxembourg were €8.8 million, a 3.2% decrease compared to €9.1 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our purchasing and subcontracting services costs for cable based services increased by 0.8% and our purchasing and subcontracting services costs for B2B services decreased by 79.4% (from €1.4 million to €0.3 million). We began providing mobile services in Belgium as a MVNO in September 2012 and incurred purchasing and subcontracting services costs of €0.7 million and €1.2 million for the nine months ended September 30, 2013 and 2014, respectively.

The slight increase in purchasing and subcontracting services costs for cable based services was due to higher programming expenses.

The decrease in purchasing and subcontracting services costs for B2B services was due to (i) the nature of B2B projects undertaken in 2014 (for which costs were primarily in the form of capital expenditures) as compared to the same period in the previous year and (ii) the decrease in promotional offers and incentives during the nine months ended September 30, 2014, as compared to the offers and incentives we offered during the same period in the previous year.

The increase in purchasing and subcontracting services costs for mobile services was due to an increase in subscribers, in particular, subscribers with high usage rates which in turn also resulted in higher fees payable to our MNVO provider.

Portugal: For nine months ended September 30, 2014, our purchasing and subcontracting services costs in Portugal were €60.2 million, a 11.1% decrease compared to €67.7 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our purchasing and subcontracting services costs for each of cable based services decreased by 11.1% and B2B and others based purchasing and subcontracting services costs decreased by 10.9%.

The 11.1% decrease in purchasing and subcontracting services costs for cable based services in Portugal was primarily due to lower sales and the operational optimization program implemented by the Altice International Group following the acquisition Cabovisão in February 2012.

The 10.9% decrease in costs of sales for B2B and others in Portugal was due to the lower level of ONI's activity and the reduction in national fixed termination prices. Cost reduction measures such as the renegotiations of supplier contacts and revisions to the costs associated with technical solutions were also undertaken to reduce the impact of re-negotiated pricing terms with some of our larger clients to avoid a negative impact on margins.

French Overseas Territories: For the nine months ended September 30, 2014, our purchasing and subcontracting services costs in the French Overseas Territories, excluding Mobius, were €45.5 million, a 6.7% decrease compared to €48.8 million for the nine months ended September 30, 2013. As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our purchasing and subcontracting services costs for cable based services decreased by 23.6% and our purchasing and subcontracting services costs for mobile services increased by 2.5%.

The decrease in purchasing and subcontracting services costs for cable based services in the French Overseas Territories was primarily due to the decrease in Outremer's fixed-line telephony and xDSL broadband internet RGUs.

The increase in purchasing and subcontracting services costs for mobile services in the French Overseas Territories was mainly due to the increase in post-paid RGUs and interconnections costs with the success of Outremer's flat-fee rate plans which include unlimited calls.

Dominican Republic (ODO): For the nine months ended September 30, 2014, our purchasing and subcontracting services cost in the Dominican Republic, all of which relates to the mobile services provided by ODO, were €76.2 million, a 24.9% decrease compared to €101.5 million for the nine months ended September 30, 2013.

The €20.3 million decrease in mobile services revenue in the Dominican Republic was due to the foreign exchange translation movements between Dominican pesos and the euro, which had a negative impact of € 5.2 million in the nine months ended September 30, 2014. At a constant exchange rate, our purchasing and subcontracting services costs increased by 8.3%, predominantly due to an increase in the activity, offset by the reclassification of certain commercial costs previously recorded as sales and marketing expenses.

As a result of the factors described above, our gross profit and gross margin by country of operation on a pro forma consolidated basis based on the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 2014 and 2013, respectively:

	Pre-PT Transaction Pro Forma Financial Information(5)													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories (2)	Dominican Republic	Others (1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories (2)	Dominican Republic (4)	Others (1)	Total (3)
	€ in millions													
Gross profit														
Cable based services	425.4	38.5	57.3	46.5	—	1.0	568.7	426.5	38.5	52.0	64.8	—	5.6	587.5
Mobile Services	59.6	0.1	—	71.0	232.5	—	363.5	90.7	(0.1)	—	71.2	251.2	5.7	418.7
B2B and others	—	5.4	34.9	—	—	34.1	74.6	—	6.8	28.2	—	—	41.8	123.5
Total gross profit	485.0	44.1	92.2	117.5	232.5	35.1	1,006.4	517.2	45.2	80.2	136.1	251.2	99.8	1,129.7

	Pre-PT Transaction Pro Forma Financial Information(5)													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories (2)	Dominican Republic (4)	Others (1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories (2)	Dominican Republic (4)	Others (1)	Total (3)
	€ in millions													
Gross margin														
Cable based services (%)	80.7	84.0	68.6	73.0	—	78.2	78.9	83.1	83.9	69.1	87.1	—	28.1	80.6
Mobile Services (%)	41.9	45.8	—	69.2	69.6	—	62.7	68.3	(13.9)	—	68.3	76.7	72.5	73.1
B2B and others (%)	80.7	79.5	45.9	—	—	65.4	55.1	—	96.0	43.3	—	—	82.3	68.7
Total gross margin (%)	72.5	82.9	57.8	70.7	69.6	65.7	70.1	80.1	83.7	57.1	76.1	76.7	73.8	76.3

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. For the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. See note 3 hereto for details.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. For the nine months ended September 30, 2014, it also includes the contribution for Mobius. See note 3 below for details.

(3) Total gross profit and total gross margin for the nine months ended September 30, 2014, includes the contribution of Mobius since its consolidation into the Altice International Group from January 1, 2014. For the nine months ended September 30, 2014, Mobius generated a gross profit of €9.3 million and a gross margin of 70.1% in B2B and other. Mobius has no other revenue streams. Total gross profit for nine

months ended September 30, 2014 also includes the contribution made by Tricom from March, 2014. For the nine months ended September 30, 2014, Tricom generated a gross profit of €64.4 million and a gross margin of 28.0%, cable based service gross profit of €5.5 million and cable based service gross margin of 28.0%, mobile services gross profit of € 5.7 million and mobile services gross margin of 72.2% and B2B/Other gross profit of €53.1 million and B2B/Other gross margin of 97.6%.

(4) Excludes Tricom.

(5) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

Foreign exchange translation movements between the NIS and euro had a positive impact of €6.7 million on total gross profit in Israel, including €5.5 million for cable-based services and €1.2 million for mobile services. Foreign exchange translation movements between the Dominican peso and euro had a negative impact of €19.9 million on total gross profit in the Dominican Republic.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the nine months ended September 30, 2014, our total operating expenses (other than purchasing and subcontracting services costs) were € 421.4 million, a 45.8% increase compared to €289.1 million for the nine months ended September 30, 2013. Our total operating expenses comprise of other operating expenses, which increased by 27.2%, general and administrative expenses, which increased by 53.3% and other sales and marketing expenses, which increased by 188.8%, in each case in the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013.

Our total operating expenses by our key regions in the nine months ended September 30, 2013 and 2014, respectively, were: (i) in Israel, € 215.1 million and €202.6 million, (ii) in Belgium and Luxembourg, €8.6 million and €8.9 million, (iii) in Portugal, €28.7 million and €35.9 million (operating expenses for the nine months ended September 30, 2013 were impacted by the consolidation of ONI into the Altice International Group only with effect from August 8, 2013, and operating expenses for the nine months ended September 30, 2014, were impacted by the consolidation of ONI for the entire duration) (iv) in the French Overseas Territories, €22.3 million and €63.4 million (operating expenses for the nine months ended September 30, 2013, was impacted by the consolidation of Outremer with effect from July 5, 2013 and for the nine months ended September 30, 2014 were impacted by the consolidation of Outremer for the entire duration and (v) in the Dominican Republic, nil and €89.1 million (the Altice International Group did not have any operations in the Dominican Republic prior to March 12, 2014).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

As a result, for the nine months ended September 30, 2014, our EBITDA increased to €627.0 million a 66.3% increase compared to € 377.1 million for the nine months ended September 30, 2013. Our EBITDA by our key regions for the nine months ended September 30, 2013 and 2014, respectively, were: (i) in Israel, €269.9 million and € 314.6 million, (ii) in Belgium and Luxembourg, €35.4 million and €36.3 million, (iii) in Portugal, €35.8 million and €44.3 million (EBITDA for the nine months ended September 30, 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013 and EBITDA for the nine months ended September 30, 2014 was impacted by the consolidation of ONI for the entire duration), (iv) in the French Overseas Territories, €28.5 million and €72.7 million due to the fact that EBITDA for the nine months ended September 30, 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013 and that EBITDA for the nine months ended September 30, 2014 was impacted by the consolidation of Outremer for the entire duration and (v) in the Dominican Republic, nil and €145.0 million (the Altice International Group did not have any operations in the Dominican Republic prior to March 12, 2014).

Pro Forma Consolidated Basis

The following paragraphs set forth our total operating expenses by country of operation and on a pro forma consolidated basis based on the Pre-PT Transaction Pro Forma Financial Information.

For the nine months ended September 30, 2014, our total operating expenses were €457.4 million, a 2.8% increase compared to € 444.9 million for the nine months ended September 30, 2013.

Israel: For the nine months ended September 30, 2014, our total operating expenses in Israel were €202.6 million, a 5.8% decrease compared to €215.1 million for the nine months ended September 30, 2013. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €2.6 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 7.0%.

Other operating expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our other operating expenses in Israel decreased by 9.7% from €157.9 million to €142.5 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses, partially offset by an increase in costs relating to the outsourcing of customer and technical services. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

General and administrative expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our general and administrative expenses in Israel increased by 4.3% from €20.8 million to €21.7 million. This increase was primarily due to an increase in employee costs.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our other sales and marketing expenses in Israel increased by 5.2% from € 36.4 million to €38.4 million. Compared to the prior year period, our sales and marketing expenses increased as a result of an increase in advertising costs including advertising costs relating to the campaigns for the launch of our net set-top box “FiberBox” in March 2014 and our high-speed internet “200Mg” in May 2014 as well as an increase in advertising costs for our mobile handsets in June 2014.

EBITDA: As a result of the factors discussed above, for the nine months ended September 30, 2014, in Israel our EBITDA was €314.6 million, a 16.6% increase compared to €269.9 million for the nine months ended September 30, 2013 and our EBITDA margin was 48.7% in the nine months ended September 30, 2014 compared to 40.3% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and euro had a positive impact of €4.1 million on total EBITDA.

Belgium and Luxembourg: For the nine months ended September 30, 2014, our total operating expenses in Belgium and Luxembourg were € 8.9 million, an increase of 2.7% compared to €8.6 million for the nine months ended September 30, 2013.

Other operating expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our other operating expenses in Belgium and Luxembourg increased from € 2.7 million to €4.1 million. This increase was primarily due to an increase in customer service costs relating to higher bad or overdue debt for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, and higher technical maintenance staff expenses mainly due to cost of living adjustments.

General and administrative expenses: General and administrative costs decreased from €4.8 million for the nine months ended September 30, 2013, to €2.8 million for the nine months ended September 30, 2014, due to a decrease in costs from external consultants.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our other sales and marketing expenses in Belgium and Luxembourg increased from €1.2 million to €1.9 million. This decrease can be attributed to higher sales and marketing expenses for the nine months ended September 30, 2013, associated with the launch of “LaBox”.

EBITDA: As a result of the factors discussed above, for the nine months ended September 30, 2014, our EBITDA in Belgium and Luxembourg was € 36.3 million, a 2.5% increase compared to €35.4 million for the nine months ended September 30, 2013. Our EBITDA margin was 67.2% in the nine months ended September 30, 2014 compared to 66.5% in the nine months ended September 30, 2013.

Portugal

In the nine months ended September 30, 2014, our total operating expenses in Portugal were €35.9 million, a 23.9% decrease compared to € 47.2 million for the nine months ended September 30, 2013. This decrease was due to a lower level of activities in the nine months ended September 30, 2014 compared to the prior year period and the continued effect of the operational optimization program implemented by the Altice International Group following the acquisitions of Cabovisão in February 2012 and ONI in August 2013.

Other operating expenses: For the nine months ended September 30, 2014 our other operating expenses in Portugal decreased by 28.0% to € 21.2 million, compared to €29.5 million for the nine months ended September 30, 2013. This decrease mainly reflects strong cost reductions in outsourcing services and personnel and contract renegotiations at ONI after its acquisition by the Altice International Group in August 2013.

General and administrative expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our general and administrative expenses in Portugal decreased by 31.4% from €10.5 million to €7.2 million. This decrease was primarily due to savings at both Cabovisão and ONI resulting from (i) headcount reductions in corporate and administrative staff and (ii) the cancelation and renegotiation of several contracts for administrative services.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our other sales and marketing expenses in Portugal increased by 4.1% from € 7.3 million to €7.6 million.

EBITDA: As a result of the factors discussed, in the nine months ended September 30, 2014, our EBITDA in Portugal was €44.3 million, a decrease of 1.9% compared to €45.1 million in the nine months ended September 30, 2013. Our EBITDA margin was 31.5% in the nine months ended September 30, 2014 compared to 28.2% in the nine months ended September 30, 2013.

French Overseas Territories: For the nine months ended September 30, 2014, our total operating expenses in the French Overseas Territories, excluding Mobius, were €50.4 million, a 9.2% decrease compared to €55.5 million for the nine months ended September 30, 2013.

Other operating expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our other operating expenses in the French Overseas Territories, excluding Mobius, remained fairly stable at €32.8 million, compared to €32.2 million for the nine months ended September 30, 2013. The cost savings achieved in IT and network maintenance cost were offset by increased costs related to measures taken to improve quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our general and administrative expenses in the French Overseas Territories, excluding Mobius, decreased by 29.9% from €12.1 million to €8.5 million. This decrease was due to measures taken to reduce rental, travel, legal and other expenses as well as a reduction in non-recurring expenses indirectly related to the acquisition of Outremer by Altice International which impacted the general and administrative expenses for the nine months ended September 30, 2013.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our other sales and marketing expenses in the French Overseas Territories decreased, excluding Mobius, by 18.1% from €11.2 million to € 9.2 million. This decrease was primarily due to the decrease in the level of retention and acquisition subsidies for mobile subscribers and a lower number of new products and offers being launched in 2014.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2014, our EBITDA in the French Overseas Territories, excluding Mobius, was €69.5 million, a 11.9% increase compared to €62.1 million for the nine months ended September 30, 2013. Our EBITDA margin was 42.0% in the nine months ended September 30, 2014 compared to 37.3% in the nine months ended September 30, 2013.

Dominican Republic (ODO): For the nine months ended September 30, 2014, our total operating expenses in the Dominican Republic, excluding Tricom, were €101.3 million, a 0.7% increase compared to €100.7 million for the nine months ended September 30, 2013.

Other operating expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our other operating expenses in the Dominican Republic, excluding Tricom, increased by 39.7% from €24.7 million to €34.5 million.

General and administrative expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014 our general and administrative expenses in the Dominican Republic, excluding Tricom, decreased by 74.8% from €33.7 million to € 8.5 million. This decrease was primarily due to renegotiations of supplier contracts and streamlining of costs following the acquisition ODO by the Altice International Group.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2013, for the nine months ended September 30, 2014, our other sales and marketing expenses in the Dominican Republic, excluding Tricom, increased by 38.1% from €42.3 million to €58.4 million. This increase was primarily due to the volume of retained and new customers in our post-paid segment.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2014, our EBITDA in the Dominican Republic, excluding Tricom, was €150.0 million, a 13.9% increase compared to € 131.7 million for the nine months ended September 30, 2013. Our EBITDA margin was 45.8% in the nine months ended September 30, 2014 compared to 39.4% in the nine months ended September 30, 2013.

The following tables set forth our EBITDA across our segments for the nine months ended September 30, 2013 and 2014 a pro forma basis.

	Pre-PT Transaction Pro Forma Financial Information[5]													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[3]	Dominican Republic[5]	Others[2]	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[3]	Dominican Republic[5]	Others[2]	Total[4]
	€ in millions													
EBITDA[1]	269.9	35.4	45.1	62.1	131.7	17.7	561.5	314.6	36.3	44.3	72.7	150.0	54.6	672.3

(1) The Company defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees, restructuring and other non-recurring costs.

(2) Comprises (i) €9.8 million and €10.5 million of EBITDA generated by our content production and distribution businesses for the nine months ended September 30, 2013 and 2014, respectively, (ii) €12.9 million and €12.5 million of EBITDA generated by Green Datacenter/Green for the nine months ended September 30, 2013 and 2014, respectively, and (iii) €9.6 million and €5.3 million of negative EBITDA generated by our other holding entities (including corporate expenses) for the nine months ended September 30, 2013 and 2014, respectively. For the nine months ended September 30, 2014, it also comprises the EBITDA generated by the Tricom since March 12, 2014. See note 4 below for details.

(3) For the nine months ended September 30, 2014, it also includes the contribution of Mobius. See note 3 hereto for details.

(4) Total EBITDA for the nine months ended September 30, 2014 includes the contribution of Mobius since its consolidation into the Altice International Group from January 1, 2014. For the nine months ended September 30, 2014, Mobius generated €3.1 million of EBITDA. Total EBITDA for the nine months ended September 30, 2014 also includes the contribution made by Tricom from March 12, 2014. For the nine months ended September 30, 2014, Tricom generated €40.5 million of EBITDA. Mobius and Tricom did not have any impact on the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013.

(5) Excludes Tricom.

(6) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT/ODO Transactions Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

Depreciation and Amortization

Historical Consolidated Basis

For the nine months ended September 30, 2014, depreciation and amortization on a historical consolidated basis totalled €397.6 million, a 43.0% increase compared to €278.0 million for the nine months ended September 30, 2013. Depreciation and amortization in the nine months ended September 30, 2014 was impacted by (i) the consolidation of Outremer and ONI for the entire duration of nine months ended September 30, 2014 and (ii) the impact of the consolidation of Tricom and ODO from March 12, 2014 and April 9, 2014, respectively.

Operating Profit

Historical Consolidated Basis

For the nine months ended September 30, 2014, on a historical consolidated basis, (i) management fees primarily relating to consulting services totalled €0.6 million compared to €0.7 million for the nine months ended September 30, 2013, and (ii) restructuring and other non-recurring costs and other expenses totalled €58.5 million compared to restructuring and other non-recurring costs of €12.3 million for the nine months ended September 30, 2013, due to (x) the implementation of cost restructuring measures at ONI, ODO and Tricom, (y) fees and other expenses paid to external consultants in relation to mergers and acquisitions activity in the first three quarters of 2014 and (z) due to restructuring costs at HOT Mobile of €15.1 million.

As a result of the factors described above, for the nine months ended September 30, 2014, our operating profit was €170.3 million, compared to an operating profit of €86.1 million for the nine months ended September 30, 2013.

Finance costs (net)

Historical Consolidated Basis

For the nine months ended September 30, 2014, on a historical consolidated basis, our net finance costs totalled €302.2 million, a 104.1% increase compared to €148.1 million for the nine months ended September 30, 2014 which was primarily due to (i) the incurrence of debt to finance the acquisitions of ODO and Tricom (€65.4 million impact for the nine months ended September 30, 2014), (ii) the full period impact of the interest payments relating to the 2013 Term Loan (€ 32.6 million impact for the nine months ended September 30, 2014) and (iii) the increase in the financial expenses incurred due to the variation in the marked-to-market accounting of the various hedges in place at the Altice International level.

Income tax benefits/ (expenses)

Historical Consolidated Basis

For the nine months ended September 30, 2014, on a historical consolidated basis, our total income tax expense was €27.6 million compared to an income tax expense of €27.4 million for the nine months ended September 30, 2013 which was primarily due to an income tax expense of €33.6 million driven by an increase in profits in Israel and the Dominican Republic, which was offset by deferred tax credits of €7.5 million. For the nine months ended September 30, 2013, the income tax expense mainly consisted of deferred tax expenses amounting to €21.9 million

Profit/ (loss) for the period

Historical Consolidated Basis

As a result of the factors discussed above, on a historical consolidated basis, for the nine months ended September 30, 2014, our loss for the period was €159.6 million compared to a loss of €89.4 million for the nine months ended September 30, 2013.

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

	Historical Consolidated Financial Information				Illustrative Aggregated Selected Financial Information	Pre-PT/ODO Transactions Pro Forma Financial Information(1)		
	For the year ended December 31,		Change				Change	
Statement of Income Items	2012	2013	Amount	%	For the year ended December 31, 2012	For the year ended December 31, 2013	Amount	%
	€ in millions except percentages							
Revenue								
Cable based services...	873.3	891.9	18.6	2.1	945.7	954.7	9.0	1.0
Mobile services...........	172.7	256.2	83.5	48.3	304.4	322.8	18.4	6.0
B2B and others	46.4	138.6	92.2	198.7	191.6	183.1	(8.5)	(4.4)
Total Revenue............	**1,092.4**	**1,286.8**	**194.3**	**17.8**	**1,441.8**	**1,460.6**	**18.8**	**1.3**
Purchasing and subcontracting services	(302.1)	(367.8)	65.7	21.7	(444.4)	(433.6)	10.8	(2.4)
Gross Profit	**790.3**	**918.9**	**128.6**	**16.3**	**997.4**	**1,027.0**	**29.6**	**3.0**
Other operating expenses(2).............	(307.8)	(320.2)	(12.5)	4.0	(315.3)	(293.1)	22.1	(7.1)
General and administrative expenses................	(33.3)	(36.2)	(2.9)	8.7	(85.1)	(74.6)	10.5	(12.3)
Other sales and marketing expenses	(45.9)	(43.9)	2.0	(4.4)	(102.8)	(87.9)	14.9	(14.5)

Operating income before depreciation and amortization	**403.2**	**518.8**	**115.6**	**28.7**	**494.2**	**571.4**	**77.2**	**(15.6)**
Depreciation and amortization	(266.3)	(399.6)	(133.3)	50.4	—	(426.7)	—	—
Goodwill impairment	(121.9)	—	121.9	—	—	—	—	—
Other expenses, net	(29.8)	(15.1)	14.7	49.3	—	(18.6)	—	—
Management fees	(6.2)	(0.6)	(5.6)	(90.3)	—	(1.5)	—	—
Restructuring and other non-recurring costs	(20.8)	(61.2)	(40.4)	194.2	—	(61.8)	—	—
Operating profit	**(41.7)**	**42.3**	**84.0**	**201.4**	**—**	**62.8**	—	—
Finance income	30.5	93.6	63.1	206.4	—	93.7	—	—
Finance costs	(204.7)	(336.9)	(132.2)	(64.6)	—	(341.0)	—	—
(Loss)/profit before income tax expenses	**(215.8)**	**(201.0)**	**5.8**	**6.9**	**—**	**(184.5)**	—	—
Income tax benefits/(expenses)	26.0	(7.4)	(33.4)	(128.5)	—	(15.6)	—	—
Loss for the year	**(189.8)**	**(208.4)**	**(18.6)**	**(9.8)**	—	**(200.0)**	—	—

(1) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

(2) For the Historical Financial Information "Other operating expenses" also includes staff costs and employee benefits expenses. Also includes staff costs and employee benefits expenses. Prior to the year ended December 31, 2013, staff costs and employee benefits were recorded under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they related to. Beginning with the year ended December 31, 2013, such staff costs and employee benefits have been accounted for in a separate line item and reflect total staff costs for all functions. See the historical financial statements for the year ended December 31, 2013 elsewhere in these Listing Particulars for further details. For comparative purposes staff and employee costs have been reclassified for the year ended December 31, 2012 to match the new reporting method of the Altice International Group. For the Pre- PT/ODO Transactions Pro Forma Financial Information, staff costs and employee benefits expenses are accounted for under the line items "Other operating expenses", "General and administrative expenses" and "Other sales and marketing expenses", depending on the costs which they related to.

Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2013 and December 31, 2012 were significantly impacted by the following events:

- In February 2012, Altice International acquired a controlling equity interest in Cabovisão (the results of which are consolidated in the Historical Consolidated Financial Information of Altice International with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of the Company on a consolidated basis, in the twelve months ended December 31, 2012 since February 29, 2012. In the first two months of 2012, Cabovisão had €19.8 million of revenue, €1.5 million of operating profit and €2.6 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice International. In the first quarter of 2013, Altice International acquired the remaining equity interests in Cabovisão it did not already own.

- In the third quarter of 2013 Altice International acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €102.1 million to revenue, €13.5 million to operating profit and €38.3 million to EBITDA of Altice International on a consolidated basis in the twelve months ended December 31, 2013 since July 5, 2013. For the period from January 1 to July 5, 2013, Outremer had €96.5 million of revenue, €19.4 million of operating profit and €33.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the third quarter of 2013, Altice International acquired a 100% equity interest in ONI (through its indirect subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from August 8, 2013. ONI contributed €41.8 million to revenue, €4.9 million to operating loss and €5.7 million to EBITDA of Altice International on a consolidated basis in the twelve months ended December 31, 2013 since August 8, 2013. For the period from January 1 until August 8, 2013, ONI had €59.0 million of revenue, €2.7 million of operating loss and €9.4 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice International.

- In the fourth quarter of 2013, Altice International acquired a controlling interest in Ma Chaîne Sport S.A.S and SportV, two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from October 4,

2013. The two entities contributed €6.4 million to revenue, €0.3 million to operating profit and €3.3 million to the EBITDA of Altice International on a consolidated basis in the twelve months ended December 31, 2013 since October 4, 2013. For the period from January 1, 2013 until October 4, 2013, the two companies had €18.3 million of revenue, €2.9 million of operating profit and €10.7 million of EBITDA which are not consolidated in the Historical Consolidated Financial Information of Altice International.

Revenue

Historical Consolidated Basis

For the year ended December 31, 2013, we generated total revenue of €1,286.8 million, a 17.8% increase compared to €1,092.4 million for the year ended December 31, 2012. Our total revenue by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €881.9 million and €850.4 million, (ii) Belgium and Luxembourg, €72.0 million and €71.3 million, (iii) in Portugal, €150.5 million and €98.2 million (revenue for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from February 29, 2012, and revenue for the year ended December 31, 2013, was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €126.9 million and €24.4 million (revenue for the year ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €29.0 million on total revenue.

Cable based services: For the year ended December 31, 2013, we generated cable based services revenue of €891.9 million, a 2.1% increase compared to €873.3 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services revenue of €108.7 million from Portugal for the entire duration of twelve months ended December 31, 2013 compared to €98.2 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 29, 2012, the inclusion of Outremer's cable based services revenue of €27.1 million for the year ended December 31, 2013 (with effect from July 5, 2013). In addition, cable based services revenue increased in Israel due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a negative impact of €23.9 million on cable based service revenue.

Mobile services: For the year ended December 31, 2013, we generated mobile services revenue of €256.2 million, a 48.3% increase compared to €172.7 million for the year ended December 31, 2013. This was primarily due to an increase in Israel's mobile services revenue due to the factors discussed below and the inclusion of €67.3 million in mobile services revenue generated by Outremer for the year ended December 31, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.2 million on mobile revenues.

B2B and others: For the year ended December 31, 2013, we generated B2B and other services revenue of €138.6 million, compared to €46.4 million for the year ended December 31, 2012, predominantly due to the inclusion of €41.8 million in B2B services revenue generated by ONI and due to the inclusion of revenue from the content companies Ma Chaîne Sport and SportV acquired in the fourth quarter of 2013 (€6.4 million from October 4, 2013 onwards).

Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our revenue by country of operation and on a Pro Forma Consolidated Basis based on the Pre-PT/ODO Transactions Pro Forma Financial Information with respect to the year ended December 31, 2013 and on aggregated basis based on the Illustrative Aggregated Selected Financial Information with respect to the year ended December 31, 2012.

	Illustrative Aggregated Selected Financial Information — For the year ended December 31, 2012						Pre-PT/ODO Transactions Pro Forma Financial Information(4) — For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel(3)	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Revenue												
Cable based services	677.9	59.7	118.0	87.8	2.4	945.7	694.2	60.9	108.7	89.6	1.3	954.7
Mobile Services	172.5	0.2	—	131.7	—	304.4	187.6	1.2	—	133.9	—	322.8
B2B and others	—	11.5	117.4	—	62.7	191.6	—	8.4	100.9	—	73.9	183.1
Total Revenue	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**	**881.9**	**70.5**	**209.6**	**223.5**	**75.2**	**1,460.7**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

(4) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO , Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

Israel: For the year ended December 31, 2013, we generated total revenue in Israel of €881.9 million, a 3.7% increase compared to €850.4 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our cable based services revenue increased by 2.4% and our mobile services revenue increased by 8.8%. Foreign exchange translation movements between the NIS and euro had a positive impact of €29.0 million on total revenue, €22.8 million on cable services revenue and €6.2 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel remained stable, our cable-based service revenue slightly decreased by 0.2% and our mobile services revenue increased by 6.7%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.2% (3.6% at a constant exchange rate) from €44.4 for the year ended December 31, 2012 to €47.6 for the year ended December 31, 2013 primarily as a result of our strategic focus on multiple-play offerings and an increase in the take- up of our higher value higher speed broadband internet services (despite a decrease in total broadband internet RGUs). We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our bundling strategy, with the number of triple-play Cable Customer Relationships increasing from 413,000 as of December 31, 2012 to 452,000 as of December 31, 2013. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 48,000 net decrease in our total cable RGUs, comprising a 21,000 net decrease in pay television RGUs, a 27,000 net decrease in broadband internet infrastructure access RGUs. The decrease in our cable RGUs was mainly due to the fact that during July and August 2013, respectively, our third party customer service and technical support provider had not allocated sufficient resources to manage the intake and connection arrangements for potential new subscribers and had focused on providing relevant assistance and support to existing subscribers only. The decrease in the interconnection fees for fixed line telephony starting December 2013, following the change in the regulation from the Ministry of Communication, had a blended impact on the cable based services revenue as the interconnection rate was set at 0.99 agorot per minute for both peak or off peak time calls.

The increase in mobile services revenue in Israel was primarily due to the increase in the number of subscribers for our UMTS based services which were launched in May 2012. For the year ended December 31, 2013, we had 810,000 total mobile RGUs in Israel comprising 218,000 iDEN customers and 592,000 UMTS customers compared to 766,000 mobile customers comprising 325,000 iDEN customers and 441,000 UMTS RGUs as of December 31, 2012. The increase in mobile services revenue was offset by the churn of customers for our iDEN services as a result of decreased marketing efforts and the termination of our contract with the Israeli Defense Force in the third quarter of 2012. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. Mobile services revenue was further offset by a decrease in mobile ARPU by €2.6, or 13.4%, to €16.8 for the year ended December 31, 2013 compared to €19.4 for the year ended December 31, 2012, mainly due to subscribers disconnecting from our higher ARPU iDEN mobile network and offset by an increase in our lower ARPU UMTS based network subscribers. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services. On a constant foreign exchange rate mobile ARPU decreased by 16.2%.

Belgium and Luxembourg: For the year ended December 31, 2013, we generated total revenue in Belgium and Luxembourg of €70.5 million, a 2% decrease compared to €71.3 million for the year ended December 31, 2012. In addition, we launched mobile services (as a MNVO) in Belgium in September 2012 and generated €1.2 million in mobile services revenue in the year ended December 31, 2013.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by 6.1% to €41.9 in the year ended December 31, 2013 compared to €39.5 for the year ended December 31, 2012. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand-alone pay television offerings. The increase in cable based services revenue can also be attributed to the full period impact of revenues we generated from AIESH, a Belgian municipality, for which we acquired a concession in the third quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. Cable based services revenue was also positively impacted by a slight increase in broadband internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband internet networks, our attractive pricing of broadband internet services and due to increase in uptake of our triple-play bundles, which includes broadband internet services. These factors were offset by a decline in television RGUs, including a net decrease in digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due to general the trend of customers switching to mobile services.

The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital multiple-play customers. The decrease in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network in the year ended December 31, 2012, a portion of which reflects non-recurring revenues, slightly offset by an increase in recurring revenue earned for fiber links leased to the Brussels police as part of this project in the twelve months ended December 31, 2013.

Portugal: In the year ended December 31, 2013, we generated total revenue in Portugal of €209.6 million, an 11.0% decrease compared to €235.4 million in the twelve months ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in Portugal for our cable based services decreased by 7.9% and our B2B and other services revenue decreased by 14.1%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 45,000, comprising of a net decrease of 21,000 pay television RGUs, 20,000 fixed-line telephony RGUs and 3,000 broadband internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2013, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Cable based services ARPU decreased slightly by €0.3, or 0.9%, to €34.6 in 2013 compared to €34.9 in 2012, predominantly due to the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers, despite an increase in the prices of our products in January 2013. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The decrease in B2B and other revenue in Portugal was primarily due to the lower level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI during this period.

French Overseas Territories: For the year ended December 31, 2013, we generated total revenue in the French Overseas Territories of €223.5 million, a 1.8% increase compared to €219.6 million for the year ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in the French Overseas Territories for our cable based services increased by 2.1% and our mobile services revenue increased by 1.7%.

The €1.8 million increase in cable based services revenue in the French Overseas Territories was due to (i) a €2.4 million decrease in fixed-line revenue of Outremer, which in turn was mainly as a result of a net decrease of 5,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages and (ii) a €1.9 million decrease in broadband internet services revenue of Outremer which in turn was mainly as a result of a net decrease of 2,000 xDSL broadband internet RGUs due to increased competition particularly in La Reunion and the limited ability and marketing investment to provide triple-play services, limited marketing innovation in Outremer's broadband internet product line and the limited nature of IPTV provided to DSL broadband internet customers prior to the integration of Outremer in the Altice International Group. This was partially offset by a 6.4% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €51.4 for the year ended December 31, 2013 compared to €48.3 for the year ended December 31, 2012 and a net increase of 10,000 total cable RGUs during this period largely as a result of our strategic focus on triple-play offerings and an increase in triple- play Cable Customer Relationships to 17,000 as of December 31, 2013 from 12,000 as of December 31, 2012.

The €2.2 million increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to a net increase of 14,000 post-paid mobile subscribers over the period, offset by a decline in prepaid mobile subscribers. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls within the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012 as well as a decrease in termination rates. Mobile ARPUs increased slightly by €0.4 primarily due to the improvement in product mix with greater demand of Outremer's higher value post paid packages following the revamping of its mobile product offering despite the sharp decrease in mobile termination rates from €0.028 in 2012 to €0.01 in 2013 prescribed by the French national regulatory authority for electronic communications, the ARCEP resulting in lower mobile interconnection revenues.

Gross Profit

Historical Consolidated Basis

For the year ended December 31, 2013, our total gross profit was €918.9 million, a 16.3% increase compared to €790.3 million for the year ended December 31, 2012. Our gross profit by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €644.4 million and €621.7 million, (ii) Belgium and Luxembourg, €59.1 million and €60.3 million, (iii) in Portugal, €92.1 million and €59.1 million (gross profit for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €89.8 million and €20.4 million (gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013). Our gross margin decreased from 72.3% in the twelve months ended December 31, 2012 to 71.4% in the twelve months ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €21.0 million on total gross profit.

Cable based services: For the year ended December 31, 2013, our gross profit from our cable based services was €712.3 million, a 7.9% increase compared to €660.4 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the twelve months ended December 31, 2013 of €74.6 million compared to €59.1 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 28, 2012, and an increase in Israel's gross profit due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a positive impact of €18.4 million on cable based services gross profit. Our gross margin for cable based services increased from 75.6% in the twelve months ended December 31, 2012 to 79.9% in the year ended December 31, 2013.

Mobile services: For the year ended December 31, 2013, our gross profit from our mobile services increased to €126.4 million compared to €102.8 million in the previous year. Although we saw a decrease in gross profit of €22.9 million in Israel, due to the factors discussed below, it was offset by the inclusion of gross profit of €46.1 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 59.5% in the twelve months ended December 31, 2012 to 49.3% in the year ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €2.6 million on mobile services gross profit.

B2B and others: For the year ended December 31, 2013, our gross profit from B2B and others was €80.2 million, a 195.9% increase compared to €27.1 million for the year ended December 31, 2012. Our gross margin for B2B and other services decreased from 58.4% in the year ended December 31, 2012 to 57.9% in the year ended December 31, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of €17.5 million generated by ONI and €5.0 million gross profit generated by the content companies MCS and SportV.

Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a Pro Forma Consolidated Basis based on the Pre- PT/ODO Transactions Pro Forma Financial Information with respect to the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Financial Information with respect of the year ended December 31, 2012.

	Illustrated Aggregated Selected Financial Information						Pre PT/ODO Transactions Pro Forma Financial Information(4)					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Purchasing and subcontracting services												

Cable based services	159.0	10.3	47.9	26.5	0.5	244.2	129.6	10.6	34.1	25.1	0.3	199.7
Mobile Services	69.8	0.1	—	41.5	—	111.4	107.8	0.9	—	41.7	—	150.4
B2B and others	—	0.6	66.8	—	21.5	88.9	—	1.0	55.6	—	26.5	83.0
Total purchasing and subcontracting services	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**	**237.4**	**12.9**	**89.7**	**66.8**	**27.1**	**433.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

(4) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to under take.

Israel: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Israel were €237.4 million, a 3.8% increase compared to €228.8 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 18.5% and our purchasing and subcontracting services costs for mobile services increased by 54.4%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by €7.8 million (including €4.2 million of cable based services purchasing and subcontracting services costs and €3.6 million of mobile services purchasing and subcontracting services costs). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services costs in Israel increased by 0.4%, our cable based service purchasing and subcontracting services costs decreased by 20.5% and our cellular services revenue increased by 52.5%.

The decrease in purchasing and subcontracting services costs for cable based services in Israel was primarily due to a decrease in interconnection fees paid as a result of lower call volumes by our customers due to customers switching from fixed-line telephony services to mobile services, as a result of the competitive prices and unlimited price plan packages, and a decrease in the royalties paid to the State of Israel following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013. Purchasing and subcontracting services costs for cable based services also decreased due to the positive effect of renegotiated movie channels contracts and the capitalization of costs arising from the purchase of exclusive third party content from April 1, 2013, as previously, we were able to capitalize exclusive in-house content costs only. In the twelve months ended December 31, 2013 we capitalized €7.7 million of costs relating to exclusive third party content.

The increase in purchasing and subcontracting services costs for mobile services in Israel was primarily due to an increase in interconnection fees of €81.5 million we incurred in the twelve months ended December 31, 2013, with respect to our 3G mobile services which was launched in May 2012 compared to €43.7 million in the twelve months ended December 31, 2012. Interconnection fees in the year ended December 31, 2013 included national roaming costs of €49.8 million compared to €21.4 million in the year ended December 31, 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Belgium and Luxembourg were €12.6 million, a 14.5% increase compared to €11.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services increased by 2.9% and our purchasing and subcontracting services costs for B2B services increased by 25% (from €0.8 million to €1.0 million). We began providing mobile services in Belgium in September 2012 as a MVNO and incurred costs of sales in an amount of €0.9 million in the twelve months ended December 31, 2013.

The increase in purchasing and subcontracting services costs for cable based services in Belgium resulted from (i) the increase in the cost of certain French channels in Belgium and (ii) the inclusion of cost of sales incurred in relation to the migration of AIESH customers from analogue to digital ports during 2013.

The increase in purchasing and subcontracting services costs for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with (i) the launch of our mobile operation in September 2012 and the full year impact of its operations in 2013 and (ii) the payments made to Mobistar under the MNVO agreement.

The increase in cost of sale for B2B services and others in Belgium and Luxembourg was due to (i) the nature of B2B projects undertaken in 2013 as compared to the same period in the previous year (for which costs were primarily in the form of capital expenditures) and (ii) promotional offers and incentives in responses to the strategy adopted by our competitors.

Portugal: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Portugal was €89.7 million, a 21.8% decrease compared to €114.7 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 28.8% and our purchasing and subcontracting services costs for B2B and others decreased by 16.8%.

The 28.8% decrease in purchasing and subcontracting services costs for cable based services in Portugal can primarily be attributed to the larger impact in the year ended December 31, 2013 compared to the prior year of an operational optimization program implemented by the Altice International Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The 16.8% decrease in costs of sales for B2B and others in Portugal was due to the higher level of ONI's business with carriers (transit) and sales of equipment in the year ended December 31, 2012, which are projects that inherently have a lower gross profit margin. Also, during the last quarter 2013, some savings were achieved as a result of the measures undertaken to implement a cost reduction which are still ongoing.

French Overseas Territories: For the year ended December 31, 2013, our purchasing and subcontracting services costs in the French Overseas Territories were €66.8 million, a 1.8% decrease compared to € 68.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 5.3% and our purchasing and subcontracting services costs for mobile services increased by 0.5%.

The decrease in purchasing and subcontracting services costs for cable based services in the French Overseas Territories was primarily due to the decrease in interconnection rates and the decrease in Outremer's fixed-line telephony and xDSL broadband internet RGUs.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in post-paid RGUs and interconnections costs with the success of Outremer's flat-fee rate plans which include unlimited calls, and was partially offset by the decrease in termination rates.

As a result of the factors described above, our gross profit and gross margin by country of operation on a Pro Forma Consolidated Basis based on the Pre-PT/ODO Transactions Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 was as follows:

	Illustrative Aggregated Selected Financial Information						Pre-PT/ODO Transactions Pro Forma Financial Information(4)					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel(3)	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Gross profit												
Cable based services	518.9	49.6	70.1	61.3	1.9	701.9	564.6	50.2	74.5	64.5	1.0	754.9
Mobile Services	102.7	0.1	—	90.2	—	193.0	79.8	0.3	—	92.2	—	172.4
B2B and others	—	10.6	50.6	—	41.2	102.4	—	7.3	45.3	—	47.2	99.8
Total gross profit	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**	**644.4**	**57.9**	**119.8**	**156.7**	**48.2**	**1,027.0**

	Illustrative Aggregated Selected Financial Information						Pre-PT/ODO Transactions Pro Forma Financial Information(4)					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel(3)	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total(4)
	€ in millions											
Gross margin												

Cable based services (%)......	76.5	83.1	59.4	69.8	79.5	74.2	81.3	82.4	68.5	72.0	76.9	79.1
Mobile Services (%)......	59.5	50.0	—	68.5	—	63.4	42.6	25.0	—	68.9	—	53.4
B2B and others (%)......	—	92.2	43.1	—	65.7	53.5	—	86.9	44.9	—	63.7	54.5
Total gross margin (%)..	**73.1**	**84.6**	**51.3**	**69.0**	**66.1**	**69.2**	**73.1**	**82.1**	**57.2**	**70.1**	**64.0**	**70.3**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

(4) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have commited to undertake.

Foreign exchange translation movements between the NIS and euro had a positive impact of €21.1 million on total gross profit in Israel, €18.5 million for cable based services and €2.6 million for mobile services.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2013, our total operating expenses (other than purchasing and subcontracting services costs) were €400.2 million, a 3.4% increase compared to €387.1 million for the year December 31, 2012. Our total operating expenses comprise of other operating expenses, which increased by 4%, general and administrative expenses, which increased by 8.7% and other sales and marketing expenses, which decreased by 4.4%, in each case in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Our total operating expenses by our key regions in the year ended December 31, 2012 and 2013, respectively, were: (i) in Israel, €316.5 million and €281.7 million, (ii) Belgium and Luxembourg, €14.7 million and €12.9 million, (iii) in Portugal, €29.2 million and €43.0 million (operating expenses for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €8.3 million and €40.5 million (operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non- recurring costs. We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

As a result, for the year ended December 31, 2013, our EBITDA increased to €518.7 million a 28.7% increase compared to €403.2 million for the year ended December 31, 2012. Our EBITDA by our key regions for the years ended December 31, 2012 and 2013, respectively, were: (i) in Israel, €305.2 million and €362.8 million, (ii) Belgium and Luxembourg, €45.6 million and €46.5 million, (iii) in Portugal, €29.8 million and €49.1 million (EBITDA for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and EBITDA for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €12.1 million and €49.3 million due to the fact that EBITDA for the year ended December 31, 2013 were impacted by the consolidation of Outremer only with effect from

July 5, 2013. Our EBITDA margin for the year ended December 31, 2013 was 40.3% compared to 36.9% for the year ended December 31, 2012.

Pro Forma Consolidated Basis and Aggregated Basis

The following paragraphs set forth our total operating expenses by country of operation and on a pro forma consolidated basis based on the Pre-PT/ODO Transactions Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

For the year ended December 31, 2013, our total operating expenses were €455.6 million, a 9.5% decrease compared to €503.1 million for the year ended December 31, 2012.

Israel: For the year ended December 31, 2013, our total operating expenses in Israel were €281.7 million, an 11.0% decrease compared to €316.5 million for the year ended December 31, 2012. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €6.6 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 11.6%.

Other operating expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Israel decreased by 8.6% from €223.4 million to €204.1 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses. We were able to apply these measures due to an increase in the quality of our network resulting from recent investments in the improvement of our technical service systems. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

General and administrative expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Israel decreased by 6.1% from €29.3 million to €27.5 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses due to a reduction in administrative personnel and equity based compensation of €3.8 million in the year ended December 31, 2012 pertaining to HOT stock options.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Israel decreased by 21.7% from €63.7 million to €49.9 million. Compared to the prior year period, our sales and marketing expenses decreased as a result of a decrease in sales commissions to retailers, advertising costs and sales promotions and decreases in salaries and social benefits of sales personnel resulting from the measures implemented to maximize cost structure efficiency.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, in Israel our EBITDA was €363.0 million, a 18.8% increase compared to €305.2 million for the year ended December 31, 2012 and our EBITDA margin was 41.1% in the twelve months ended December 31, 2013 compared to 35.9% in the twelve months ended December 31, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €11.8 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2013, our total operating expenses in Belgium and Luxembourg were €12.9 million, a decrease of 12.2% compared to €14.7 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Belgium and Luxembourg decreased from €6.2 million to €5.3 million. This decrease was primarily due to a decrease in customer service costs as a result of measures undertaken by our management to improve the efficiency in handling and resolving "first-time" complaints.

General and administrative expenses: General and administrative costs remained stable at €4.1 million for the years ended December 31, 2013 and 2012 respectively.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Belgium and Luxembourg decreased from €4.4 million to €3.4 million. This decrease can be attributed to the capitalization of sales commissions (only on the sales target), a practice that was implemented from 2013 onwards, offset by certain sales and marketing expenses associated with the launch of 'LaBox' in Q3 2013.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, our EBITDA in Belgium and Luxembourg was €45.0 million, a 1.3% decrease compared to €45.6 million for the year ended December 31, 2012. Our EBITDA margin was 63.9% in the twelve months ended December 31, 2013 compared to 64.0% in the twelve months ended December 31, 2012.

Portugal

In the twelve months ended December 31, 2013, our total operating expenses in Portugal were €61.5 million, 15.4% decrease compared to €72.7 million for the year ended December 31, 2012. This decrease was due to the larger impact in the twelve months ended December 31, 2013, compared to the prior year period, of an operational optimization program implemented by the Altice International Group following the acquisition of Cabovisão in February 2012 and a reduction in operational expenses by ONI, from €36.8 million for the year ended December 31, 2012 to €30.4 million for the year ended December 31, 2013 achieved as a result of the optimization efforts in several areas.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Portugal increased slightly to €38.6 million compared to €38.3 million for the year ended December 31, 2012 due to the reallocation of certain salary expenses for technical personnel.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Portugal decreased by 40.6% from €21.8 million to €12.8 million. This decrease was primarily due to savings from headcount reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case mainly relating to Cabovisão.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Portugal decreased by 20.6% from €12.6 million to €10.0 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, in 2013, our EBITDA in Portugal was €58.3 million, a 21.5% increase compared to €47.9 million in 2012. Our EBITDA margin was 27.8% in the twelve months ended December 31, 2013 compared to 20.4% in the twelve months ended December 31, 2012.

French Overseas Territories: For the year ended December 31, 2013, our total operating expenses in the French Overseas Territories were €72.2 million, a 5.5% decrease compared to €76.4 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in the French Overseas Territories decreased by 15.3% from €45.1 million to €38.2 million. This decrease was primarily due to measures taken by Outremer to optimize its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius, thereby reducing headcount in the French Overseas Territories and (iii) an increased use of online self-care systems. These cost savings were partially offset by increased costs related to measures taken to improve its quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in the French Overseas Territories increased by 17.6% from €11.9 million to €14.0 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice International.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in the French Overseas Territories increased by 2.6% from €19.5 million to €20.0 million. This increase can be attributed to the launch of new cable-based products in Martinique and Guadeloupe and the launch of new mobile post-paid offers in La Réunion during the fourth quarter of 2013.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2013, our EBITDA in the French Overseas Territories was €84.5 million, a 12.5% increase compared to €75.1 million for the year ended December 31, 2012. Our EBITDA margin was 37.8% in the year ended December 31, 2013 compared to 34.2% in the year ended December 31, 2012.

The following tables set forth our EBITDA across our segments for the years ended December 31, 2012 and 2013 on an aggregated basis and on a pro forma basis, respectively.

	Illustrative Aggregated Selected Financial Information						Pre-PT/ODO Transactions Pro Forma Financial Information[(4)]					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	€ in millions											
	Israel[(3)]	Belgium & Luxembourg	Portugal	French Overseas Territories	Others[(2)]	Total	Israel[(3)]	Belgium & Luxembourg	Portugal	French Overseas Territories	Others[(2)]	Total
EBITDA[(1)]	**305.2**	**45.6**	**48.0**	**75.1**	**20.3**	**494.2**	**363.0**	**45.0**	**58.3**	**84.6**	**20.0**	**570.9**

(1) The Company defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(2) Comprises (i) €9.8 million and €13.4 million of EBITDA generated by our content production and distribution businesses for the year ended December 31, 2012 and 2013, respectively, (ii) €15.5 million and €16.4 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2012 and 2013 and (iii) €5.0 million and €11.2 million of negative EBITDA generated by our other holding entities (including corporate expenses) for the year ended December 31, 2012 and 2013, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, EBITDA for the year ended December 31, 2012 reflects costs relating to the purchase of exclusive third party content for the entire period and EBITDA for the year ended December 31, 2013 reflects costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

(4) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO , Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

	Illustrative Aggregated Selected Financial Information	Pre-PT/ODO Transactions Financial Information[(2)]
	For the year ended December 31,	
	2012	2013
	€ in millions	
EBITDA	**494.2**	**570.9**
Equity based compensation[(1)]	3.8	—
Adjusted EBITDA	**498.0**	**570.9**

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

(2) Pre-PT/ODO Transactions Pro Forma Financial Information does not give pro forma effect to the acquisition of PT Portugal, ODO, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake.

Depreciation and Amortization

Historical Consolidated Basis

For the year ended December 31, 2013, depreciation and amortization on a historical consolidated basis totalled €399.6 million, a 50.1% increase compared to €266.3 million for the year ended December 31, 2012. Depreciation and amortization in the twelve months ended December 31, 2013 was impacted by (i) the acquisitions and subsequent consolidation of Outremer (with effect from July 5, 2013) and ONI (with effect from August 8, 2013) and (ii) the impact of the consolidation of Cabovisão for the entire nine months period, following its acquisition on February 29, 2012. However, the increase in depreciation and amortization as a result of the above factors were more than offset due to the recognition of an impairment charge in 2012 of NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount.

Operating Profit/Loss

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, (i) other expenses, net totalled €15.1 million, a 49.3% decrease compared to €29.8 million for the year ended December 31, 2012; (ii) management fees primarily relating to consulting services totalled €0.6 million compared to €6.2 million for the year ended December 31, 2012 and (iii) restructuring and other non recurring costs totalled €61.2 million compared to restructuring and other non recurring costs of €20.8 million for the year ended December 31, 2012 (primarily due to the implementation of a reorganization implemented at ONI, fees and other outlays paid to external consultants in relation to the increased mergers and acquisition activity in 2013 compared to 2012 and due to a one-off provision at HOT Mobile of €31.6 million relating to its agreement with Pelephone).

As a result of the factors described above, for the year ended December 31, 2013, our operating profit was €42.3 million, compared to an operating loss of €41.7 million for the year ended December 31, 2012.

Finance costs (net)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our net finance costs totalled €243.3 million, a 39.9% increase compared to €173.9 million for the year ended December 31, 2012 which was primarily due to (i) the incurrence of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013), offset slightly by a positive impact of the gain on foreign exchange transactions.

Income tax benefits/ (expenses)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our total income tax expense was €7.4 million compared to an income tax benefit of €26.0 million for the year ended December 31, 2012 which was primarily due to higher income tax expense in Israel due to higher profit before tax, the increase in the tax rate from 25% in 2012 to 26.5% in 2013 and a decrease in deferred tax assets.

Loss for the year

Historical Consolidated Basis

As a result of the factors discussed above, on a historical consolidated basis, for the year ended December 31, 2013, our loss for the year was €208.4 million compared to a loss of €189.8 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

	Historical Consolidated Financial Information				Illustrative Aggregated Selected Financial Information			
	For the year ended December 31,		Change		For the year ended December 31,		Change	
Statement of Income Items	**2011**	**2012**	**Amount**	**%**	**2011**	**2012**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	560.3	873.3	313.0	55.9	941.2	945.7	4.5	0.5
Mobile services	180.6	172.7	(7.9)	(4.4)	306.5	304.4	(2.1)	(0.7)
B2B and others	43.3	46.4	3.1	7.2	178.5	191.6	13.1	7.3
Total Revenue	**784.2**	**1,092.4**	**308.2**	**39.3**	**1,426.2**	**1,441.8**	**15.6**	**1.1**
Purchasing and subcontracting services	(175.4)	(302.1)	(126.7)	(72.2)	(399.6)	(444.4)	(44.8)	(11.2)
Gross Profit	**608.8**	**790.3**	**181.5**	**29.8**	**1026.6**	**997.4**	**(29.2)**	**(2.8)**
Other operating expenses[(1)]	(195.4)	(248.9)	(53.5)	(27.4)	(319.5)	(315.3)	4.2	1.3
General and administrative expenses[(1)]	(51.2)	(58.1)	(6.9)	(13.5)	(100.9)	(85.1)	15.8	15.7
Other sales and marketing expenses[(1)]	(64.4)	(80.1)	(15.7)	(24.4)	(108.9)	(102.8)	6.1	5.6
Operating income before depreciation and amortization	**297.8**	**403.2**	**105.4**	**35.4**	**497.2**	**494.2**	**(3.1)**	**(0.6)**
Depreciation and amortization	(176.4)	(266.3)	(89.9)	(51.0)	—	—	—	—
Goodwill impairment	—	(121.9)	(121.9)	—				
Other expenses, net	(5.6)	(29.8)	(24.2)	(432.1)	—	—	—	—

Management fees	(3.1)	(6.2)	(3.1)	(100)	—	—	—	—
Restructuring and other non-recurring costs	(7.6)	(20.8)	(13.2)	(173.7)	—	—	—	—
Operating profit	105.1	(41.7)	(146.9)	(139.7)	—	—	—	—
Gain arising on step acquisitions	134.8	—	(134.8)	—				
Share of profit of associates	11.7	—	(11.7)	—	—	—	—	—
Finance income	16.6	30.5	13.9	83.7	—	—	—	—
Finance costs	(111.6)	(204.7)	(93.1)	(83.4)	—	—	—	—
(Loss)/profit before income tax expenses ...	**156.6**	**(215.8)**	**(372.4)**	**(237.9)**	**—**	**—**	**—**	**—**
Income tax benefits/(expenses)	(32.5)	26.0	58.5	180.0	—	—	—	—
(Loss)/profit for the year	**123.9**	**(189.8)**	**(314.1)**	**(253.1)**	**—**	**—**	**—**	**—**

(1) Each of these items also includes staff costs and employee benefits to the extent they relate to the costs included in such line item. Beginning with the year ended December 31, 2013, such staff costs and employee benefits have been accounted for in a separate line item and reflect total Group staff costs for all functions. See the historical financial statements for the year ended December 31, 2013 elsewhere in these Listing Particulars for further details. For comparative purposes staff and employee costs were reclassified for the year ended December 31, 2012 to match the new reporting method of the Altice International Group. The table above does not reflect such reclassification.

Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2012 were significantly impacted by the acquisition of a controlling equity interest in Cabovisão, a Portuguese telecommunications company, by Altice International in February 2012 (the results of which are consolidated in the Historical Consolidated Financial Information with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to the combined EBITDA of the Altice International Group in the year ended December 31, 2012.

In addition, in the fourth quarter of 2012, Altice International completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

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

- in March 2011, Altice International increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Consolidated Financial Information with effect from March 31, 2011). In 2011, the HOT Telecom Group had €165.1 million of revenue, € 30.9 million of operating loss and €63.3 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information, whereas HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since March 31, 2011.

- in May 2011, Altice International's subsidiary MIRS Communications Ltd. was awarded a license to provide UMTS based 3G mobile services pursuant to which it began building out its UMTS mobile network and launched 3G mobile services in May 2012, resulting in us incurring significant capital expenditures and operating costs.

- in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 1, 2011). In 2011, Coditel Brabant S.p.r.l and Coditel S.à r.l. together had € 32.3 million of revenue, €9.9 million of operating profit and €18.1 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information whereas Coditel Holding S.à r.l contributed €34.8 million to revenue, €(1.4) million to operating profit and €20.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since June 30, 2011.

In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group".

Revenue

Historical Consolidated Basis

For the year ended December 31, 2012, we generated total revenue of € 1,092.4 million, a 39.3% increase compared to €784.2 million for the year ended December 31, 2011. Our total revenue by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €850.4 million and €680.4 million (2011 revenue was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €71.3 million and € 34.8 million (2011 revenue was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €98.2 million and nil (the Altice International Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €24.4 million and €23.6 million.

Cable based services: For the year ended December 31, 2012, we generated cable based services revenue of €873.3 million, a 55.9% increase compared to €560.3 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of revenue from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011.

Mobile services: For the year ended December 31, 2012, we generated mobile services revenue of €172.7 million, a 4.4% decrease compared to €180.6 million for the year ended December 31, 2011. This was primarily due to the decline in mobile revenue in Israel due to the factors discussed below.

B2B and others: For the year ended December 31, 2012, we generated B2B and other services revenue of €46.4 million, a 7.2% increase compared to €43.3 million for the year ended December 31, 2011. Foreign exchange translation movements between the CHF and euro had a positive impact of €1.0 million on B2B revenue.

Aggregated Basis

The following table sets forth our revenue by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Revenue												
Cable based services	664.9	58.5	123.4	92.0	2.4	941.2	677.9	59.7	118.0	87.8	2.4	945.7
Mobile Services	180.6	—	—	125.8	—	306.5	172.5	0.2	—	131.7	—	304.4
B2B and others	—	8.8	115.4	—	54.3	178.5	—	11.5	117.4	—	62.7	191.6
Total Revenue	**845.5**	**67.3**	**238.8**	**217.9**	**56.7**	**1,426.2**	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV.) We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes revenues from cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, we generated total revenue in Israel of €850.4 million, a 0.6% increase compared to €845.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.0% and our mobile services revenue decreased by approximately 4.5%.

The increase in cable based services revenue in Israel was due to the increase in cable based services ARPU of 4.7% (4.3% at a constant exchange rate) from €42.4 for the year ended December 31, 2011 to €44.4 for the year ended December 31, 2012 primarily as a result of our strategic focus on multiple-play offerings. We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play Cable Customer Relationships increasing from approximately 348,000 as of December 31, 2011 to approximately 413,000 as of December 31, 2012. In addition, cable based services ARPU was impacted by other factors, including: (i) the introduction of, and an increase in take-up of, our higher value higher speed broadband internet infrastructure services (including 100 Mbps services which we introduced in 2010) resulting in an increase in ARPU associated with our broadband internet infrastructure access services and (ii) with respect to our fixed-line telephony services, decreased interconnect fees and call volumes which resulted in lower interconnection revenues, as subscribers reduced the number of calls placed over landlines, (as a result of strong competition from the mobile segment), which we believe is consistent with general industry-wide trends as well as the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings, resulting in a decrease in ARPU associated with our fixed-line telephony services. Our cable based ARPU was also positively impacted by the migration of customers from analog to digital pay television services, with a 38,000 net increase digital RGUs and a 33,000 net decline in analog RGUs in 2012. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration, promoting the migration of analog cable television subscribers to our digital services and launching other revenue and service enhancing measures. Our revenue was also positively impacted by a 49,000 net increase in our total cable RGUs, comprising a 5,000 net increase in pay television RGUs, a 3,000 net increase in in broadband internet infrastructure access RGUs and a 41,000 net increase in fixed-line telephony RGUs. The growth in RGUs is attributable to the success of our multiple-play offerings, our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VoD and PVR services and the growth in the number of subscriptions to broadband internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL.

The decrease in mobile services revenue in Israel was primarily due to a decrease in mobile ARPU by €6.1, or 23.9%, to €19.4 for the year ended December 31, 2012 compared to €25.5 for the year ended December 31, 2011. This decrease in mobile ARPU was mainly due to the combined effects of a decrease in interconnection revenues and subscribers disconnecting from our higher ARPU iDEN mobile network as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force, which was offset by an increase in our lower ARPU UMTS based network subscribers following the launch of 3G services in May 2012. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. As of December 31, 2012 we had 766,000 total mobile RGUs in Israel comprising 325,000 iDEN customers and 441,000 UMTS customers compared to 444,000 mobile customers (all iDEN based) as of December 31, 2011. Revenue and mobile ARPU were also negatively impacted by price pressure for mobile services, in particular for our UMTS based 3G services.

Belgium and Luxembourg: For the year ended December 31, 2012, we generated total revenue in Belgium and Luxembourg of €71.3 million, a 5.9% increase compared to €67.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.1% and our B2B and other services revenue increased by approximately 30.7%. In addition, we launched mobile services in Belgium in September 2012 and generated €0.2 million in mobile services revenue in the year ended December 31, 2012.

The increase in cable based services in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand alone pay television offerings, but was partially offset by an increased uptake of Coditel’s flat rate fixed-line telephony offers. Cable based services revenue was also positively impacted by an approximately 1,000 net increase in the number of television RGUs due in part to our acquisition of a concession from the AIESH, a Belgian municipality, in the fourth quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. As of December 31, 2012, the AIESH concession represented approximately 12,400 Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital customers. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and POST in Luxembourg. Cable based services revenue was also positively impacted by an increase in broadband internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband internet services and due to increase in uptake of our triple-play bundles, which includes broadband internet services.

The increase in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network, a portion of which reflects non-recurring revenues.

Portugal: For the year ended December 31, 2012, we generated total revenue in Portugal of €235.4 million, a 1.4% decrease compared to €238.8 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in Portugal for our cable based services decreased by approximately 4.4% and our B2B and other services revenue increased by 1.7%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by approximately 21,000, comprising of a net decrease of approximately 11,000 pay television RGUs and approximately 3,000 broadband internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2012, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Although there was a net reduction of approximately 8,000 fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGUs for the twelve months ended December 31, 2012 was higher compared to the twelve months ended December 31, 2011, which partially offset a decline in cable based services revenue in 2012. A decrease in cable based services ARPU by €2.0, or 5.4%, to €34.9 for the twelve months ended December 31, 2012 compared to €36.9 for the twelve months ended December 31, 2011 also contributed to the decrease in the cable based services revenue. In 2012, our cable based services ARPU was negatively impacted by aggressive competition in each segment of the cable services market which required us to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU, which has resulted in an increase in ARPU towards the end of 2012. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The increase in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI.

French Overseas Territories: For the year ended December 31, 2012, we generated total revenue in the French Overseas Territories of € 219.6 million, a 0.8% increase compared to €217.9 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in the French Overseas Territories for our fixed-line services decreased by 4.6% and our mobile services revenue increased by 4.7%.

The decrease in fixed-line services revenue in the French Overseas Territories was primarily due to a decrease in fixed-line revenue of Outremer prior to its acquisition by the Altice International Group, which in turn was mainly as a result of a net decrease of approximately 6,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages. Revenue associated with Outremer's broadband internet services (including IPTV) remained relatively stable during the period, which was influenced by increased competition, particularly in the Indian Ocean region comprising La Reunion and Mayotte, and the limited ability and marketing investment to provide triple-play services prior to the integration of Outremer in the Altice International Group. The decrease in fixed- line revenue of Outremer, was partially offset by the increase in revenue from Le Cable, the Altice International Group's cable business in the French Overseas Territories of Guadeloupe and Martinique, primarily due to an increase in cable based services ARPU by €5.2, or 12.1%, to €48.3 for the twelve months ended December 31, 2012 compared to €43.1 for the twelve months ended December 31, 2011. This ARPU growth was primarily due to migration of standalone pay television customers to triple-play packages as a result of our strategic focus on triple-play offerings, migration of customer from analog to digital services and an increase in uptake of VoD services, as well as price increases for our cable based services. RGU growth for our cable based services by approximately 4,000 RGUs net, which was driven by an increase in triple-play penetration also contributed to the increase in cable based services revenue.

The increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to net increase of 30,000 mobile subscribers over the period. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012. This increase was offset by a decrease in mobile ARPUs by €2.2, or 7.6%, to €26.7 for the year ended December 31, 2012 compared to €28.9 for the year ended December 31, 2011. This decrease in mobile ARPU during the year ended December 31, 2012 was mainly due to sharply lower mobile interconnection rates prescribed by the French national regulatory authority for electronic communications, the ARCEP, in 2012 compared to 2011, which was partially offset by the improvement in product mix with greater demand for Outremer's higher value post-paid packages following the revamping of its mobile product offering in the first half of 2012. We expect overall mobile ARPU to further decrease in future periods due to price pressure in mobile services.

Gross Profit

Historical Consolidated Basis

For the year ended December 31, 2012, our total gross profit was € 790.3 million, a 29.8% increase compared to €608.8 million for the year ended December 31, 2011. Our gross profit by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €621.7 million and €535.3 million (2011 gross profit was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €60.3 million and €27.5 million (2011 gross profit was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €59.1 million and nil (the Altice International Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €20.4 million and €19.8 million. Our gross margin decreased from 77.6% in the year ended December 31, 2011 to 72.3% in the year ended December 31, 2012.

Cable based services: For the year ended December 31, 2012, our gross profit from our cable based services was €660.4 million, a 51.8% increase compared to €435.0 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of gross profit from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011. Our gross margin for cable based services decreased from 77.6% in the year ended December 31, 2011 to 75.6% in the year ended December 31, 2012.

Mobile services: For the year ended December 31, 2012, our gross profit from our mobile services was €102.8 million, a 31.3% decrease compared to €149.7 million for the year ended December 31, 2011. This was primarily due to the increase in purchasing and subcontracting services for mobile revenue in Israel due to the factors discussed below. Our gross margin for mobile services decreased from 82.9% in the year ended December 31, 2011 to 59.5% in the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2012, our gross profit from B2B and others was €27.1 million, an 12.4% increase compared to €24.1 million for the year ended December 31, 2011. Our gross margin for B2B and other services increased from 55.7% in the year ended December 31, 2011 to 58.4% in the year ended December 31, 2012.

Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Total
	€ in millions											
Purchasing and subcontracting services												
Cable based services	154.3	11.6	54.7	27.6	0.5	248.8	159.0	10.0	47.9	26.5	0.5	243.9
Mobile Services	31.0	—	—	40.8	—	71.8	69.8	0.1	—	41.5	—	111.4
B2B and others	—	1.0	58.8	—	19.2	79.0	—	0.8	66.8	—	21.5	89.2
Total Purchasing and subcontracting services	**185.3**	**12.6**	**113.5**	**68.4**	**19.7**	**399.6**	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV.) We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our purchasing and subcontracting services in Israel were €228.8 million, a 23.5% increase compared to €185.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services costs for cable based services decreased by approximately 3.0% and our purchasing and subcontracting services costs for mobile services increased by approximately 125.2%.

The increase in purchasing and subcontracting services for cable based services in Israel was primarily due to an increase in interconnection fees paid as a result of higher call volumes by our customers due to the increased take-up of our unlimited fixed-line calls package offered as a component of our multiple-play offers.

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to the launch of UMTS based 3G mobile services in 2012, including interconnection fees of €43.6 million we incurred with respect to our 3G mobile services and increased costs in respect of offering compatible mobile handsets. Interconnection fees in 2012 included national roaming costs of €21.4 million.

Belgium and Luxembourg: For the year ended December 31, 2012, our purchasing and subcontracting services in Belgium and Luxembourg was € 11.0 million, a 13.2% decrease compared to €12.6 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 13.9% and our purchasing and subcontracting services for B2B services decreased by approximately 14.8%. We began providing mobile services in Belgium in September 2012 as an MVNO and incurred minor purchasing and subcontracting services in an amount of approximately €0.1 million in the year ended December 31, 2012.

The decrease in purchasing and subcontracting services for cable based services in Belgium and Luxembourg was primarily due to a reduction in VoIP costs following the renegotiating of contracts and change of supplier, lower data interconnection costs and slightly lower VoD costs, which were partially offset by an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

The decrease in purchasing and subcontracting services for B2B services in Belgium and Luxembourg was due to optimization of costs relating to our B2B business, including costs of external service providers, as well as due to the nature of the B2B projects undertaken in 2012, for which the costs were primarily in the form of capital expenditures.

Portugal: For the year ended December 31, 2012, our purchasing and subcontracting services in Portugal were €114.7 million, a 1.0% increase compared to €113.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 12.4% and our purchasing and subcontracting services for B2B and others increased by approximately 13.6%.

The decrease in purchasing and subcontracting services for cable based services in Portugal was primarily a result of an operational optimization program implemented by the Altice International Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The increase in costs of sales for B2B and others in Portugal was due to the increase in the level of ONI's business with carriers (transit) and sales of equipment in 2012, which are projects that inherently have a lower gross profit margin.

French Overseas Territories: For the year ended December 31, 2012, our purchasing and subcontracting services in the French Overseas Territories was €68.0 million, a 0.6% decrease compared to €68.4 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 4.0% and our purchasing and subcontracting services for mobile services increased by approximately 1.8%.

The decrease in purchasing and subcontracting services for fixed-line services in the French Overseas Territories was primarily due to savings arising through renegotiations of television content rights and interconnection contracts in connection with Le Cable's cable based services.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in interconnections costs with the success of the flat-fee rate plans including unlimited calls introduced by Outremer, which was partially offset by the sharp decrease in mobile termination rates in 2012.

As a result of the factors described above, our gross profit and gross margin by country of operation on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information was as follows:

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Gross profit												
Cable based services	510.5	46.8	68.7	64.4	1.9	692.4	518.9	49.6	70.1	61.3	1.9	701.9
Mobile Services	149.7	—	—	85.1	—	234.7	102.7	0.1	—	90.2	—	193.0
B2B and others	—	7.8	56.6	—	35.1	99.5	—	10.6	50.6	—	41.2	102.4

Total gross profit	**660.2**	**54.7**	**125.3**	**149.5**	**36.9**	**1,026.6**	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
Gross margin												
Cable based services (%)	76.8	80.1	55.7	70.0	77.3	73.6	76.6	83.3	59.4	69.8	79.5	74.2
Mobile Services (%)	82.9	—	—	67.6	—	76.6	59.5	41.5	—	68.5	—	63.4
B2B and others (%)	—	88.9	49.0	—	64.6	55.7	—	92.7	43.1	—	65.7	53.5
Total gross margin (%)	**78.1**	**81.2**	**52.5**	**68.6**	**65.2**	**72.0**	**73.1**	**84.6**	**51.3**	**69.0**	**66.2**	**69.2**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV.) We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Foreign exchange translation movements between the NIS and euro had a positive impact of €4.0 million on total gross profit in Israel.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2012, our total operating expenses were €387.1 million, a 24.5% increase compared to €311.0 million for the year ended December 31, 2011. Our total operating expenses (other than purchasing and subcontracting services) comprise of other operating expenses, which increased by 27.4%, general and administrative expenses, which increased by 13.5% and other sales and marketing expenses, which increased by 24.4%, in each case in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Our total operating expenses by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €316.5 million and €279.2 million (2011 operating expenses were impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €14.7 million and €7.0 million (2011 operating expenses were impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €29.2 million and nil (the Altice International Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €8.3 million and €8.1 million.

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non- recurring costs. As a result, for the year ended December 31, 2012, our EBITDA was €403.2 million, a 35.4% increase compared to €297.8 million for the year ended December 31, 2011. Our EBITDA by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €305.2 million and €256.1 million, (ii) Belgium and Luxembourg, €45.6 million and €20.4 million, (iii) in Portugal, €29.8 million and nil, and (iv) in the French Overseas Territories, €12.1 million and €11.7 million. Our EBITDA margin for the year ended December 31, 2012 was 36.9% compared to 38.0% for the year ended December 31, 2011.

Aggregated Basis

For the year ended December 31, 2012, our total operating expenses on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information were €503.1 million, a 4.9% decrease compared to €529.3 million for the year ended December 31, 2011.

Israel: For the year ended December 31, 2012, our total operating expenses in Israel were €316.5 million, a 5.0% decrease compared to €333.0 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Israel decreased by approximately 1.1% from €225.8 million to €223.4 million. This decrease was primarily due to a decrease in salaries and social benefits because of a reduction in head count in customer services personnel which was partially offset by increased costs relating to the build-out of our UMTS network, maintenance on our iDEN network, launch of ISP services and the inability to capitalize certain subscriber acquisition costs due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Israel decreased by approximately 26.2% from €39.7 million to €29.3 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses because of a reduction in head count in administrative personnel.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Israel decreased by approximately 5.5% from €67.5 million to €63.7 million. This decrease was primarily due to decreased sales commissions to retailers, advertising costs and sales promotions. This was partially offset by increased salary expense as a result of the inability to capitalize commissions and salaries of sales personnel as compared to the prior year period due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, in Israel our EBITDA was €305.2 million, a 6.7% decrease compared to €327.2 million for the year ended December 31, 2011 and our EBITDA margin was 35.9% in December 31, 2012 compared to 38.7% in the year ended December 31, 2011. Foreign exchange translation movements between the NIS and euro had a positive impact of €1.2 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2012, our total operating expenses in Belgium and Luxembourg were €14.7 million, a 7.4% increase compared to €13.7 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Belgium and Luxembourg decreased by approximately 3.2% from €6.4 million to €6.2 million mainly explained by a decrease in technical and maintenance costs following renegotiation of maintenance contracts and a decrease in personnel costs of €0.1 million due to a slight reduction in staffing.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Belgium and Luxembourg increased marginally from €3.9 million to €4.1 million.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Belgium and Luxembourg increased by approximately 29.6% from €3.4 million to €4.4 million. This increase was primarily due to the sales and marketing expenses associated with the launch of mobile services in Belgium in September 2012.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Belgium and Luxembourg was €45.6 million, a 11.3% increase compared to €41.0 million for the year ended December 31, 2011. Our EBITDA margin was 64.0% in the year ended December 31, 2012 compared to 60.9% in the year ended December 31, 2011.

Portugal: For the year ended December 31, 2012, our total operating expenses in Portugal were €72.7 million, a 15.7% decrease compared to €86.3 million for the year ended December 31, 2011. This decrease was a direct result of an operational optimization program implemented by the Altice International Group following the acquisition of Cabovisão in February 2012, which was partially offset by the increase in operating expenditures relating to ONI's B2B business in Portugal as discussed below.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Portugal decreased by approximately 8.2% from €41.7 million to €38.3 million. This decrease was primarily due to savings at Cabovisão resulting from the renegotiation of information technology maintenance and support contracts as well as headcount reductions.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Portugal decreased by approximately 24.4% from €28.8 million to €21.8 million. This decrease was primarily due to savings from head count reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case relating to Cabovisão.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Portugal decreased by approximately 19.5% from €15.7 million to €12.6 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Portugal was €47.9 million, a 22.8% increase compared to €39.0 million for the year ended December 31, 2011. Our EBITDA margin was 16.3% in the year ended December 31, 2011 compared to 20.4% in the year ended December 31, 2012.

French Overseas Territories: For the year ended December 31, 2012, our total operating expenses in the French Overseas Territories were €76.4 million, a 0.9% decrease compared to €77.1 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in the French Overseas Territories increased by approximately 3.5% from €43.5 million to €45.1 million. This increase was primarily due to measures taken by Outremer to improve its quality of service, in particular through densification of mobile networks and enhancement of the existing loyalty program which was partially offset by certain measures taken to optimize fixed costs, including to reduce payroll (in particular through reallocation of certain customer care staff from local centers in the French Overseas Territories to an offshoring center in Mauritius).

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in the French Overseas Territories decreased by approximately 12.5% from €13.6 million to €11.9 million.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in the French Overseas Territories decreased by approximately 2.7% from €20.0 million to €19.5 million. This was principally due to the decrease of external sales (mainly door to door sellers for xDSL offerings), which was partially offset by increased marketing costs associated with the comprehensive revamping of Outremer's mobile service portfolio in 2012, including the launch of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in the French Overseas Territories was €75.1 million, a 3.7% increase compared to €72.4 million for the year ended December 31, 2011. Our EBITDA margin was 34.2% in the year ended December 31, 2012 compared to 33.2% in the year ended December 31, 2011.

The following tables set forth our EBITDA across our segments on an aggregated basis for the years ended December 31, 2011 and 2012.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Israel[3]	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**	**Israel[3]**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**
						€ in millions						
EBITDA[1]	**327.2**	**41.0**	**39.0**	**72.4**	**17.7**	**497.2**	**305.2**	**45.6**	**48.0**	**75.1**	**20.3**	**494.2**

(1) The Altice International Group defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non- recurring costs.

(2) Comprises (i) €8.1 million and €9.8 million of EBITDA generated by our content production and distribution businesses for the twelve months ended December 31, 2011 and 2012, respectively, (ii) €13.4 million and €15.5 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2011 and 2012 and (iii) €3.8 million and €5.0 million of negative EBITDA generated by our other holding entities (including corporate expenses) of for the year ended December 31, 2011 and 2012, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013.

	Illustrative Aggregated Selected Financial Information	
	For the year ended December 31,	
	2011	**2012**
	€ in millions	
EBITDA	497.2	494.2
Equity based compensation[1]	6.0	3.8
Adjusted EBITDA	503.2	498.0

(1) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel for the year ended December 31, 2011 and 2012, respectively.

Depreciation and amortization

Historical Consolidated Basis

For the year ended December 31, 2012, depreciation and amortization totalled €266.3 million, a 51.0% increase compared to €176.4 million for the year ended December 31, 2011. These were impacted by the factors listed under "—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*". Depreciation and amortization in the year ended December 31, 2012 was impacted by the following events:

In May 2011, prior to its acquisition by the Altice International Group, Cabovisão recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141.7 million and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisão's financial year ended August 31, 2012, following its acquisition by the Altice International Group, the impairment charge was reviewed and it was concluded that there was not sufficient rational for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and such amount, reduced by depreciation associated with the impaired assets for the last three months of the financial year ended August 31, 2011, was directly recorded in retained earnings of Cabovisão for the financial year ended August 31, 2012 (and accordingly did not have any impact on Cabovisão's income statement for the twelve month period ended December 31, 2012). Depreciation for the twelve months ended December 31, 2011 however includes €11.6 million of depreciation expenses related to the catch-up of depreciation on the relevant assets for the period from September 1, 2011 to December 31, 2011 (corresponding to the first four months of financial year ended August 31, 2012). Depreciation for the twelve months ended December 31, 2011 includes approximately €141.7 million relating to the impairment charge. These events did not have an impact on the financial results of Altice International in the periods under review.

Goodwill impairment

In 2012, Cool Holding a subsidiary of Altice International and the holding company of HOT, recorded an impairment charge of approximately NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount. There was no goodwill impairment recorded in 2011.

Operating Profit

Historical Consolidated Basis

For the year ended December 31, 2012, (i) other expenses, net totalled €29.8 million, a 432.1% increase compared to €5.6 million for the year ended December 31, 2011; (ii) management fees primarily relating to consulting services totalled €6.2 million compared to €3.1 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totalled €20.8 million compared to a restructuring and other non-recurring costs of €7.6 million for the year ended December 31, 2011. As a result, for the year ended December 31, 2012, our operating loss was €41.7 million, compared to an operating profit of €105.1 million for the year ended December 31, 2011.

Gains arising on step acquisition

Gain arising on step acquisitions was nil in the year ended December 31, 2012 compared to €134.8 million for the year ended December 31, 2011, which was primarily due to a non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT and the subsequent change in accounting via the consolidation method from equity method as a result of which the equity stake held in HOT prior to the change in control was re-evaluated at its fair value on the date of the change in control.

Share of profit of associates

For the year ended December 31, 2012 our share of profit of associates was nil compared to €11.7 million for the year ended December 31, 2011 representing share of profit from HOT prior to the acquisition of controlling interest in March 2011.

Finance costs (net)

For the year ended December 31, 2012, our net finance costs totalled €174.2million, a 83.4% increase compared to €95.0 million for the year ended December 31, 2011 which was primarily due to full year impact of higher debt levels of the Altice International Group mainly due to the debt incurred by the Altice International Group to finance the Altice International Group's investments in HOT and Coditel in 2011.

Income tax benefits/(expenses)

For the year ended December 31, 2012, our total income tax benefit was €26.0 million compared to an income tax expense of €32.5 million for the year ended December 31, 2011 which was primarily due to higher profit before taxes in the year ended December 31, 2011 as a result of the factors described above and in particular, the non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT Telecom and the subsequent change in accounting via the consolidation method from equity method.

Profit for the year

As a result of the factors discussed above, for the year ended December 31, 2012, our loss for the year was €189.8 million compared to a profit of €123.9 million for the year ended December 31, 2011.

Liquidity and Capital Resources

Cash and Debt Profile

As of September 30, 2014, our consolidated cash and cash equivalents amounted to €140.8 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012, June 2013 and December 2013 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. Our total debt as of September 30, 2014, was €3,730 million, in each case including finance leases (which amounted to €22 million) but excluding other long term and short term liabilities (and excluding the debt of Green Datacenter which is an unrestricted subsidiary for the purposes of the covenants governing the indebtedness of the Altice International Group). In addition Altice Financing will be able to draw up to $80 million under the 2012 Revolving Credit Facility, up to €330 million under the New Super Senior Revolving Credit Facility (of which it is expected that €180 million will be drawn to complete the PT Portugal Acquisition), up to €501 million under the New Pari Passu Revolving Credit Facility and up to €15 million under the 2013 Guarantee Facility (of which, as of the date hereof, Altice Financing has made one request for a guarantee of up to approximately €6.8 million, which represents a contingent liability of the Altice International Group, as of the date hereof, Altice Financing has made one request for a guarantee of up to approximately €6.8 million which represents a contingent liability of the Altice International Group). In addition, in connection with the Transactions, we expect to issue the 2015 Senior Secured Notes and 2015 Senior Notes and enter into the New Altice Financing Term Loan.

Our material indebtedness (excluding the Existing Altice Financing Revolving Credit Facility Agreements, the New Revolving Credit Facilities, the 2013 Guarantee Facility and finance leases and other long term and short term liabilities) and principal repayment obligations, giving effect to the New Transactions but without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See "*Description of Other Indebtedness*".

	Period ending December 31,				
	2014	2015	2016	2017 or later	Total
	€ in millions				
Existing HOT Unsecured Notes[1]	0	27	27	202	255
Green Datacenter Debt	0	0	0	35	35
2012 Senior Secured Notes[2]	0	0	0	574	574
2013 Term Loan	2	8	8	794	813
2012 Senior Notes[2]	0	0	0	337	337
2013 June Senior Notes	0	0	0	250	250
2013 December Senior Notes[2]	0	0	0	317	317
2013 December Senior Secured Notes[2]	0	0	0	1,013	1,013
2015 Senior Secured Notes and 2015 Senior Notes	0	0	0	2,656	2,656
New Altice Financing Term Loan	0	0	8	833	841
New Super Senior Revolving Credit Facility Drawn	0	0	0	180	180

Existing Altice Financing Revolving Credit Facility Agreements Drawn		124		0	124
Total	2	159	43	7,190	7,395

(1) The amount is based on the exchange rate as of September 30, 2014 of €0.215 = NIS1.00.

(2) The amount is based on the exchange rates as of September 30, 2014 of €0.7918 = $1.00.

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required borrowings under the Existing Altice Financing Revolving Credit Facility Agreements and €15 million under the 2013 Guarantee Facility (of which, as of the date hereof, Altice Financing has made one request for a guarantee of up to approximately €6.8 million). Altice Financing will be able to draw up to $80 million under the 2012 Revolving Credit Facility, up to €80 million under the 2013 Revolving Credit Facility (all of which has been drawn as of September 30, 2014) and up to €15 million under the 2013 Guarantee Facility (of which one request for a guarantee of up to approximately €6.8 million as of the date hereof). In addition, Altice Financing expects to be able to draw €330 million under the New Super Senior Revolving Credit Facility (of which it is expected that €180 million will be drawn to complete the PT Portugal Acquisition) and up to €501 million under the New Pari Passu Revolving Credit Facility.

We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Altice Financing Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the New Super Senior Revolving Credit Facility and the New Pari Passu Revolving Credit Facility will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See "*Risk Factors—Risks Relating to Our Financial Profile*".

The Existing Altice Financing Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the New Super Senior Revolving Credit Facility, the New Pari Passu Revolving Credit Facility, the New Altice Financing Term Loan and the 2013 Term Loan require, while there are any utilizations outstanding, us to maintain compliance with the leverage ratios specified therein, tested as of the end of each fiscal quarter. The Existing HOT Unsecured Notes contain certain financial covenants which require HOT to maintain compliance with a maximum consolidated leverage ratio of 6.0 (calculated on a net debt basis) and minimum equity of NIS 300 million. Further, HOT may only distribute dividends if its consolidated leverage ratio (calculated on a net debt basis) is 5.5 or less. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries' ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. See "*Description of Other Indebtedness.*" Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the New Super Senior Revolving Credit Facility, the New Pari Passu Revolving Credit Facility and the Existing HOT Unsecured Notes, in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

The Issuer is a holding company with no direct source of operating income. It is therefore dependent on dividends, servicing of intercompany loans and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital

As of September 30, 2014, we had a negative net working capital position of €220.8 million compared to a negative working capital position of €194.5 million as of September 30, 2013. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short Days of Sales Outstanding and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect our operating cash flows and, if required, available borrowings under the Existing Altice Financing Revolving Credit Facility Agreements, the 2013

Guarantee Facility and the New Super Senior Revolving Credit Facility and the New Pari Passu Revolving Credit Facility will be sufficient to meet our working capital requirements during the next 12 months.

Consolidated Cash Flow Statements

	Historical Consolidated Financial Information				
	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
			€ in millions		
Cash and cash equivalents at beginning of period	18.2	19.8	129.7	129.7	61.3
Net cash provided by operating activities	306.4	464.5	439.2	288.8	502.7
Net cash used in investing activities	(576.3)	(574.2)	(1,913.6)	(502.2)	(340.8)
Net cash provided by (used in) financing activities	272.4	219.3	1,405.6	145.4	(83.3)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1	—	0.7
Cash and cash equivalents at end of year/period	**19.8**	**129.7**	**61.3**	**61.9**	**140.8**

Nine Months Ended September 30, 2014 compared to the Nine Months Ended September 30, 2013

Changes in Altice International's cash flows in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 were impacted by the significant acquisitions and related financing arrangements described under "*—Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2014 compared to the Nine months ended September 30, 2013—Significant Events Affecting Historical Results*".

Net cash provided by operating activities

Net cash provided by operating activities increased by 74.1% to €502.7 million for the nine months ended September 30, 2014 compared to €288.8 million for the nine months ended September 30, 2013. The increase in net cash provided by operating activities in the nine months ended September 30, 2013 was mainly related to the consolidation of ODO and Tricom into the Group resulting in strong earnings growth and the full nine month impact of Outremer.

Net cash used in investing activities

Net cash used in investing activities decreased by 32.1% to €340.8 million for the nine months ended September 30, 2014 compared to €502.2 million for the nine months ended September 30, 2013. The decrease in cash used in investing activities for the nine month period ended September 30, 2014 compared to the nine month period ended September 30, 2013 was mainly related to the decrease in net payments on the acquisition of subsidiaries, offset by an increase in capital expenditures from €184.1 million for the nine months ended September 30, 2013 to €306.6 million for the nine months September 30, 2014, due to the consolidation of Tricom and ODO into the Group during the first and the second quarter of 2014, respectively and the impact of capital expenditures of Outremer and ONI for the entire duration of nine months ended September 30, 2014.

Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to €83.3 million for the nine months ended September 30, 2014 compared to net cash provided by financing activities of €145.4 million for the nine months ended September 30, 2013 which is primarily attributable to the lower amount of debt incurred in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 and the higher amount of interest payable on debt issued during 2013.

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Changes in Altice International's cash flows in the year ended December 31, 2013 compared to the year ended December 31, 2012 were impacted by the significant acquisitions and related financing arrangements described under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012—Significant Events Affecting Historical Results*".

Net cash provided by operating activities

Net cash provided by operating activities decreased by 5.5% to €439.2 million for the year ended December 31, 2013 compared to €464.5 million for the year ended December 31, 2012. The decrease in net cash provided by operations was mainly related to the increase in income taxes paid by the Group for the year ended December 31, 2013 as compared to the year ended December 31, 2012 from a cash refund of €1.6 million in the year ended December 31, 2012 to a payment of €2.3 million made in the year ended December 31, 2013

Net cash used in investing activities

Net cash used in investing activities increased by 233.3% to €1,913.6 million for the year ended December 31, 2013 compared to €574.2 million for the year ended December 31, 2012. The increase in the year ended December 31, 2013 can be attributed to higher cash outflow as a result of (i) the acquisition of certain subsidiaries (OMT, ONI, MCS and SportV), (ii) the buyback of minority interests in Coditel and (iii) the buy-out of Cabovisao non-controlling interests each of which occurred in 2013.

Additionally, this balance reflects the cash that was held in escrow as of December 31, 2013, which amounted to the equivalent of €1,234.9 million for the acquisition of ODO and Tricom in the first quarter of 2014. We completed the Tricom Acquisition on March 12, 2014 and the ODO Acquisition on April 9, 2014.

Net cash provided by (used in) financing activities

Net cash provided by financing activities increased by 540.9% to €1,405.6 million for the year ended December 31, 2013 compared to €219.3 million for the year ended December 31, 2012. The increase can primarily be attributed to the 2013 December Senior Secured Notes and the 2013 December Dollar Senior Notes issued on December 5, 2013 proceeds of which were being held in escrow as of December 31, 2013, and which were released in 2014 upon the completion of the ODO Acquisition and the Tricom Acquisition, respectively.

Such proceeds were therefore accounted for as restricted cash (€1,234.9 million) as of December 31, 2013.

Part of these proceeds were used to repay existing debts in the Altice International group, amounting to total of €657.1 million. Cash flow from financing activities also includes payments made to the holders of subordinated debt instruments issued by Altice International, for a total of €212.5million.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Changes in Altice International's cash flows in the year ended December 31, 2012 compared to the year ended December 31, 2011 were impacted by the significant acquisitions and related financing arrangements described under "—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*".

Net cash provided by operating activities

Net cash provided by operating activities increased by 51.6% to €464.5 million for the year ended December 31, 2012 compared to €306.4 million for the year ended December 31, 2011. Despite a net loss of €189.8 million in 2012 compared to a net gain in income of €123.9 million in 2011, the operating cash flow in 2011 was offset by the elimination of higher non-cash gains of €133.0 million relating to the step acquisition of HOT (see Note 27 to Altice International's 2011 Historical Consolidated Financial Statements). This increase was slightly offset by a €60.2 million negative impact from the movement in changes in working capital.

Net cash used in investing activities

Net cash used in investing activities decreased by 0.4% to €574.2 million for the year ended December 31, 2012 compared to €576.3 million for the year ended December 31, 2011. The decrease was primarily due to the higher cash outflows of €347.3 million in the year ended December 31, 2011 for acquisitions (including investments in the HOT Telecom Group and Coditel) compared to €35.1 million the year ended December 31, 2012. In addition, we used €172.9 million to acquire the remaining minority interests in HOT in the take-private transaction in December 2012 which is included in cash used in investing activities. This decrease was partially offset by higher capital expenditures in the year ended December 31, 2012 as discussed under "*—Capital Expenditures—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*".

Net cash provided by (used in) financing activities

Net cash provided by financing activities decreased by 19.5% to €219.3 million for the year ended December 31, 2012 compared to €272.4 million for the year ended December 31, 2011. The decrease was primarily due to the higher levels of interest paid in an amount of €117.8 million in the year ended December 31, 2012 compared to €69.0 million in the year ended December 31, 2011 and the dividends paid to the minority shareholders in an amount of €26.0 million in the year ended December 31, 2012 which was partially offset by the higher levels of debt incurred for purposes other than refinancing of existing indebtedness in the year ended December 31, 2012 (in an amount of €363.2 million versus €341.8 million in the year ended December 31, 2011).

Capital Expenditures

We classify our capital expenditures in the following categories.

Cable based services related: Includes capital expenditures related to (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth ("CPEs and installation related"); (ii) investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity ("cable network and construction related") and (iii) other capital expenditures related to our cable based business.

Mobile services related: Includes capital expenditures related to improving or expanding our mobile networks and platforms and other investments relating to our mobile business.

B2B and others: Includes capital expenditures relating to data centers, backbone network, connection fees of clients premises, rental equipment to customers and other B2B operations as well as content related capital expenditures relating to our subsidiaries that produce and distribute content. Capital expenditures relating to network and equipment that is common to the delivery of cable or mobile services on the one hand and B2B on the other hand are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

	Historical Consolidated Financial Information				
	For the year ended December 31,			For the nine months ended September 30,	
	2011	2012	2013	2013	2014
	€ in millions				
Cable based services	127.1	252.1	204.0	137.7	186.1
Mobile services	47.1	83.8	62.4	38.9	74.8
B2B and others	15.5	11.1	23.8	7.5	45.6
Total Capital Expenditures	**189.8**	**347.0**	**290.1**	**184.1**	**306.6**

Nine months ended September 30, 2014 compared to the Nine months ended September 30, 2013

Capital expenditures on a Historical Consolidated Basis

For the nine months ended September 30, 2014, our total capital expenditures were €306.6 million (representing 22.3% of revenue), a 66.5% increase compared to €184.1 million for the nine months ended September 30, 2013 (representing 19.8% of revenue).

Cable based services related: For the nine months ended September 30, 2014, cable based services capital expenditures were €186.1 million (representing 60.7% of total capital expenditures), a 35.2% increase compared to €137.7 million (representing 74.8% of total capital expenditures) for the nine months ended September 30, 2013.

Mobile services related: For the nine months ended September 30, 2014, mobile services capital expenditures were €74.8 million (representing 24.4% of total capital expenditures), a 92.3% increase compared to €38.9 million (representing 21.1% of total capital expenditures) for the nine months ended September 30, 2013.

B2B and others: For the nine months ended September 30, 2014, B2B and other capital expenditures were €45.6 million (representing 14.9% of total capital expenditures), a 508.0% increase compared to €7.5 million (representing 5.4% of total capital expenditures) for the nine months ended September 30, 2013.

Capital expenditures on a Pro Forma Consolidated Basis

The following table sets forth our cash capital expenditures by country of operation and on a total aggregate basis based on the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively.

	Pre-PT Transaction Pro Forma Financial Information[5]													
	For the nine months ended September 30,													
	2013							2014						
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Dominican Republic[4]	Others[1]	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Dominican Republic[4]	Others[1]	Total
	€ in millions													
Capital expenditures														
CPEs and installations	35.0	5.8	7.9	3.1	—	—	51.8	46.5	6.1	2.4	5.1	—	6.0	66.1
Cable network and constructions	25.0	2.1	4.1	5.1	—	—	36.3	34.7	1.9	3.9	10.1	—	2.7	53.2
Other cable	40.0	5.6	2.7	0.2	—	—	48.5	51.8	4.1	1.8	7.6	—	1.3	66.6
Cable based services	100.0	13.5	14.7	8.4	—	—	136.6	133.0	12.0	8.1	22.8	—	10.0	185.9
Mobile services	36.0	1.2	—	8.9	38.9	—	85.0	22.8	—	—	12.3	48.4	—	83.5
B2B and others	—	—	3.6	9.8	—	13.4	26.8	—	2.3	10.0	0.3	—	33.1	45.6
Total capital expenditures	136.0	14.7	18.3	27.1	38.9	13.4	248.4	155.8	14.3	18.1	35.4	48.4	43.1	315.1
EBITDA—total capital expenditures	133.9	20.7	26.8	35.0	93.8	4.0	314.2	158.8	22.1	26.2	37.3	101.6	11.5	357.4

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. Others for the nine months ended September 30, 2014, it also includes the contribution made by Tricom from March 12, 2014. See note 3 hereto for details.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. For the nine months ended September 30, 2014 it also includes the contribution of Mobius. See note 3 below for details.

(3) Total capital expenditures for the nine months ended September 30, 2014 includes the contribution of Mobius since its consolidation into the Altice International Group from January 1, 2014. For the nine months ended September 30, 2014, Mobius generated € 1.3 million of capital expenditures in B2B and other. Mobius has no other capital expenditures. Total capital expenditures for the nine months ended September 30, 2014 also includes the contribution made by Tricom from March 12, 2014. For the nine months ended September 30, 2014, Tricom had total capital expenditure of €13.2 million, cable-based service capital expenditure of €9.0 million and B2B/Other capital expenditure of €4.2 million.

(4) Excludes Tricom.

(5) Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2013 and 2014, respectively, gives pro forma effect to the acquisition of ODO, but does not give pro forma effect to the acquisition of PT Portugal, Tricom and Mobius nor the disposal of our mobile network assets in Mayotte and La Réunion which we have committed to undertake. Since the financial information for Tricom and Mobius have been consolidated into the Historical Consolidated Financial Information of the Altice International Group from January 1, 2014 and March 12, 2014, respectively, following the consummation of the Mobius Acquisition on January 1, 2014 and the Tricom Acquisition on March, 12, 2014, the Pre-PT Transaction Pro Forma Financial Information for the nine months ended September 30, 2014 includes the contribution of Tricom and Mobius from the periods for which each of these entities have been consolidated.

Israel: For the nine months ended September 30, 2014, our total capital expenditures in Israel were €155.8 million (representing 49.4% of total capital expenditures); a 14.6% increase compared to € 136.0 million for the nine months ended September 30, 2013 (representing 54.7% of total capital expenditures). The increase in capital expenditures in the cable segment in the nine months ended September 30, 2014 was due to (i) the costs relating to the launch of a project to increase node segmentation for better network quality, (ii) the higher investment in the set-top box installation process to reduce multiple customer visits and (iii) the increase in "FiberBox" installations following its launch in March 2014. The decrease in capital expenditures in the mobile segment was due lower site deployments in the nine months ended September 30, 2014 as compared to the same period last year.

Belgium and Luxembourg: For the nine months ended September 30, 2014, our total capital expenditures in Belgium and Luxembourg were € 14.3 million (representing 4.5% of total capital expenditure), a 2.8% decrease compared to €14.7 million (representing 5.9% of total capital expenditure) for the nine months ended September 30, 2013. The decrease was due to the fact that a variety of exclusive television rights were purchased and capitalized in 2013. We also incurred lower investment costs in cable modem termination systems in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

Portugal: For the nine months ended September 30, 2014, our total capital expenditures in Portugal were €18.1 million (representing 5.8% of total capital expenditures), a 1.1% decrease compared to €18.3 million for the nine months ended September 30, 2013 (representing 7.3% of total capital expenditures). This was due to a decrease in cable based services capital expenditure resulting from lower activity and the revision of expansion investments, offset by an increase in B2B and other capital expenditure incurred by ONI as a result of the reclassification of certain expenses which were previously capitalized and expensed as operating costs (comprising of costs relating to the right of use of fiber optic backbone network, installation costs and engineering personnel expenses).

French Overseas Territories: For the nine months ended September 30, 2014, our total capital expenditures in the French Overseas Territories were €35.4 million (representing 11.2% of total capital expenditures), a 30.6% increase compared to €27.1 million for the nine months ended September 30, 2013 (representing 10.9% of total capital expenditures). The increase was primarily due to (i) the acquisition of the exclusivity right for the television channel I24 News, and (ii) the repurchase of network equipment initially sold to contractors for cable network maintenance projects, following the decision to discontinue the outsourcing of such projects.

Dominican Republic: For the nine months ended September 30, 2014, our total capital expenditures in the Dominican Republic were €48.4 million (representing 15.5% of total capital expenditures), a 24.4% increase compared to €38.9 million for the nine months ended September 30, 2013 (representing 15.7% of total capital expenditures). The increase related primarily to the acquisition of a 900MHZ frequency band in the second quarter of 2014.

Others: Capital expenditures for our other businesses increased in the nine months ended September 30, 2014 to €43.1 million as compared to €13.4 million for the nine months ended September 30, 2013.

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2013, our total capital expenditures were €290.1 million (representing 22.5% of revenue), a 19.6% decrease compared to €347.0 million for the year ended December 31, 2012 (representing 31.8% of revenue).

Cable based services related: For the year ended December 31, 2013, cable based services capital expenditures were €202.5 million (representing 70.0% of total capital expenditures); a 19.6% decrease compared to €252.1 million (representing 72.7% of total capital expenditures) for the year ended December 31, 2012.

Mobile services related: For the year ended December 31, 2013, mobile services capital expenditures were €62.4 million (representing 21.6% of total capital expenditures); a 25.6% decrease compared to €83.8 million (representing 24.1% of total capital expenditures) for the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2013, B2B and other capital expenditures were €24.4 million (representing 8.4% of total capital expenditures); a 119.8% increase compared to €11.1 million (representing 3.2% of total capital expenditures) for the year ended December 31, 2012.

Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our cash capital expenditures by country of operation and on a total aggregate basis based on the Pre-PT/ODO Transactions Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

	Illustrative Aggregated Selected Financial Information For the year ended December 31, 2012						Pre-PT/ODO Transactions Pro Forma Financial Information For the year ended December 31, 2013					
	Israel(3)	Belgium and Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel(3)	Belgium and Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Capital expenditures												
CPEs and installations	98.1	4.4	8.7	7.5	—	118.8	49.0	8.3	9.4	3.9	0.3	70.9
Cable network and constructions	55.7	6.4	7.1	7.7	—	76.8	43.0	2.8	7.4	4.3	—	57.5
Other cable	57.8	6.2	2.4	0.9	—	67.3	63.3	10.5	1.5	1.2	—	76.4
Cable based services	211.6	17.0	18.1	16.1	—	262.8	155.3	21.5	18.3	9.5	0.3	204.8
Mobile services	83.8	—	—	9.2	—	93.0	53.6	—	—	8.3		61.9
B2B and others	—	—	12.7	10.5	18.7	41.9	—	1.4	5.7	18.5	21.8	47.5
Total capital expenditures	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**	**208.9**	**23.0**	**24.0**	**36.2**	**22.1**	**314.2**
EBITDA—total capital expenditures	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.6**	**154.1**	**22.1**	**34.2**	**48.3**	**(2.2)**	**256.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV). We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, the capital expenditures for the year ended December 31, 2012 do not include any costs relating to the purchase of exclusive

third party content and the capital expenditures for the year ended December 31, 2013 do not include costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

Israel: For the year ended December 31, 2013, our total capital expenditures in Israel were €208.9 million (representing 66.5% of total capital expenditures); a 29.3% decrease compared to €295.4 million for the year ended December 31, 2012 (representing 74.3% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the twelve months ended December 31, 2012, related mainly to a one time capital expenditure for the purchase of a building for our call center operations, capital expenditures relating to the purchase of our new set top boxes, HOT Magic HD, and higher cable network and constructions related capital expenditure related to the completion of the upgrade to 100Mb capacity throughout our cable network and the fiber roll out in certain areas in 2012. The decrease in capital expenditures in the mobile segment was primarily due to higher expenditures relating to the expansion of our UMTS network in the twelve months ended December 31, 2012 prior to the launch of our UMTS based cellular services in May 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our total capital expenditures in Belgium and Luxembourg were €23.0 million (representing 7.3% of total capital expenditure), a 36.5% increase compared to €17.0 million (representing 4.3% of total capital expenditure) for the year ended December 31, 2012 The increase was due to the installation work we conducted following the acquisition of the AIESH concession and the launch of LaBox in 2013, having installed a substantial number of set-top boxes during the twelve months ended December 31, 2013 and capitalization of certain exclusive copyrights.

Portugal: For the year ended December 31, 2013, our total capital expenditures in Portugal were €24.0 million (representing 7.6% of total capital expenditures), a 22.1% decrease compared to €30.8 million for the twelve month ended December 31, 2012 (representing 7.7% of total capital expenditures). This was due to a decrease in B2B and other capital expenditure incurred by ONI in the twelve months ended December 31, 2013, offset by an increase in cable capital expenditure mainly due to the high level of investments made during year ended December 31, 2013 to deploy 'LaBox'.

French Overseas Territories: For the year ended December 31, 2013, our total capital expenditures in the French Overseas Territories were €36.2 million (representing 11.5% of total capital expenditures), a 1.5% increase compared to €35.7 million for the year ended December 31, 2012 (representing 9% of total capital expenditures). The increase was primarily due to the expansion of our 3G mobile networks in Martinique, Guadeloupe, French Guiana, Mayotte and La Reunion and a major renovation work relating to Outremer's distribution network as well as due to the development of a payment platform offering value-added payment services to Outremer's customers and the acquisition of KERTELcom, a small fixed line French operator.

Others: Capital expenditures for our other businesses increased by 18.2% in the year ended December 31, 2013 to €22.1 million as compared to €18.7 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2012, our total capital expenditures were €347.0 million (representing 31.8% of revenue), a 82.8% increase compared to €188.9 million for the year ended December 31, 2011 (representing 24.2% of revenue).

Cable based services related: For the year ended December 31, 2012, cable based services capital expenditures were €252.1 million (representing 72.7% of total capital expenditures), a 98.3% increase compared to €127.1 million (representing 67.0% of total capital expenditures) for the year ended December 31, 2011.

Mobile services related: For the year ended December 31, 2012, mobile services capital expenditures were €83.8 million (representing 24.1% of total capital expenditures), a 77.9% increase compared to €47.1 million (representing 24.8% of total capital expenditures) for the year ended December 31, 2011.

B2B and others: For the year ended December 31, 2012, B2B and other capital expenditures were €11.1 million (representing 3.2% of total capital expenditures), a 28.4% decrease compared to €15.5 million (representing 8.2% of total capital expenditures) for the year ended December 31, 2011.

Capital expenditures on an Aggregated Basis

The following table sets forth our cash capital expenditures by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable based services	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	126.8	10.6	19.4	28.1	—	185.0	211.6	17.0	18.1	16.1	—	262.8
Mobile services	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	173.9	10.6	34.4	53.5	21.5	293.8	295.4	17.0	30.8	35.7	18.7	397.8
EBITDA—total capital expenditures	153.1	30.4	4.6	19.0	(3.8)	203.2	9.8	28.6	17.2	39.4	1.6	96.6

(1) Others includes our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and SportV.) We disposed of our interests in Valvision (which was included in Others) in 2013 to the Numericable Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our total capital expenditures in Israel were €295.4 million (representing 74.3% of total capital expenditures), a 69.9% increase compared to €173.9 million for the year ended December 31, 2011 (representing 59.2% of total capital expenditures). This increase was primarily due to increased CPE and installation related capital expenditures as a result of higher capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) as well as significantly higher mobile related capital expenditures primarily due to the expansion of our UMTS network. We also experienced an increase in cable network and construction related capital expenditures as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012. In addition, other cable capital expenditures increased as a result of a one time capital expenditure related to the purchase of a building which houses one of our call center operations and due to an increase in capitalized sales commissions relating to our cable operations.

Belgium and Luxembourg: For the year ended December 31, 2012, our total capital expenditures in Belgium and Luxembourg were €17.0 million (representing 4.3% of total capital expenditures), a 60.4% increase compared to €10.6 million for the year ended December 31, 2011 (representing 3.6% of total capital expenditures). The increase was primarily due to the increase in total cable capital expenditures as a result of higher fees paid for exclusive rights for premium channels (amounting to €1.2 million) and due to the acquisition of the AIESH concession (amounting to €2.5 million) as well as relating to a project for the Brussels police involving installation of fiber links for the CCTV network (amounting to €0.6 million).

Portugal: For the year ended December 31, 2012, our total capital expenditures in Portugal were €30.8 million (representing 7.7% of total capital expenditures), a 10.5% decrease compared to €34.4 million for the year ended December 31, 2011 (representing 11.7% of total capital expenditures). The decrease was primarily due to a decrease in B2B and other capital expenditure incurred by ONI as a result of the significant capital expenditures in 2011 relating to the acquisition of a new VOIP technology platform. In addition, cable capital expenditures decreased mainly due to lower CPE and installation related capital expenditures as a result of the high level of investments made during the year ended December 31, 2011 to deploy set-top boxes with PVR functionality and the impact of the renegotiation of contracts with suppliers relating to installation service as well as due to a reduction in the number of subscribers.

French Overseas Territories: For the year ended December 31, 2012, our total capital expenditures in the French Overseas Territories were € 35.7 million (representing 9.0% of total capital expenditures), a 33.1% decrease compared to €53.5 million for the year ended December 31, 2011 (representing 18.2% of total capital expenditures). The decrease was primarily due to the higher level of cable capital expenditures incurred in the year ended December 31, 2011 as a result of major IRU upgrades in the Caribbean region as well as major mobile related investments in 2011, which included launching 3G mobile services in Mayotte and investments in real-time billing software.

Others: Capital Expenditures for our other businesses were €18.7 million for the year ended December 31, 2012 compared to €21.5 million for the year ended December 31, 2011, a decrease of 13.0%. This decrease was primarily due to the decrease in capital expenditures incurred by Green and Green Datacenter in the year ended December 31, 2012 which was partially offset by the increase in activity in our content business and the capital expenditure incurred by our content subsidiaries in 2012. These content subsidiaries (which we acquired in 2013) were incorporated in 2011 and 2012 respectively and hence did not have a full year of operations in 2011.

Contractual obligations

The following table summarizes the payments that we will be obligated to make under our material contractual commitments as of September 30, 2014. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

Payments due by period

	Period ending December 31,				
	2014	2015	2016	2017 or later	Total
	€ in millions				
Long-term debt obligations	2	159	43	7,237	7,441
Finance leases	12.6	7.3	5.0	10.4	35.3
Operating leases(1)	55.7	45.2	30.9	50.3	182.1
Total	70.3	211.5	78.9	7,297.7	7,658.4

(1) Includes lease of buildings, office equipment and vehicles for various terms through 2020. Does not take into account any optional extension periods. Includes operating leases of ODO.

In addition, we have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. For further details regarding our significant contractual commitments, see note 32 to Altice International's financial statements as of and for the year ended December 31, 2013 and note 31 to Altice International's financial statements as of and for the year ended December 31, 2012 respectively.

In addition, we have obligations under the ODO acquisition agreement to pay certain purchase price adjustments in the near term to the seller of ODO, Wirefree Services Denmark A/S and certain of its affiliates, in relation to the ODO Acquisition. This amounts to €36 million and we have reserved an equivalent amount of our cash and cash equivalents for this purpose.

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on a number of factors. In the case of defined benefit plans, we recognize a liability regarding employee benefits in the statement of financial position of Altice International which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income and statement of other comprehensive income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is recognized in the financial statements. As of September 30, 2014, out total pension liabilities were €8.2 million.

Post Balance Sheet Date Events

Related Party Transactions

During the year ended December 31, 2012 and 2013 the Altice International Group paid an aggregate of €6.2 million and €0.6 million to related parties as management fees and during the nine months ended September 30, 2014 the Altice International Group paid an aggregate of €0.6 million. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

The Altice International Group has entered into certain arrangements with Numericable, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the "Numericable" brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. Additionally, except as disclosed in the notes to the historical consolidated financial statements, the Altice International Group did not have any material transactions with related parties during the years ended December 31, 2013 and 2012 and the nine months ended September 30, 2014.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases and others described under "—*Contractual Obligations*" or as disclosed below or in the notes to the historical consolidated financial statements of the Altice International Group included in these Listing Particulars.

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to regulators and other government agencies. At December 31, 2013, these guarantees amounted to approximately €489.5 million.

Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, Euro, New Israeli Shekels and the Dominican peso, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT Unsecured Notes, pursuant to amortization obligations. As adjusted for the Offering, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €5,445 million (including finance leases but excluding other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Dollar Senior Notes, the 2013 Euro Senor Notes, the HOT Unsecured Notes, the 2013 Senior Secured Notes and the Notes offered hereby, while our primary floating rate debt obligations (including finance leases and other liabilities) were in an amount equivalent to €2,015 million comprising of the 2013 Term Loan entered into by Altice International, the New Altice Financing Term Loan, and debt of Green Datacenter. In addition, any borrowings we make under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate. In addition, a portion of our debt in an amount of NIS 825 million (€177 million equivalent based on the exchange rate as of September 30, 2014), comprising Series A of the HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding.

Foreign Currency Risk

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the New Israel Shekel. ODO's primary transactional currency is the Dominican peso. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Altice International and its other operating subsidiaries is the euro. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the amount we earn in the corresponding currency. We seek to manage such transactional foreign currency exposures though our hedging policy in accordance with our specific business needs. As of September 30, 2014, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure:

- Foreign exchange forward contract relating to a swap of a notional amount of $550 million into New Israeli Shekels (maturing on December 15, 2017);

- Foreign exchange forward contract relating to interest rate hedging on a notional amount of $98.9 million and €40.1 million (maturing on each interest payment date under the 2012 Senior Secured Notes and the 2012 Senior Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;

- Cross currency swaps on notional principal amounts of $200 million, $225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017); and

- Cross currency swaps on notional principal amounts of $293 million, $407 million and $133 million, each swapping into New Israeli Shekels and Euros respectively at certain specified rates (maturing between July and November 2018).

In connection with the Transactions, we expect to enter into various derivative instruments.

In addition, because the reporting currency of the Company is the Euro while the reporting currency of the HOT Group and Green is New Israeli Shekels and Swiss Francs respectively, we are exposed to translation foreign currency exchange risk arising from the consolidation of such entities into the Company's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 19 to Altice International's financial statements as of and for the year ended December 31, 2013.

Critical Accounting Policies, Judgments and Estimates

See note 1 to our Historical Consolidated Financial Information included elsewhere in these Listing Particulars.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF NUMERICABLE GROUP

The following discussion of the Numericable Group's financial condition and results of operations should be read together with (i) the Numericable Group's audited annual combined financial statements for the years ended December 31, 2011, 2012 and 2013 and the notes thereto; (ii) the Numericable Group's audited annual consolidated financial statements for the year ended December 31, 2013 and the notes thereto; (iii) the Numericable Group's unaudited interim condensed combined financial statements for the nine months ended September 30, 2014 and the notes thereto; and (iv) Recent Developments, all of which are included elsewhere in these Listing Particulars. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties. See "Forward-Looking Statements".

In this section, unless the context requires otherwise, the terms "Numericable Group", "we", "us" and "our" refers only to Numerable Group and its subsidiaries (but excluding SFR), and the term "Numericable" refers to Numericable-SFR S.A. (formerly known as Numericable Group S.A.). For a discussion of the financial conditions and results of operation of SFR, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR".

Overview

Introduction

Numericable Group is the sole major cable operator in France. It was created through the combination of several cable and B2B telecommunications operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France:

- the B2C segment, which includes retail products and services under the Numericable brand and fiber white label offerings. The B2C segment makes up the largest part of the Numericable Group's revenues, contributing €660.6 million for the nine months ended September 30, 2014 (or 66.3% of the Numericable Group's total revenues) and €864.6 million in revenues for the year ended December 31, 2013 (or 65.8% of the Numericable Group's total revenues).

- the B2B segment, which includes offers SMEs, large businesses and government entities. The B2B segment is the second largest contributor to Numericable Group revenues, contributing €240.3 million for nine months ended September 30, 2014 (or 24% of the Numericable Group's total revenues) and €309.6 million in revenues for the year ended December 31, 2013 (or 23.6% of the Numericable Group's total revenues).

- the wholesale segment, which includes voice, data, infrastructure and DSL white label services for telecommunications operators and Internet access providers. The wholesale segment is the third largest contributor to the Numericable Group revenues, contributing €94.5 million for the nine months ended September 30, 2014 (or 9.5% of the Numericable Group's total revenues) and €140.0 million in revenues for the year ended December 31, 2013 (or 10.7% of the respective Numericable Group totals).

The following table provides a breakdown of segment revenues (before elimination of inter-segment sales) for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014. This table follows the breakdown found in Note 5 to the consolidated annual financial statements and in Note 3.1 to the consolidated half-year statements, where eliminations of inter-segment sales are not allocated by segment. The Numericable Group analyzes segment revenues in this section based on this breakdown, pursuant to which sales and related costs are within the same segment.

(in € millions)	For the year ended December 31, 2011	2012	2013	For the nine months ended September 30, 2014	2013
Revenue					
B2C	835.3	832.6	869.4	664.9	648.6
B2B	331.1	324.5	312.6	243.3	227.8
Wholesale	201.1	211.5	200.8	155.0	140.7
Inter-segment eliminations	(60.6)	(66.1)	(68.6)	(68.9)	(48.1)
Total	**1,306.9**	**1,302.4**	**1,314.2**	**995.4**	**968.9**

In order to reconcile this contribution with each segment's contribution to Numericable Group consolidated revenue, the following table allocates inter- segment sales eliminations by segment revenue:

(in € millions)	For the year ended December 31, 2011	2012	2013	For the nine months ended September 30, 2014	2013
Segment					
B2C	(5.0)	(6.4)	(4.9)	4.2	3.1
B2B	(2.9)	(1.3)	(3.3)	3.0	2.3
Wholesale	(52.8)	(58.4)	(60.5)	61.5	42.7
Total inter-segment eliminations	**(60.6)**	**(66.1)**	**(68.6)**	**(68.8)**	**(48.1)**

The Numericable Group's service and product offerings are supported by an integrated network and are adapted to the characteristics and requirements of each market segment:

- In the B2C segment, the Numericable Group offers television, very- high-speed broadband Internet and fixed-line and mobile telephony services on both a bundled and stand-alone basis, and in both branded and white label form (through its fiber/cable network). The Numericable Group also offers analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers.

- In the B2B segment, the Numericable Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, as well as voice services, including voice calls, VoIP and Centrex.

- In the wholesale segment, the Numericable Group offers voice and data wholesale carrier services, as well as DSL white label products. Within this segment, the Numericable Group also sells fiber network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of December 31, 2013, the Numericable Group served approximately 1.3 million direct individual subscribers, approximately 1.8 million bulk customers, and approximately 363,000 fiber white label end-users. For the year ended December 31, 2013, the Numericable Group's consolidated revenues were €1,314.2 million, and the Numericable Group's EBITDA was €560.1 million.

As of September 30, 2014, the Numericable Group served approximately 1.3 million direct individual subscribers, approximately 1.8 million bulk customers, and approximately 362,000 fiber white label end-users. For the nine months ended September 30, 2014, the Numericable Group's consolidated revenues were €926.6 million, and the Numericable Group's EBITDA was €443.1 million.

Presentation of the Consolidated Financial Statements Included in these Listing Particulars

Numericable Group was formed on August 2, 2013. On November 7, 2013, in the context of the listing of the Company's shares on Euronext Paris, two Luxembourg holding companies, Ypso Holding S.à.r.l, parent company of Ypso France, and Altice Lux Holding S.à.r.l, parent company of Altice B2B France, were contributed to the Company.

Ypso France, which includes Numericable's commercial activity, is a French provider of cable television services through high-end digital channel packages accessible to households with "triple-play" cable network connections. Ypso France also provides broadband Internet access to the French residential market as well as fixed and mobile telephony services.

Altice B2B France, through Completel, its main operational entity, manages the largest alternative fiber-to-the-office ("FTTO") network in France and is the third largest alternative DSL network in France. By directly connecting its business customers' sites to fiber and DSL networks, Completel SAS provides the commercial market with a complete range of services that includes data transfer and very high speed Internet and telecommunications services, as well as convergence and mobility services.

These Listing Particulars includes an English language translation of the Numericable Group's consolidated annual financial statements for the year ended December 31, 2013, which includes comparative information for 2012 which are identical to those included in the Numericable Group's combined annual financial statements for the year ended December 31, 2012, except for the impact of IAS 19, which was applied retrospectively. These accounts were prepared in accordance with IFRS as published by the International Accounting Standards Board ("IASB") and adopted in the European Union as of December 31, 2013.

The comparative data presented for the year ended December 31, 2012, and the nine-month period ended September 30, 2013, corresponds to the consolidated financial statements of the two sub-groups, Ypso and Altice B2B. Prior to their contribution to Numericable Group on November 7, 2013, these two sub-groups were separate entities under the joint control of the private investment funds Carlyle, Cinven and Altice. As a result, the combined financial statements included for purposes of comparison reflect the historical assets, liabilities, income, expenses and cash flow of the Ypso and Altice B2B sub-groups, which were two separate groups as of December 31, 2012, and September 30, 2013.

Critical Accounting Policies

For a description of the Numericable Group's significant accounting policies and critical accounting estimates, see Notes 2 and 3 to the annual consolidated financial statements as of and for the year ended December 31, 2013, an English translation of which is included elsewhere in these Listing Particulars.

Significant Factors Affecting Results of Operations

The Numericable Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. In addition to the regulatory and macroeconomic environment, the key factors affecting the ordinary course of the Numericable Group's business and its results of operations include (i) the attractiveness of the Numericable Group's products and services, including relative to the Numericable Group's competitors, (ii) changes in pricing, (iii) customer acquisition and churn, (iv) the Numericable Group's cost structure and cost optimization programs and (v) network upgrades and maintenance. Each of these factors is discussed in more detail below.

The Attractiveness of the Numericable Group's Products and Services

B2C Segment Products and Services

The Numericable Group offers subscribers within its network area television, very-high-speed broadband Internet, fixed-line and mobile telephony services. The Numericable Group also provides analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers. The B2C segment also includes the Numericable Group's white label business with Bouygues Télécom using the Numericable Group's fiber/cable network. These products compete with those of the Numericable Group's competitors. See "*Risk Factors—Risks Relating to Our Business, Technology and Competition—We face significant competition in each of the industries in which we operate and competitive pressures could have a material adverse effect on our business*".

The Numericable Group's new B2C customers commit for a period of 12 months. A security deposit (of €75) is required only for subscriptions to packages that include LaBox.

The Numericable Group frequently upgrades its product offerings and service quality, in particular by increasing broadband Internet speeds and expanding its digital television offering and the range of interactive services offered, in order to stay competitive in a highly competitive environment, retain existing customers and attract new customers and increase ARPU (see below). Promotional offers may also include a price reduction (thereby reducing ARPU and related revenue) in a given period.

The Numericable Group's most recent efforts have focused on its bundled services offered to individual subscribers. The Numericable Group's bundled offers combine several services into packages, thus enabling subscribers to conveniently order television, broadband Internet and fixed telephony services together and, if desired, mobile telephony services. The Numericable Group believes that its introduction of bundled packages has been a key factor in its success in attracting new subscribers. The Numericable Group's progressive upgrading of its network to EuroDocsis 3.0 technology also enables it to offer customers top of market broadband speeds and access services.

In May 2012, the Numericable Group began marketing "LaBox", an integrated set-top box and cable router that it offers to triple-play and quadruple-play customers who subscribe to the Numericable Group's premium packages. Marketing increased significantly in September 2012. The Numericable Group believes that LaBox is one of the most powerful and interactive set- top boxes on the French market, taking advantage of the portion of the Numericable Group's network that has been upgraded to EuroDocsis 3.0 technology. LaBox has generated increasing ARPU for the Numericable Group as the proportion of premium sales (which include LaBox) has increased and has allowed the Numericable Group to attract new customers to its network. Approximately 70% of new customer adds for the period from September 30, 2012, to June 30, 2014 (78% in the first half of 2014), were for the Numericable Group's high-end multi-play offerings, including LaBox. Nearly 420,000 LaBox units had been deployed as of September 30, 2014, for a penetration rate of 38.8% of the Numericable Group's multi-play customer base.

B2B Segment Product Offerings

The Numericable Group provides business customers with a comprehensive service offering, which includes voice services, including voice calls, VoIP and Centrex, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. This service offering competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—France—B2B Market*".

As described in "*Description of Our Business—Customer Contracts and Billing*", contracts with B2B customers are generally entered into for an initial minimum period of one year (for voice services) and three years (for data services), but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years, following mandatory tender processes.

The Numericable Group's voice and data services offer a complete range of telecommunications services. Voice and data services offerings enable customers to centralize their telephony needs on their principal sites by centralizing all of their equipment and telephone calls and connecting the customer's central site to the Numericable Group's fiber optic network for better quality and to the Numericable Group's SDSL network for remote sites. The Numericable Group believes that such access to its network is a major competitive advantage that has allowed it to both attract and retain a large customer base. As most of the Numericable Group's customers are located near the Numericable Group's fiber or DSL network, only limited additional investment is needed to connect customer sites.

The Numericable Group has adapted to the changing telecommunications environment by deploying a full range of cloud computing solutions, including external flexible telephony services, messaging and security solutions and hosting services (e.g. servers and platforms). The Numericable Group focuses in particular on providing IaaS, which provides customers with the benefits of infrastructure without having to invest in it.

The Numericable Group has made strategic acquisitions in order to bolster the competitiveness and attractiveness of its B2B product offering. For example, in 2010, the Numericable Group significantly enhanced its IP VPN offering by acquiring Altitude Télécom, a French specialist in IP VPN which had close relationships with the public sector, and thereby solidified the Numericable Group's public sector entity customer base. Combining IaaS with the Numericable Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging Completel's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Numericable Group has a packaged offering for medium-sized companies—Completude—which bundles fixed voice, data and additional services. Completel's premium package, Completude Max, offers broadband Internet at a speed of up to 100 Mbps through the Numericable Group's FTTB network for the same price as DSL access.

Wholesale

In the wholesale market, the Numericable Group provides wholesale voice and data carrier services and network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network. It provides these services directly or through its subsidiary Sequalum, under a public-private partnership. The segment also includes the Numericable Group's ADSL white label business, which currently consists of services for former Darty customers who have been transferred to Bouygues Télécom (see "*Description of Our Business—Material Contracts—White Label Contracts in France*"). The Numericable Group's wholesale business is an opportunistic one; the Numericable Group can use the network in which it has invested for its B2C and B2B businesses and generate higher margins and benefit from growth opportunities. The wholesale segment also benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicates that the Numericable Group can better serve it through a wholesale offering to another operator. This service offer competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—France—B2B Market—Wholesale Market*".

Pricing

B2C Segment Pricing

Pricing in the French B2C market segment is primarily driven by the pricing of multi-play packages, to which the vast majority of customers subscribe. The cost of a multi-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions, the more options, content, and included usage time, the higher the price of the multi-play package in question. For example, the addition of a basic mobile telephony package is currently free for premium triple-play subscribers, while the addition of a premium mobile telephony package raises the subscription price. Subscription fees for stand- alone offerings are also sensitive to the number of options, the content and the included usage time, although pricing for these services tends to be less competitive as the majority of the market competes primarily on the multi- play arena.

The Numericable Group adjusts its pricing policies based on evolving market practices. In the past, the French triple-play market was structured around offers at €30 per month. Like other operators, the Numericable Group raised the price of its basic triple play package in January 2011. Similarly, in 2012, the Numericable Group made further changes to its pricing structure in response to changing market conditions. In particular, the Numericable Group began offering its basic triple-play package, “Start”, and its entry-level package, “iStart”, and also lowered the price of its stand-alone mobile telephony services. In 2014, the Numericable Group again modified its pricing structure, slightly raising the prices of its offerings.

The Numericable Group continues to offer television services on a stand-alone basis to existing subscribers.

The Numericable Group’s bulk packages to building managers include access to basic television services and a basic triple-play package that includes a standard digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps and unlimited inbound fixed-line telephone calls. These packages are sold for a fixed subscription fee per apartment, irrespective of whether the services are actually used by the residents. The contracts have an average duration of five years. Most bulk contracts are for only basic television services. Pricing for bulk packages varies by building and by the content provided, with an average price of €3.00 per end-customer per month.

The Numericable Group believes that its current B2C pricing structure, together with the growth in the adoption of additional content-related services such as VOD, should drive growth in revenue and ARPU.

B2B Segment Pricing

Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive, as voice services are highly commoditized, with sophisticated customers and relatively short-term (one year) contracts. The B2B market for data services is less price sensitive, as data services require more customization. In both markets, price competition is strongest in the large corporates segment whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Wholesale Segment Pricing

Prices for wholesale contracts are either regulated and based on a “cost plus” structure, with the interconnection cost set by the ARCEP or freely negotiated with the Numericable Group’s wholesale customers, depending on the service. The Numericable Group’s ability to offer competitive prices is a major factor in winning contracts.

Moreover, Sequalum charges fees for various services rendered to operators (see “*Description of Our Business—Products and Services—Business-to-Business Services—Infrastructure Wholesale Services*”), such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network. It also sells capacity on its network to wholesale telecommunications operators. Legal proceedings are currently ongoing over the termination of Sequalum’s DSP 92 contract. See “*Description of Our Business—Legal Proceedings—Dispute Settlement Proceedings Concerning the DSP 92*”. The access fees charged to retail telecommunications operators in a portion of Hauts-de-Seine that is classified as a “dense area” are regulated by the ARCEP. Other fees charged by Sequalum are not regulated.

Churn

B2C Churn

The B2C television, broadband Internet and telephony industries typically exhibit relatively high churn rates as a result of high levels of competition. Churn rates result primarily from changes in the Numericable Group's or its competitors' pricing, the level of customer satisfaction and the relocation of subscribers outside of its network area. Increases in the churn rate may lead to increased costs and reduced revenues. The Numericable Group has implemented initiatives designed to improve its customers' experience. These initiatives include enhanced CRM systems, which enable the Numericable Group to manage new subscribers more efficiently and to identify and offer special retention packages to subscribers identified as at risk of churning.

The following table sets out the B2C segment's churn rates for direct customers (i.e. not including white label end-users or bulk subscribers) for the years ended December 31, 2011, 2012 and 2013 and for the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			For the nine months ended September 30,	
	2011	**2012**	**2013**	**2014**	**2013**
Product					
Triple-play	18.1%	17.2%	17.0%	15.2%	16.8%
Overall	**19.4%**	**18.6%**	**19.2%**	**15.1%**	**18.6%**

The Numericable Group believes that the B2C segment has higher churn rates as compared to the triple-play market average; the Numericable Group believes this reflects in particular the loss of customers who move outside of the Numericable Group's fiber/cable network area, which connects only approximately 35% of homes in mainland France; the Numericable Group believes that this factor accounts for an additional churn rate as compared to other national operators. In order to reduce this type of churn, the Numericable Group launched a new DSL triple-play offering in August 2013 in the non-fiber/cable part of its network.

The Numericable Group believes its improved CRM systems have contributed to a significant reduction in churn. The Numericable Group's analog television churn rate spiked in 2011, with the official transition to DTT broadcasting completed in November 2011. The Numericable Group expects high churn rates to continue in analog television until the service is ultimately phased out. See "*Description of Our Business—Products and Services—Pay Television—Western Europe—France*". The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends. For a definition of churn as it is used herein, see the Glossary included in these Listing Particulars.

Cost Structure and Cost Optimization

The Numericable Group's most significant costs include content costs (including author rights, signal costs and royalties), staff costs, advertising fees, fees for rights of way, rental and leasehold charges and energy costs.

Certain of the Numericable Group's costs, such as a portion of its network operations, customer care, billing and administration costs, are fixed, while a portion of its marketing and content costs are variable. Costs related to the Numericable Group's fiber/cable network are allocated to the B2C segment, whereas costs related to the Numericable Group's backbone and DSL network are allocated to the B2B segment. No network-related costs are allocated to the wholesale segment. The Numericable Group's general and administrative costs are allocated pro rata based on the relative size of the segments.

Since 2010, the Numericable Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base, despite an increase in marketing over the period. Such initiatives include (i) the renegotiation of content contracts, (ii) the restructuring of the Numericable Group's sales force, and (iii) measures to reduce bad debt costs. The Numericable Group regularly reviews opportunities to decrease its costs and improve its profitability.

Network Upgrade and Maintenance

In 2012, 2013 and in the nine-month period ended September 30, 2013 and 2014, 11% (€33 million), 15% (€42 million), 13% (€27 million) and 21% (€53 million), respectively, of the Numericable Group's capital expenditures were related to its network, including upgrades, extensions and bandwidth capacity enhancements in relation to its existing network as well as capital expenditures related to DSP 92 (discussed below). The Numericable Group also incurred €107 million and

€125.5 million in maintenance expenses in 2012 and 2013, respectively, and €85 million and €70 million, respectively, in the first nine months of 2014 and 2013.

The Numericable Group's ability to provide new HD and on-demand digital television services, broadband Internet access at ever-higher speeds and telephony services to additional subscribers depends in part on the Numericable Group's ability to upgrade its network. During each of 2012 and 2013 and the nine-month period ended September 30, 2014, the Numericable Group deployed fiber on a substantial part of its network and upgraded a portion of it to EuroDocsis 3.0 technology, making substantial capital expenditures in this respect.

The Numericable Group also upgrades and expands the reach of its network through public-private partnerships. The most significant current public-private partnership is implemented through the Numericable Group's subsidiary Sequalum, which carries out wholesale activities in the "Hauts de Seine" district that includes the "La Défense" business district. Sequalum was established in 2008 to plan, finance, market, deploy and operate an FTTH very-high- speed fiber network under a French law scheme known as délégation de service public (with this one known as the "DSP 92"). Fiber deployment began in October 2009 and continues today; revenues are currently generated and are accounted for in the wholesale segment. Capital expenditures in connection with DSP 92 have been included within the Numericable Group's network capital expenditures. In July 2013, the Numericable Group received notification from the conseil général des Hauts-de-Seine of the approval of Phase II of this project. However, legal proceedings are currently ongoing over the termination of the DSP 92 contract. See "*Description of Our Business—Legal Proceedings—Dispute Settlement Proceedings Concerning the DSP 92*".

The Numericable Group expects to pursue similar public-private opportunities to expand its network in the future, which would result in increased capital expenditures.

Going Concern

The Numericable Group's consolidated financial statements have been prepared assuming that the Numericable Group will continue as a going concern. As discussed in Note 1.8 to the consolidated interim financial statements, the Numericable Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent upgrading of the Numericable Group's network have required substantial investments. These two factors, in addition to the 2014 SFR Acquisition which was completed on November 27, 2014, explain the Numericable Group's financial structure, the significant proportion of financial liabilities in relation to total consolidated equity and the significant financial expenses related to the cost of debt.

The Numericable Group services its debt and funds its investments through net cash from operations. Note 2.3 of the consolidated interim financial statements specify that in May 2014 the Numericable Group refinanced its senior debt, which allowed it to reschedule a large part of its long-term financial debt. Note 2.3 also lists the terms and conditions of the financing for the 2014 SFR Acquisition and the potential consequences had the transaction not been completed.

Under the conditions described in Note 1.8 to the consolidated interim financial statements an English language translation of which included elsewhere in these Listing Particulars, and given the available cash flow projections, the Numericable Group's Board of Directors believes that the Numericable Group will be able to finance its cash requirements at least for the next twelve months from the date of approval of the interim condensed consolidated financial statements as of September 30, 2014 and meet its financial debt obligations during the period.

Changes in Scope of Consolidation

The Numericable Group's results are affected by acquisitions and divestitures.

In March 2013, the Numericable Group acquired Auchan's television, very high speed Internet access and fixed telephony services business (thereby terminating a white label agreement with Auchan), which represented approximately 5,000 individual subscribers.

In June 2013, the Numericable Group acquired the French simplified stock company (société par actions simplifiée) Valvision, a small regional cable operator in France, with approximately 5,000 individual subscribers and 8,000 bulk subscribers.

On October 31, 2013, through Altice B2B France SAS, the Numericable Group acquired 100% of the shares composing the share capital of Invescom, a holding company whose only activity consisted of holding all of the share capital of LTI Télécom, a telecommunications operator created in 1998 and present in the B2B market, offering essentially fixed telephony, mobile telephony, Internet and VPN services to small and medium-sized French businesses with 5 to 250 employees.

The Numericable Group did not carry out any significant divestitures in 2012 or 2013.

The Numericable Group did not carry out any significant divestitures in the nine-month period ended September, 2014. The Numericable Group, however, incurred expenses with respect the completed 2014 SFR Acquisition, in particular advisory fees and expenses related to the debt issued in May 2014 to finance this acquisition.

Key Performance Indicators

Homes Connected and Number of Individual Subscribers

The Numericable Group tracks the number of customers it can address and the number of digital, analog and bulk subscribers and white label end-users as performance indicators. The Numericable Group also tracks the number of stand- alone and multiple-play customers subscribed to its products. Such metrics allow the Numericable Group to analyze the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

	As of and for the year ended December 31			**As of and for the nine months ended September 30,**	
B2C Operating Data	**2011**	**2012**	**2013**	**2014**	**2013**
		(in thousands)			
Footprint[1]					
Homes passed[2]	9,833	9,875	9,940	9,975	9,932
Triple-play enabled	8,368	8,428	8,511	8,603	8,493
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196	5,817	5,093
Digital individual subscribers	1,238	1,228	1,264	1,285	1,252
Multi-play[3]	938	972	1,041	1,083	1,019
Stand-alone television	267	223	193	171	201
Other[4]	34	34	31	31	32
Fiber white label end-users[5]	206	297	363	362	334
Total digital individual users	**1,444**	**1,525**	**1,628**	**1,647**	**1,586**
Analog television individual subscribers	133	103	81	68	88
Total individual users	**1,577**	**1,628**	**1,709**	**1,715**	**1,674**
Bulk subscribers[6]	1,837	1,829	1,753	1,774	1,797
DSL white label end-users (Bouygues ex-Darty)	204	168	120	132	89

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.

(3) Includes double-pay services (Internet and fixed telephony, fixed telephony and television, television and Internet)

(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

(5) Fiber white label end-users (i.e. not including DSL white- label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Numericable Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(6) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

The Numericable Group generates new subscribers through a broad range of sales channels, through its own sales outlets, from other retail outlets, its website, inbound and outbound telesales and door-to-door sales. The Numericable Group maintains a detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction. See "*Description of Our Business—Marketing and Sales*".

The total number of customers and the mix between subscriptions to lower- range or premium products significantly affect the Numericable Group's revenues, ARPU and EBITDA.

RGUs

The Numericable Group uses RGUs, or "Revenue Generating Units", to track the level of subscription to its B2C services (before effective connection). Each individual subscriber receiving cable TV, broadband Internet, fixed or mobile telephony services over the Numericable Group's network counts as one RGU. Thus, one direct subscriber who receives all of the Numericable Group's services is counted as four RGUs.

RGU is not a measure of financial performance under IFRS, nor is RGU verified by a third party. RGU is derived from management estimates. As defined by the Numericable Group's management, RGU may not be comparable to similar terms used by other companies. See the Glossary included in these Listing Particulars. The Numericable Group's RGUs only reflect Numericable brand subscribers and do not include white label end-users or bulk subscribers.

	For the year ended December 31,			**For the nine months ended September 30,**	
	2011	**2012**	**2013**	**2014**	**2013**
	(in thousands except RGUs per individual user)				
TV Individual RGUs	1,216	1,163	1,140	1,134	1,144
Internet Individual RGUs	950	985	1,054	1,095	1,032
Fixed Telephony Individual RGUs	897	946	1,024	1,070	1,000
Mobile Telephony Individual RGUs	47	113	186	236	167
Total individual RGUs	**3,110**	**3,207**	**3,404**	**3,535**	**3,343**
Number of individual RGUs per individual user	**2.27**	**2.41**	**2.53**	**2.61**	**2.49**

(1) Only Numericable direct individual subscribers (i.e. not including white label end-users or bulk subscribers).

ARPU

The Numericable Group uses the ARPU metric to track the performance of its B2C business. ARPU is not a measure of financial performance under IFRS, nor has ARPU been reviewed by the outside auditors, a consultant or an expert. ARPU is derived from internal management calculations and assumptions. The definition of the term used by the Numericable Group's management may not be comparable to similar terms used by other companies. See the Glossary included in these Listing Particulars.

ARPU is a measure the Numericable Group uses to evaluate how effectively it is realizing potential revenues from its direct digital customers. Monthly ARPU is generally calculated on a yearly and quarterly basis by dividing the Numericable Group's total direct digital subscription-related revenue for the period, excluding installation, carriage, connection and disconnection fees, and deposits, by the average number of the Numericable Group's direct digital subscribers served in that period. Operational data related to gross-adds ARPU and customer-base ARPU presented in these Listing Particulars reflect ARPU from the Numericable Group's direct digital subscribers only.

ARPU is highly sensitive to the pricing of the Numericable Group's packages. For example, the Numericable Group saw an increase in ARPU resulting from price adjustments in its triple-play packages and the launch of its quadruple- play packages in 2011, primarily as a result of price increases due to evolving market trends. See "*—Significant Factors Affecting Results of Operations—Pricing*". Recent ARPU increases result from (i) upgrades to the Numericable Group's B2C offers by adding new television channels, new content, new television applications, (ii) customer migration to premium packages, driven primarily by the availability of very high speeds (EuroDocsis 3.0 technology) and LaBox, as well as by price increases, and (iii) an increased mobile telephony penetration rate.

The table below shows the evolution of the Numericable Group's customer- base ARPU (calculated by dividing the Numericable Group's total direct digital subscription related revenue, including paid subscription fees and extra consumption on fixed and mobile telephony and TV options but excluding VOD revenues and installation and carriage fees, for the period by the average number of direct digital customers served in that period) and gross-adds ARPU (calculated based on the subscription revenue from new clients, plus the average value of consumption outside of subscription plans from existing clients, as calculated for the ARPU of the overall subscriber base) for the periods indicated. The operational data relating to gross-adds ARPU and customer-base ARPU presented below reflect ARPU from the Numericable Group's direct digital subscribers only.

	For the year ended December 31,			**For the nine months ended September 30,**	
	2011	**2012**	**2013**	**2014**	**2013**
ARPU per month—new digital individual subscribers (gross-adds)	€41.5	€41.7	€41.3	€43.3	€41.1
Monthly ARPU—digital individual subscribers (customer-base)(1)	€40.3	€40.7	€41.5	€42.4	€41.4

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated.

The monthly ARPU of new customers declined by approximately 1% to €41.3 in 2013, compared to €41.7 in 2012, due to high seasonal effects in the third quarter of 2013 and to an increase in sales on the Internet and by telephone, which generate lower ARPUs.

Incremental B2B Contract Monthly Adds

The Numericable Group is focused on growing its B2B business profitably and tracks trends in this segment with an indicator of incremental B2B contract revenue adds, a measure which displays the monthly recurring value of the order intakes in a given period. This indicator includes the incremental revenues of new contracts signed in a period. It is comparable to the product of gross- adds ARPU multiplied by the volume of new customers in the B2C segment.

The following table shows the level of incremental B2B contract revenue adds based on contracts signed in each of 2011, 2012, 2013 and the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			For the nine months ended September 30,	
	2011	**2012**	**2013**	**2014**	**2013**
	(Unaudited) (in € thousands)				
Order intake revenue	5,290.0	5,659.7	6,656.0	4,631.0	4,650.0

Subscriber Acquisition Costs

The Numericable Group is focused on growing its business profitably as it increasingly offers new digital products to its customer base. The Numericable Group's ability to profitably market its multi-play service offerings at competitive prices is tied to its end-to-end control of its cable network, its large customer base to which it can sell additional services, and the cost structure of the Numericable Group's business, all of which are key determinants of the payback profile of its incremental multi-play service customers.

The subscriber acquisition costs for B2C fiber/cable products consist of costs for customer premise equipment (set-top boxes), when applicable, in-house and on-site wiring and installation, and the costs per order including marketing, sales, general and administrative and all other costs. Due to the Numericable Group's own extensive local loop network, it is not obligated (unlike other alternative operators) to make payments to Orange to gain access to its last mile network and therefore has a structural cost advantage. Certain acquisition costs (in particular equipment) are capitalized.

The Numericable Group does not follow subscriber acquisition costs for B2B or wholesale customers, but evaluates its return on investment, considering capital expenditures (equipment, installation and wiring at customer sites as well as the creation of fiber links to customer sites) and operating expenditures (mainly commissions paid to its direct and indirect sales force).

Key Income Statement Items

Below is a summary description of certain Numericable Group income statement line items and other metrics used by the Numericable Group.

Revenue

Revenue is generally a function of (i) volume, which depends on the number of subscribers, sites connected or lines provided for subscription packages and the level of usage, and (ii) prices, for subscription packages, minutes, line rentals and other services, which depend on the offer selected.

Revenue recognition principles are described in Notes 2.3 and 2.4 to the Numericable Group's consolidated financial statements included elsewhere in these Listing Particulars.

The structure of segment revenues is summarized below.

B2C Segment Revenues

Revenue in the B2C segment consists mainly of:

- Digital revenue, including (a) recurring monthly subscription fees for the Numericable Group's television, broadband Internet, fixed-line and mobile telephony services, whether sold on a stand-alone basis or bundled into triple- and quadruple-play packages, (b) variable usage fees from VOD, fixed-line and mobile telephony,

(c) one-time connection and disconnection fees, (d) telephony termination fees, and (e) fees paid to the Numericable Group by pay-TV channels based on the number of Numericable Group customers who subscribe to their offerings;

- Bulk revenue, including quarterly, semiannual and annual fees paid by multiple-dwelling unit managers, including subsidized housing, for the provision of operating and maintenance services with respect to local networks. The incremental revenues from subscribers who upgrade to a full triple- or quadruple-play package are counted as digital revenues and not bulk revenues;

- Analog revenue, including recurring monthly subscription fees for the Numericable Group's analog television offering, including related one-time connection and disconnection fees; and

- Fiber white label revenue, in particular recurring monthly fees paid to the Numericable Group under its white label contracts with Bouygues Télécom.

B2B Segment Revenues

Revenue in the B2B segment consists mainly of:

- Voice services, including revenue from variable usage fees from telephony (including VoIP and Centrex) services, recurring monthly subscription fees and one-time connection, disconnection and termination fees; and

- Fixed data services, including revenue from recurring monthly subscription fees for services such as point-to-point bandwidth, LAN to LAN, SAN to SAN and IP VPN and hosting and cloud services.

Wholesale Segment

Revenue in the wholesale segment consists mainly of:

- Revenue relating to wholesale voice carrier services;

- Revenue relating to wholesale data carrier services;

- Revenue relating to the sale of infrastructure (dark fiber); and

- DSL white label revenue, including revenue from the Numericable Group's white label contracts with Darty (in the form of both subscription fees and activation fees). Since the end of 2012, such white label customers have, in certain cases, been migrated to the network of Bouygues Télécom (see "*Description of Our Business—Material Contracts—White Label Contracts in France*"). Monthly fees paid to the Numericable Group are based on the number of end-users to whom a white label customer sells the Numericable Group's triple-play packages, as well as the type of packages. Additional fees are payable by the Numericable Group's customers who require additional services, such as customer care and billing.

Purchases and Subcontracting Services

Purchases and subcontracting services consist mainly of television content costs, data and broadband Internet interconnection costs and fixed-line telephony interconnection and termination costs (the levels of which are regulated). Other additional purchase and subcontracting services include costs of outsourced work, which primarily relates to outsourced network maintenance, installation work and call centers; advertising costs; fees payable under the Numericable Group's MVNO contracts with Bouygues Télécom (and, beginning in January 2014, SFR); utilities, including electricity, and fees paid for rights of way and rental and leasehold charges. See Note 7 to the Numericable Group's consolidated annual financial statements included elsewhere in these Listing Particulars.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses include (i) wages, salaries and bonuses, statutorily required and contractual profit-sharing, social security charges and related taxes, (ii) salaried personnel pension costs and other post-employment benefits, (iii) costs associated with the use of temporary, external and non-salaried personnel and (iv) costs relating to the stock option plan required to be recognized under IFRS 2.

The Numericable Group's personnel costs depend on the number and salary levels of its full-time staff and external personnel. The Numericable Group believes that its current personnel levels are adequate and it does not expect to increase its personnel levels significantly in the near future. Salary negotiations are customarily held each year.

Taxes and Duties

Taxes and duties consist mainly of general direct and indirect taxes such as certain business taxes (imposition forfaitaire annuelle and taxe professionnelle) and the taxes implemented in replacement thereof (cotisation sur la valeur ajoutée des entreprises and cotisation fonciére des entreprises), local government taxes (impôts locaux), taxes on the Numericable Group's vehicle fleet (taxe sur les véhicule de société), social security taxes (contribution sociale de solidarité des sociétés) and taxes on certain advertising expenses (in particular taxes on advertisement leaflets), as well as taxes applicable to telecommunications operators and television providers, such as taxes on television providers, taxes supporting the audio-visual content industry (cotisation de soutien à l'industrie des programmes audiovisuels) and taxes on VOD.

This line item does not include corporate income tax (impôt sur les bénéfices), which is recorded under the line item "Income tax expense".

Provisions

Provisions consist mainly of provisions for operational risks, disputes (in particular, a provision of €11.4 million was recorded at December 31, 2013 aiming to cover risks with respect to assessments relating to disputed expenses for services performed between 2009 and 2011; see "*Description of Our Business—Legal Proceedings—Tax Matters in France*") and pensions. See Note 23 to the Numericable Group's consolidated annual financial statements.

Other Operating Income

Other operating income consists mainly of own work capitalized (i.e., related to network upgrade projects and IT product development work staffed with in-house employees), proceeds from disposals of tangible assets, and other income.

Other Operating Expenses

Other operating expenses consist mainly of:

- net book value of assets sold;
- advisory fees paid in connection with refinancings;
- management fees paid to the Numericable Group's prior shareholders Altice, Cinven and Carlyle until the initial public offering in relation to certain management, financing and advisory services provided; and
- miscellaneous operating expenses.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

Operating income before depreciation and amortization and impairment (EBITDA) is one of the main indicators the Numericable Group tracks in order to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. It is calculated as revenues, minus purchases and subcontracting services, staff costs and employee benefits expense, taxes and duties, provisions, other operating income, and other operating expenses.

The Numericable Group believes that this measure is useful to readers of its financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization, enhancing the predictive value of its consolidated financial statements and providing information regarding the results of the Numericable Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in its financial performance.

The Numericable Group's calculation of EBITDA may not be comparable to similarly titled measures used by other entities. Furthermore, this measure should not be considered as an alternative to operating income as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect operating results. Accordingly, the Numericable Group also presents the line item "Operating income", which encompasses all amounts which affect its operating results.

Adjusted EBITDA

Adjusted EBITDA is equal to EBITDA (i.e., operating income before amortization and depreciation) adjusted for items the Numericable Group considers to be outside of recurring operating activities or that are non-cash. During the period under review, these items consisted of: advisory fees paid in relation to debt refinancing, acquisition-related restructuring costs (in connection with the acquisition of Altitude Télécom), provisions and costs tied to tax and social security audits, commercial penalties, charges (non-cash) resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers, the transfer of the remaining net accounting value of assets returned to municipal governments in connection with the exiting of DSP contracts, the *Cotisation sur la Valeur Ajoutée des Entreprises* ("CVAE") tax (a French business tax), and, share-based compensation expense.

The Numericable Group believes that this measurement is useful to readers of its consolidated financial statements as it makes trends more visible and provides more precise information regarding the Numericable Group's operating income and cash-flow generation.

Depreciation and Amortization

Depreciation and amortization consists mainly of regular depreciation and amortization of non-current assets such as network assets.

Finance Costs, Net

Finance costs, net, consists of interest income net of interest expense and other financial expenses. Interest income primarily consists of income in connection with the investment of cash and cash equivalents as well as other interest income. Interest expense primarily consists of interest expense on the Numericable Group's debt facilities (calculated after giving effect to related interest rate derivative instruments) as well as costs on finance leases based on the effective interest rate method. Finance costs also include the change in the fair value of derivative instruments that are not eligible for hedge accounting and which, as a result, are recorded at market value. Other financial expense primarily consists of all fees (other than advisory fees, which are included under other operating expenses) paid in connection with the Numericable Group's debt amendment or refinancing, amortization fees paid in connection with implementation of certain new indebtedness facilities and provisions for financial risks.

Income Tax Expense

Income tax expense consists of corporate income tax (impôt sur les bénéfices) and the portion related to income tax of provisions for tax audits. It does not include other taxes due by the Numericable Group, which are recorded under the line item "Taxes and duties" discussed above.

The Numericable Group has substantial tax loss carry-forwards (described in Note 12.4 to the consolidated annual financial statements for the year ended December 31, 2013), which by their nature could reduce the amount of corporate income tax to be paid.

However, the ability to effectively use these losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- The ability of the Numericable Group or of certain Numericable Group companies to generate taxable profits and the difference between such taxable profits and tax losses; in this respect, it should be noted that (i) a large part of the tax loss carry-forwards (€1,156 million as of September 30, 2014) can currently only be offset against the profits of NC Numericable, an operating company of the Numericable Group (mostly present in the B2C segment); (ii) a part of the tax loss carry-forwards (€183 million as of September 30, 2014) can only be offset against the profits of Completel, an operating company in the B2B and Wholesale segments; (iii) a part of the tax loss carry-forwards (€6 million as of September 30, 2014) can only be used against the profits of Sequalum; (iv) a portion of the losses (€13 million as of September 30, 2014) can only be used against the profits of Altice B2B France, which is a holding company without operating activities; and (v) a portion of the tax loss carry-forwards (€42 million as of September 30, 2014) can only be used against the profits of Ypso France, which is a holding company without operating activities. The use of the losses specific to the two holding companies is extremely limited because they can only be offset against each of these company's profits, respectively, and both these companies are structurally in deficit;
- The two tax consolidation groups formed by Ypso France on the one hand and Altice B2B France on the other remained in place through December 31, 2013. As of December 31, 2013, the Ypso France group had €642 million of tax loss carry-forwards and the Altice B2B France group had € 218 million of tax loss carry-forwards.

Numericable Group S.A. became the head of a tax consolidation group in accordance with articles 223 A and 223 L 6 i of the French General Tax Code, with effect from January 1, 2014, and including the companies of the Altice B2B France and Ypso France sub-groups. If this occurs, most of the €642 million of tax loss carry-forwards generated by the Ypso France group and all of the €218 million of tax loss carry-forwards generated by the Altice B2B France group should remain available, subject to certain conditions and limitations, against the profits of the prior scopes of Ypso France and Altice B2B, respectively, which will be included in the scope of the new group.

- The general limitation pursuant to French tax regulations, under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding one million euros is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain more specific restrictions with respect to certain tax categories;

- The prospects for using the Luxembourg holdings' tax loss carry-forwards are extremely limited (€46 million as of September 30, 2014);

- Ypso France's specific tax loss carry-forwards (€42 million) should be considered as lost since the company has not received any favorable tax ruling allowing their transfer;

- The outcome of current or future tax audits and tax-related litigation; and

- Possible changes in applicable laws and regulations.

As of September 30, 2014, given the potential to generate income, it became clear that the Numericable Group was able to activate €511 million of tax loss carryforwards (i.e. approximately 22% of tax loss carryforwards), representing a deferred tax asset of €203 million.

As of September 30, 2014, deferred tax assets broke down as follows:

€ thousands	**December 31, 2013**	**2014 Statement of income**	**Other 2014 comprehensive income**	**September 30, 2014**
Loss carryforwards[a]	132,662	70,006	—	202,668
Fair value of SWAPS[b]...	—	(33,534)	78,809	45,275
Deferred tax assets....	**132,662**	**36,472**	**78,809**	247,943

(a) A new fiscal integration was put in place at the Numericable Group level during the nine-month period ended September 30, 2014, effective retroactively as of January 1, 2014. This new fiscal integration was established by Numericable Group as Numericable Group head, as well as by the companies resulting from the two former fiscal integration groups Ypso and Altice, which chose to apply the expanded base mechanism.

Based on the updated forecasts on use of loss carryforwards existing within the new fiscal Numericable Group thus established and deemed probable over a 5-year horizon, an additional deferred tax asset of €70 million was recognized.
The total amount of deferred tax assets on loss carryforwards was thus brought to €203 million as of September 30, 2014.

(b) The Numericable Group recorded a deferred tax asset of €45.3 million on derivative instruments put in place in May 2014, of which:

- €(33.5) million in income on SWAP instruments which are not eligible for hedge accounting (SWAP, on bank loans);

- €78.8 million in other comprehensive income on SWAP instruments which are eligible for hedge accounting (SWAP, on bank loans).

Analysis of Results for the Nine Months Ended September 30, 2013 and September 30, 2014

The table below shows the Numericable Group's consolidated statement of income for the nine month periods ended September 30, 2013 and September 30, 2014, in millions of euros and as a percentage of revenues for the periods in question.

	For the nine months ended September 30,				
	2014		2013		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**995.4**	**100.0%**	**968.9**	**100.0%**	**2.7%**
Purchases and subcontracting services	(464.8)	(46.7)%	(448.5)	(46.3)%	3.6%
Staff costs and employee benefits expense	(118.2)	(11.9)%	(109)	(11.2)%	8.5%
Taxes and duties	(24.3)	(2.4)%	(25.6)	(2.6)%	(4.8)%
Provisions	(10.0)	(1.0)%	(1.2)	(0.1)%	725%
Other operating income	66.4	6.7%	58.5	6.0%	13.6%
Other operating expenses	(1.4)	(0.1)%	(6.8)	(0.7)%	(79.7)%
Operating income before depreciation and amortization and impairment (EBITDA)	**443.1**	**44.5%**	**436.3**	**45%**	**1.6%**
Depreciation and amortization	(230.2)	(23.1)%	(219)	(22.6)%	5.1%
Operating income	**212.9**	**21.4%**	**217.3**	**22.4%**	**(2.0)%**
Financial income	5.4	0.5%	6.9	0.7%	(22.3)%
Gross finance cost	(284.5)	(28.6)%	(144.1)	(14.9)%	97.4%
Other financial expense	(148.1)	(14.9)%	(11.6)	(1.2)%	1174.7%
Finance costs, net	**(427.2)**	**(42.9)%**	**(148.8)**	**(15.4)%**	**187.1%**
Income tax expense (income)	36.5	3.7%	(8.3)	(0.9)%	(536.7)%
Share in net income (loss) of equity affiliates	0.1%	0.0%	(0.1)	(0.0)%	(160.6)%
Net combined/consolidated income (loss)	**(177.8)**	**(17.9)%**	**60**	**6.2%**	**(396.5)%**
Attributable to owners of the entity	(177.8)	(17.9)%	60	6.2%	(396.5)%
Attributable to non-controlling interests	—	—	—	—	—

Revenues

Contribution to combined/consolidated revenues

	Nine months ended September 30,		
(in € millions)	2014	2013	Change
B2C	660.6	645.4	2.4%
B2B	240.3	225.5	6.6%
Wholesale	94.5	98.1	(3.7)%
Total	**995.4**	**968.9**	**2.7%**

Group revenues totalled €995.4 million for the nine months ended September 30, 2014, up 2.7% compared to revenues of €968.9 million for the nine months ended September 30, 2013.

Among the Group's segments, revenues from the B2C segment increased by 2.4% in the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013. In the third quarter of 2014, the B2C segment's revenues increased by 2.9% compared to the third quarter of 2013, increasing from €215.0 million to €221.2 million. This increase was driven by the growth in the customer base and the maintenance of a high ARPU.

At September 30, 2014, the B2C segment had 1.715 million individual digital users, up 41,000 users compared to September 30, 2013. This growth was primarily driven by growth in Numericable direct digital multi-play customers, which increased by 64,000, and to a lesser extent by an increase in fiber white label users, which increased by 28,000, and despite the 51,000 decrease in mono-play customers (mainly television customers) over the period. Customer-base ARPU remained high, at €42.4 in the third quarter of 2014, up €1 compared to ARPU for the third quarter of 2013. Gross-adds ARPU in the third quarter of 2014 increased to €43, up €0.6 compared to customer-base ARPU and more than €4 higher than gross-adds ARPU one year earlier, in the third quarter of 2013.

B2B segment revenues totalled €240.3 million for the nine months ended September 30, 2014, representing a 6.6% increase compared to € 225.5 million for the nine months ended September 30, 2013. B2B segment revenues increased by 6.3% in the third quarter of 2014 compared to the third quarter of 2013, from €74.1 million in the third quarter of 2013 to €78.8 million in the third quarter of 2014.

This increase in B2B segment revenues in the nine months ended September 30, 2014 was principally related to (i) Data activities for which revenues increased by 3.5% and (ii) the beneficial effect of the integration of LTI, even if revenues from voice activities continued to be impacted by the decreases in tariffs.

Wholesale segment revenues declined, from €98.1 million for the nine months ended September 30, 2013 to €94.5 million for the nine months ended September 30, 2014. This decrease resulted from the voice and DSL business, as in prior quarters. Inversely, Data and Fiber activities principally operated on the Group's network increased, which contributed to the profitability of the segment.

Purchases and Subcontracting Services

In the nine months ended September 30, 2014, purchases and subcontracting services totalled €464.8 million, compared to €448.5 million for the nine months ended September 30, 2013, for an increase of € 16.3 million or 3.6%. This increase resulted from several factors, mainly:

- The €7.6 million increase in mobile telephony costs directly related to the growth of the base of active SIM cards;
- Non-recurring costs incurred in connection with the acquisition of SFR for €6.8 million (see "*Operating Income Before Depreciation and Amortization (EBITDA)*" below).

Staff Costs and Employee Benefits Expense

In the nine months ended September 30, 2014, staff costs and employee benefits expense totalled €118.2 million, compared to €109.0 million for the nine months ended September 30, 2013, representing an increase of 8.5%, or €9.2 million.

This increase resulted primarily from:

- the integration of LTI, which had approximately 100 employees;
- higher levels of bonuses being distributed, in line with the increase in B2C sales;
- the general salary increase of approximately 1% which occurred at the beginning of the year; and
- the share-based compensation expense in 2014, while there was no such expense in the first nine months of 2013.

Taxes and Duties

In the nine months ended September 30, 2014, taxes and duties amounted to €24.3 million, compared to €25.6 million in the nine months ended September 30, 2013, representing a decrease of €1.3 million or 4.8%. This decrease resulted from the mergers of operational entities in the B2C segment, which resulted in a decrease in the "social solidarity contribution between companies" on the intercompany billings of this segment, as well as from various optimizations and adjustments of various taxes.

Provisions

As of September 30, 2014, for the nine months ended September 30, 2014, a total of €10.0 million of provisions were recorded, compared to a total of €1.2 million of provisions recorded in the nine months ended September 30, 2013. This change is mainly due to a deterioration in provisions for doubtful accounts and non-returned equipment. In addition, a reversal of provisions for commercial litigation of €3.8 million was recorded in the 2013 financial statements but no such reversal was recorded in 2014.

Other Operating Income

Other operating income totalled €66.4 million in the nine months ended September 30, 2014, compared to €58.5 million in the nine months ended September 30, 2013, representing an increase of €7.9 million or 13.6%. The increase was mainly due to an increase in charges incurred for DSP 92 in 2014 compared to the transitory period in 2013 when phase 2 of the project was under discussion and phase 1 was being completed. This restart of activity generated a higher capitalization of external costs of €8 million.

Other Operating Expenses

Other operating charges totalled €1.4 million in the nine months ended September 30, 2014, compared to €6.8 million in the nine months ended September 30, 2013, representing a decrease of €5.4 million or 79.4%.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA increased by €6.8 million, from €436.3 million in the nine months ended September 30, 2013 to €443.1 million in the nine months ended September 30, 2014.

This change mainly reflects the following factors:

- the impact of non-recurring or non-cash costs, which have been eliminated from Adjusted EBITDA, of €23 million in the first nine months of 2014 and €17.3 million in the first nine months of 2013. Most of the €5.7 million increase in non-recurring or non-cash costs is composed of fees related to the acquisition of SFR for a total of €6.8 million.

- excluding these amounts, EBITDA increased by €12.5 million, or 2.8%. This increase was generated mainly by the B2C and Wholesale businesses. B2C segment EBITDA increased by €6 million excluding the costs related to the 2014 SFR Acquisition and the refinancing of existing debt which is recorded in this segment's results. The increase in the Wholesale segment's profitability, related to a larger portion of business generated on the Group's network with a higher margin, more than offset the decrease in the profitability of the B2B business, which continued to suffer from the decrease in customer prices generated by the decrease in call termination tariffs at the beginning of 2013.

In the third quarter of 2014, subscriber acquisition costs totalled € 21 million compared to €19 million in the third quarter of 2013 and €73 million in each of the nine month periods ended September 30, 2013 and 2014.

Reconciliation of EBITDA and Adjusted EBITDA

	For Nine months ended September 30,	
(in € millions)	**2013**	**2014**
	(unaudited)	
EBITDA	436.3	443.1
Debt-refinancing related advisory fees[(a)]	1.5	1.7
Advisory fees related to the 2014 SFR Acquisition	—	6.8
Acquisition-related restructuring costs[(b)]	1.1	2.9
Provisions / costs for tax and social security audits	0.2	(1.1)
CVAE[(c)]	9.2	9.0
Accelerated depreciation of equipment[(d)]	4.2	—
Penalties[(e)]	1.1	—
Share-based compensation expense	—	3.7
Adjusted EBITDA	**453.6**	**466.1**

(a) Advisory fees paid in connection with the Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Group's acquisition of Altitude Télécom and SFR (classified in purchases and subcontracting services and staff costs and employee benefits expense).

(c) As from January 1, 2010, the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy, partially replaced the former local business tax (*taxe professionnelle*) (classified in taxes and duties).

(d) Non-cash losses resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers (classified in purchases and subcontracting services), and, as applicable, the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(e) Penalties paid to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Depreciation, Amortization and Impairment

Depreciation and amortization increased by €11.2 million between the nine months ended September 30, 2013 and the nine months ended September 30, 2014, increasing from €219.0 million to € 230.2 million. This increase reflects the increase in the level of investments in recent years, in both the B2C and B2B segments, in order to renovate the network and connect increasing numbers of customers.

Operating Income

Operating income decreased 2.0%, or €4.4 million, from €217.3 million in the nine months ended September 30, 2013 to €212.9 million in the nine months ended September 30, 2014, for the reasons discussed above.

Finance Costs, Net

Finance costs increased from a charge of €148.8 million for the nine months ended September 30, 2013 to a charge of €427.2 million for the nine months ended September 30, 2014, representing an increase of €278.4 million.

During the first half of 2014, the Group issued €11.65 billion in debt to secure a portion of the cash financing for the 2014 SFR Acquisition and refinance its existing €2.64 billion of debt. This debt consisted of a U.S. dollar portion of $10.375 billion (equivalent to €7.503 billion) and a euro portion of €4.150 billion. The principal and interest of the U.S.-dollar portion were hedged through dollar/euro swaps. Accounting for these swaps, and in particular recording their fair value, affects the Group's income only with respect to the variable-rate portion of the U.S. dollar bank debt to the extent that these instruments do not fulfil the criteria for hedge accounting; the hedging instruments on the fixed-rate debt meet IFRS criteria for hedge accounting, and their fair value is accounted for in other comprehensive income in shareholders' equity. This total debt bears interest at a lower rate than the rate paid by the Group on its debt during the first half of 2013. Of the €11.65 billion raised in May 2014, €8.9 billion was placed in escrow pending the closing of the SFR transaction. The new debt generates finance charges that the Group began to pay upon its issuance in May 2014.

For the first nine months of 2014, as a result of the foregoing, the Group incurred the following finance costs:

- interest expense on the portion of net debt corresponding to Numericable Group's debt prior to financing the 2014 SFR Acquisition decreased by €29.4 million, from €133.5 million in the first nine months of 2013 to €103.1 million in the first nine months of 2014, due to more favourable interest rates. In the third quarter of 2014, the Group recorded interest expense of €33.6 million on the part of net debt corresponding to Numericable Group's net debt prior to financing of the 2014 SFR Acquisition, down €12.0 million on a constant scope of debt basis;

- charges resulting from the early repayment of the Group's € 2.64 billion of existing debt totalling €108.9 million (€ 89 million of make-whole charges for the early repayment of the notes and €20 million from the reclassification as expenses of set-up costs relating to the previous financing that had not yet been fully amortized at the time of the repayment). No such charges were incurred during the third quarter of 2014;

- charges without impact on cash flow of €37.0 million due to amortization of the cost of entering into the existing debt (€17.5 million) and as a result of exchange rate effects on the Group's dollar-denominated debt, including changes in the fair value of the swaps on the bank portion of the new debt (accounting for €17.0 million). In the third quarter of 2013, the Group recorded €10.3 million in amortization of the cost of entering into the existing debt and a gain of €7.6 million as a result of exchange rate effects on the Group's dollar-denominated debt, including changes in the fair value of the swaps on the bank portion of the new debt; and

- additional interest expense on the debt incurred to finance a portion of the 2014 SFR Acquisition and placed in escrow (€8.9 billion) of €173.5 million, incurred between May 21, 2014 and September 30, 2014. In the third quarter of 2014, €109.2 million of financial interest was recorded with respect to the debt incurred to finance a portion of the 2014 SFR Acquisition.

Income Tax Expense

Income tax represented an expense of €8.3 million in the nine months ended September 30, 2013 and income of €36.5 million in the nine months ended September 30, 2014.

The initial public offering and the structural reorganization of the Group implemented in November and December 2013 gave the Group better visibility, as of December 31, 2013, of its tax structure and its ability to generate, in line with the Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax loss carryforwards. Given the potential to generate income, it became clear that the Group was able to use the tax loss carryforwards that it had recorded. The Company therefore decided as of December 31, 2013 to recognize a deferred tax asset for the share of the tax losses that could be used within five years, which resulted in the recognition of deferred tax income of € 132.7 million for 2013. In the first nine months of 2014, the Group also benefited from the formation, as of January 1, 2014, of a new tax consolidation group that includes the companies of the former groups of Altice B2B France and Ypso France, and of which Numericable Group SA is the parent company. This enabled the Group to use its tax losses more rapidly. The result was the recognition of additional net deferred tax income of €70.0 million in the first nine months of 2014.

The Group also recorded deferred tax expense of €33.5 million with respect to the derivative instruments put in place in May 2014 that are not eligible for hedge accounting (swaps on bank loans).

In total, the Group therefore recorded deferred tax income of € 36.5 million in the first nine months of 2014.

For further information, see Note 10 to Numericable Group's interim condensed consolidated financial statements as of and for the nine months ended September 30, 2014.

Analysis of Results by Segment for the Nine Months Ended September 30, 2013 and the Nine Months Ended September 30, 2014

B2C Segment

The following table shows revenues, operating expenses and operating income before depreciation, amortization and impairment for the B2C segment for the nine-month periods ended September 30, 2013 and September 30, 2014.

	For the nine months ended September 30,		
B2C Segment	**2014**	**2013**	**Change 2013/2014**
(in € millions)			
Revenues	**664.9**	**648.5**	**2.5%**
Digital revenues	523.4	507.4	3.1%
Analog revenues	16.9	22.1	(23.7)%
Bulk revenues	50.2	51.4	(2.3)%
Fiber white label revenues	74.4	67.6	10.1%
Purchases and subcontracting services	(315.4)	(301.2)	4.7%
Staff costs and employee benefits expense	(66.0)	(60.5)	9.0%
Taxes and duties	(15.6)	(15.8)	(1.0)%
Provisions	(10.6)	(0.1)	10,500%
Other operating income	49.3	42.6	15.7%
Other operating expenses	(1.4)	(6.8)	(79.8)%
Operating income before depreciation and amortization and impairment (EBITDA)	**305.3**	**305.8**	**(0.2)%**
EBITDA margin rate	45.9%	47.2%	—

Revenues

B2C segment revenues increased by 2.5%, from €648.5 million for the nine-month period ended September 30, 2013 to €664.9 million for the nine-month period ended September 30, 2014.

The increase in B2C revenues was due, firstly, to the Numericable brand digital business, which increased by €16 million, or 3.1%, from € 507.4 million for the nine-month period ended September 30, 2013 to €523.4 million for the nine-month period ended September 30, 2014. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totalled approximately 1.0 million at September 30, 2013, and approximately 1.1 million at September 30, 2014. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings, which helped us acquire 6.3% more new customers in the nine-month period ended September 30, 2014, than in the first nine months of 2013. The increase in the client base was accompanied by an increase of €1.0 in ARPU for existing clients, from an average of € 41.4 per month during the nine-month period ended September 30, 2013 to an average of €42.4 per month in the nine-month period ended September 30, 2014.

Fiber white labels constituted the second growth vector, with revenues increasing 10.1%, or €6.8 million, from €67.6 million in the nine-month period ended September 30, 2013 to €74.4 million in the nine-month period ended September 30, 2014. This increase reflects an approximate 8.4% increase in the number of fiber white label end users year- on-year, from approximately 334,000 end users as of September 30, 2013 to approximately 362,000 end users as of September 30, 2014, due to the continued commercial roll-out of Bouygues Télécom's white label offering. Added to this was the €5 million effect of passing on €5 million in charges incurred for the launch of the white label brand with SFR in view of a commercial launch at the end of the 2014.

Analog revenues continued to decrease as anticipated, decreasing by € 5.2 million, or 23.7%, from €22.1 million for the nine-month period ended September 30, 2013, to €16.9 million for the nine-month period ended September 30, 2014. This decrease is primarily due to a 22.7% decrease in the Numericable Group's analog customer base, from approximately 88,000 subscribers as of September 30, 2013 to approximately 68,000 as of September 30, 2014. Since the Numericable Group stopped marketing analog offers a few years ago and is not adding new subscribers, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.3%, totalling €50.2 million for the nine-month period ended September 30, 2014, compared to € 51.4 million for the nine-month period ended September 30, 2013, reflecting a slight decrease in the Numericable Group's bulk customer base.

Operating Income Before Depreciation, Amortization and Impairment (EBITDA)

EBITDA decreased by €0.5 million, from €305.8 million for the nine-month period ended September 30, 2013 to €305.3 million for the nine-month period ended September 30, 2014. This decrease is the result of the following:

- The non-recurring charges relating to the 2014 SFR Acquisition and to the refinancing of Numericable's debt, as well as the bulk of the charge relating to stock option plans, are recorded in the B2C segment. These costs, for a total value of €12 million, were incurred during the nine-month period ended September 30, 2014 and no equivalent expenses were incurred in the first nine months of 2013.

After removal of these items, the B2C segment's EBITDA grew in line with its revenues.

B2B Segment

The following table shows revenues, operating expenses and operating income before depreciation, amortization and impairment for the B2B segment for the nine-month periods ended September 30, 2013 and September 30, 2014.

B2B Segment (in € millions)	**Nine months ended September 30, 2014**	**2013**	**Change 2013/2014**
Revenues	**243.3**	**227.8**	**6.8%**
Voice revenues	94.5	84.0	12.5%
Data revenues	148.8	143.8	3.5%
Purchases and subcontracting services	(152.0)	(130.5)	16.5%
Staff costs and employee benefits expense	(47.7)	(43.6)	9.4%
Taxes and duties	(5.6)	(6.0)	(6.7)%
Provisions	0.7	(0.3)	133%
Other operating income	17.1	15.9	7.6%
Other operating expenses	(0.0)	0.0	—
Operating income before depreciation and amortization and impairment (EBITDA)	**55.9**	**63.3**	**(11.7)%**
EBITDA margin rate	23.0%	27.8%	—

Revenues

B2B segment revenues increased by €15.5 million, or 6.8%, from € 227.8 million in the nine-month period ended September 30, 2013 to €243.3 million in the nine-month period ended September 30, 2014. Both voice and data revenues contributed to this increase. Growth in data was primarily the result of organic growth, led by continually increasing orders.

Voice revenues continued to be affected by contract renegotiations that resulted in lower prices following decreases in the regulatory call termination rates. However, the contribution of new contracts resulted in relatively stable revenues, while the contribution of LTI, which the Numericable Group acquired in late 2013 and which therefore did not contribute to revenues in the nine-month period ended September 30, 2013, increased voice revenues.

Operating Income Before Depreciation, Amortization and Impairment (EBITDA)

EBITDA decreased by €7.4 million, or 11.7%, from €63.3 million in the nine-month period ended September 30, 2013 to € 55.9 million in the nine-month period ended September 30, 2014.

This decrease is due to a decrease in the value of the voice market, primarily as a result of the regulated decrease in interconnection costs. The regulated decrease in call termination rates resulted in an immediate decrease in interconnection costs, whereas the effect on revenues is delayed until the renewal dates of the potentially affected contracts. In 2014, the value of the Numericable Group's revenues at constant volume continued to decrease, whereas the corresponding cost decrease had already occurred at the time of the first decrease, as of January 1, 2013, which negatively affected the margins of these activities.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation, amortization and impairment of the Wholesale segment for the nine-month periods ended September 30, 2013 and September 30, 2014.

Wholesale Segment (in € millions)	**Nine months ended September 30, 2014**	**2013**	**Change 2013/2014**
Revenues	**156.0**	**140.7**	**10.9%**
Purchases and subcontracting services	(66.3)	(65.0)	2%
Staff costs and employee benefits expense	(4.6)	(4.8)	(4.2)%
Taxes and duties	(3.1)	(3.8)	(18.4)%
Provisions	0.0	0.0	—
Other operating income	0.0	0.0	—
Other operating expenses	0.0	0.0	—
Operating income before depreciation and amortization and impairment (EBITDA)	**82.0**	**67.2**	**22%**
EBITDA margin rate	52.6%	47.8%	—

Revenue

Wholesale segment revenues increased by €15.3 million, or 10.9%, from €140.7 million in the nine-month period ended September 30, 2013 to €156.0 million in the nine-month period ended September 30, 2014.

After removal of intra-Numericable Group services, Wholesale segment's contribution to revenues decreased by €3.6 million, from € 98.1 million in the nine-month period ended September 30, 2013 to €94.5 million in the nine-month period ended September 30, 2014.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Numericable Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in telephony revenues. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues (ex-Darty) white label DSL brands continued to decrease in correlation with the decrease in the number of customers hosted on our network.

Conversely, revenues from data capacity resales, which have high margins, continued to grow.

Operating Income Before Depreciation, Amortization and Impairment (EBITDA)

EBITDA of Wholesale activities grew by €14.8 million, or 22.0%, from €67.2 million in the nine-month period ended September 30, 2013 to €82.0 million in the nine-month period ended September 30, 2014.

This increase in EBITDA results from a decline in the traditional telephony service resale business, which is lower margin, more than offset by data service resale business, which is higher margin.

Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013

The table below shows the Numericable Group's consolidated statement of income for the years ended 2012 and 2013, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2012		2013		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,302.4**	**100.0%**	**1,314.2**	**100.0%**	**0.9%**
Purchases and subcontracting services	(602.1)	(46.2)%	(611.0)	(46.5)%	1.5%
Staff costs and employee benefits expense	(141.5)	(10.9)%	(154.6)	(11.8)%	9.3%
Taxes and duties	(32.4)	(2.5)%	(33.9)	(2.6)%	4.6%
Provisions	(6.2)	(0.5)%	(20.5)	(1.6)%	229.1%
Other operating income	89.2	6.9%	86.3	6.6%	(3.3)%
Other operating expenses	(17.2)	(1.3)%	(20.5)	(1.6)%	19.1%
Operating income before depreciation and amortization and impairment (EBITDA)	**592.3**	**45.5%**	**560.1**	**42.6%**	**(5.4)%**
Depreciation and amortization	(291.7)	(22.4)%	(304.0)	(23.1)%	4.2%
Operating income	**300.5**	**(23.1)%**	**256.0**	**19.5%**	**(14.8)%**
Financial income	4.3	0.3%	9.7	0.7%	124.3%
Interest relative to gross financial debt	(183.1)	(14.1)%	(184.8)	(14.1)%	1.0%
Other financial expense	(32.7)	(2.5)%	(148.5)	(11.3)%	354.2%
Finance costs, net	**(211.4)**	**(16.2)%**	**(323.6)**	**(24.6)%**	**53.1%**
Income tax expense	(2.5)	(0.2)%	132.8	10.1%	NA
Share in net income (loss) of equity affiliates	(0.2)	0.0%	(0.5)	(0.0)%	143.2%
Net income (loss)	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Attributable to owners of the entity	86.4	6.6%	64.6	4.9%	(25.3)%
Attributable to non-controlling interests	0.0	0.0%	0.2	0.0%	218.4%

Revenues

Contribution to combined/consolidated revenues

	Year ended December 31,		
(in € millions)	2012	2013	Change
B2C	826.2	864.6	4.7%
B2B	323.2	309.6	(4.3)%
Wholesale	153.1	140.0	(8.3)%
Total	**1,302.4**	**1,314.2**	**0.9%**

Revenues for 2013 totalled €1,314.2 million, representing an increase of 0.9%.

Of the Numericable Group's activities, B2C's revenues increased the most, due to the growth of the Numericable and Fiber White Label client base and the positive effect of the ARPU of Numericable customers.

At December 31, 2013, the B2C subscriber base totalled approximately 1.7 million, having grown by 81,000 subscribers as compared with December 31, 2012. This growth was primarily due to the growth in the number of multi-play subscribers under the Numericable brand (an increase of 69,000) and in the number of White Label subscribers (an increase of 66,000). ARPU remained high at €41.90 for the fourth quarter of 2013. It increased by €1.10 as compared with ARPU for the Numericable customer base for the fourth quarter of 2012.

B2B revenues decreased by 4.3% from 2012 to 2013. This decrease is primarily the result of (i) the effect of decreases in call termination rates, which in turn led customers (especially large customers) to demand decreases in the rates they paid, and (ii) the impact of administrative and operational difficulties in 2012, which resulted in particular in the issuance of credit notes during the nine-month period ended September 30, 2013. However, the trend appears to be improving in this area as well, as the value of new signed contracts grew significantly, from €5.7 million in 2012 to €6.7 million in 2013, an improvement of 17.6%. This growth should show its full impact in 2014 revenues, given the installation delays for new business.

The Wholesale segment's revenues also decreased, also due to the systematic passing through of the decreases in call termination rates. Wholesale revenues decreased by 8.3% in 2013 as compared with 2012. The primary reason for this decrease was the decreases in call termination rates. In the Wholesale segment, these decreases led to an immediate and systematic effect on other operations. In addition, 2013 was marked by a progressive decline in the Bouygues (ex-Darty)

White Label DSL customer base. This customer base, which had totalled 168,005 subscribers at December 31, 2012, decreased to 120,261 subscribers at December 31, 2013, a contraction of 28%.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €8.9 million, or 1.5%, from €602.1 million in 2012 to €611.0 million in 2013. This increase is primarily due to an increase in subscriber acquisition costs for new B2C customers relating to the higher volume of new customers, partially offset by a significant decrease in call termination costs in B2C, B2B and Wholesale.

As of December 31, 2013, the total amount of trade payables of the Company, excluding invoices not delivered, was €127.5 million, of which €27.1 million payable before the end of December 2013, € 55.2 million payable before the end of January 2014 and €65.2 million payable at a later date.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by €13.1 million, or 9.3%, from €141.5 million in 2012 to €154.6 million in 2013. This increase was partly the result of an increase in the number of employees, which went from 1,979 employees (excluding trainees) at the end of 2012 to 2,182 employees (excluding trainees) at the end of 2013. This increase in headcount is due to sales force hiring as well as the integration of LTI, a company acquired in early November 2013, which had 100 employees at the time of the acquisition. The increase of €13.1 million therefore comes from both an increase in the number of employees and an increase in the level of compensation, with a general salary increase of 1% in 2013 and a significant bonus distribution relating to increased sales (B2C) and orders (B2B) during the period. €3.6 million in share-based compensation expense relating to stock options issued in 2013 also contributed to the increase.

Taxes and Duties

Taxes and duties rose by €1.5 million, or 4.6%, from €32.4 million in 2012 to €33.9 million in 2013, due primarily to the impact of the increase in B2C and Wholesale income on the CVAE.

Information on luxury expenses: in 2013, Numericable recorded luxury expenses of €133,000 with respect to excess depreciation of rental cars.

Information on the adding back of general expenses in taxable profit: no general expenses were added back for tax purposes by the Company in 2013.

Provisions

Provisions (net of reversals) increased by €14.7 million, from € 6.2 million in 2012 to €20.5 million in 2013. Most of this increase comes from the B2B segment, in which a provision was recorded following a tax audit performed in 2013 relating to the years 2010 and 2011. Following the audit, the tax authorities notably rejected expenses for services performed between 2009 and 2011. A provision of €11.4 million was recorded with respect to this audit as of December 31, 2013, which brought the total amount of provisions for tax audits to €36.3 million as of December 31, 2013. See "*Description of Our Business—Legal Proceedings—Tax Matters in France*" in these Listing Particulars.

Other Operating Income

Other operating income decreased by €2.9 million, from €89.2 million in 2012 to €86.3 million in 2013. This decrease in other operating income primarily reflects a slow-down in costs incurred relating to the DSP 92 project, at a time when the Phase 2 agreement was being discussed and Phase 1 was nearing completion. This slow-down in activity led to a lower level of capitalization of external costs, partly offset by sales of cable networks to municipal governments in connection with the winding up of délégation de service public (public service concession) contracts. In 2013, this item also includes repayment of a €5.0 million fine assessed by ARCEP in 2012, due to the Constitutional Council's decision to invalidate ARCEP's power to impose sanctions.

Other Operating Expenses

Other operating expenses increased by €3.3 million, from € 17.2 million in 2012 to €20.5 million in 2013. This increase is due to the B2C segment and to expenses related to the termination of certain DSPs, which resulted in a return of certain assets to municipal governments. This return of assets results in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow. The increase in these expenses was partially offset by the decrease in fees paid in connection with refinancing transactions (as the costs incurred in connection with the initial public offering were fully deducted from share premium and were not recorded as expenses) and the decrease in management fees paid to shareholders.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA decreased by €30.7 million, from €590.8 million in 2012 to €560.1 million in 2013. This decrease reflects both decreases directly related to activity and other decreases that are either non-recurring or have no impact on cash flow, and which are eliminated when calculating Adjusted EBITDA (see below). Activity in 2013 was principally characterized by accelerated growth in the B2C business, which generates significant subscriber acquisition costs (sales and marketing expenses). These costs, which are necessary to create dynamic sales, generate expenses in the year during which the new customers are acquired. In 2013 they offset the positive recurring effect of this growth in the B2C business. In the B2B business, the decline in telephony activities and the decision taken in 2013 to issue credit notes to resolve customer management problems related to the service quality problems that occurred in 2012 and 2011 also negatively affected the year's results.

In addition, 2013 was affected by a series of costs that either were non-recurring or had no impact on cash flow, such as the effect of the tax assessments in the B2B segment, the refinancing costs for the transactions carried out in connection with the initial public offering and the non-cash termination costs of certain DSPs.

Adjusted EBITDA

Once non-recurring items and items that have no impact on cash flow are deducted, adjusted EBITDA for 2013 amounted to €615.9 million, a slight decrease of €3.4 million, or 0.5%, as compared with 2012.

These results show the accelerating acquisition of new clients in B2C, which decreases profitability in the first year, as well as the effect of the slow-down in B2B voice activities, due to the last regulated decrease in call termination rates as of January 1, 2013. In Wholesale, a return to profitability was achieved by pursuing growth in high-margin fiber and traditional data capacity resale.

See "—*Reconciliation of EBITDA and Adjusted EBITDA*" for details on the components of adjusted EBITDA.

Depreciation and Amortization

Depreciation and amortization expenses increased by €12.3 million, or 4.2%, from €291.7 million in 2012 to €304.0 million in 2013. This increase reflects increased investment in the B2C and B2B segments in recent years to upgrade and modernize the network and connect an increasing number of clients.

Operating Income

Operating income decreased by €44.5 million, or 14.8%, from € 300.5 million in 2012 to €256.0 million in 2013, for the reasons discussed above.

Finance Costs, Net

Finance costs, net increased by €112.2 million, from a net charge of €211.4 million for the year ended December 31, 2012 to a net charge of €323.6 million for the year ended December 31, 2013. The majority of this decline (€81.6 million) is the result of capitalizing the Super PECs (see below). The remainder of the decline (€ 30.6 million) is the primarily the result of (i) a €34.2 million increase in Other Financial Expenses, excluding the effect of capitalizing the Super PECs, and (ii) a €1.8 million increase in interest expense, offset by a €5.4 million increase in interest income.

At the time of the restructuring of the Numericable Group's debt in 2009, shareholders of the Numericable Group acquired certain loans under the Ypso France Senior Facility Agreement. Ypso Holding Sàrl issued equity securities that were subscribed by the shareholders, and in particular 132,664,023 subordinated interest preferred equity certificates (the "Super PECs"), with a nominal value of one euro each. Interest due to shareholders was capitalized.

Cinven, Carlyle and Altice contributed these Super PECs to Numericable Group on November 7, 2013 in connection with the transactions relating to the initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. In turn, debt extinction charges were recorded in financial expenses for an amount of € 81.6 million. This expense has no impact on the Numericable Group's cash flow.

The increase of €34.2 million in Other Financial Expenses, excluding the effect of capitalizing Super PECs, is a result of costs incurred relating to the repayment of various credit lines using the new Facility D, and to the capital increase at the time of the initial public offering (see "*—Liquidity and Capital Resources of the Numericable Group*"). The repayment of the Senior Secured Notes led to the payment of a premium to the noteholders. Thus, the Numericable Group paid a total of €28.0 million (12.375% of the amounts repaid on the C1A Facility, 8.75% of the amounts repaid on the C2A Facility and 2% on the C2B Facility, which was fully repaid). The early repayments of these Facilities, as well as the Facilities under the Altice B2B SFA, resulted in the recording of € 15.2 million in costs relating to the initial entry into the cancelled debt, which had initially been recorded at amortized cost.

The increase in interest income relates primarily to two payments totaling €7.1 million received by the Numericable Group following the bankruptcy of Lehman Brothers. The remainder of interest income recorded on the income statement consists of a reversal of provisions for risks of € 1.9 million.

Interest on debt increased primarily as a result of the refinancing in October 2012, but also as a result of the refinancing in February 2012 (to a lesser extent, because it relates only to the first 45 days of the year). The refinancing transactions carried out in the fourth quarter have lowered interest payments only slightly so far, because they closed in December.

Income Tax Expense

The initial public offering and the structural reorganization implemented in November and December 2013 gave the Numericable Group better visibility over its tax structure and its ability to generate, in line with the Numericable Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax loss carryforwards. Given a number of factors (notably, reorganizations, refinancing) that have allowed for an improved outlook for the use of tax losses, it became clear that the Numericable Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset for the share of the tax losses that can be used within five years. The result was the recognition of deferred tax income of €132.7 million for 2013. For a description of the rules governing the use of these losses, "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Our future results, French tax law, tax audits and other factors may limit our capacity to use our tax losses, and thus reduce the Altice France Group's net cash flows*" in these Listing Particulars.

Analysis of Results by Segment for the Years Ended December 31, 2012 and December 31, 2013

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and impairment for the B2C segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,		
B2C Segment (in € millions)	**2013**	**2012**	**Change 2012/2013**
Revenues	**869.4**	**832.6**	**4.4%**
Digital revenues	681.5	650.4	4.8%
Analog revenues	28.6	36.9	(22.4)%
Bulk revenues	68.6	70.1	(2.1)%
Fiber white label revenues	90.7	75.3	20.4%
Purchases and subcontracting services	(415.1)	(386.1)	7.5%
Staff costs and employee benefits expense	(87.1)	(77.6)	12.3%
Taxes and duties	(20.5)	(19.9)	2.9%
Provisions	(8.6)	(4.5)	90.8%
Other operating income	65.5	68.1	(3.8)%
Other operating expenses	(18.6)	(16.0)	16.0%
Operating income before depreciation and amortization and impairment (EBITDA)	**385.0**	**396.6**	**(2.9)%**
EBITDA margin rate	*44.3%*	*47.6%*	—

Revenues

B2C segment revenues increased by 4.4% to €869.4 million for the year ended December 31, 2013, compared to €832.6 million for the year ended December 31, 2012.

The increase in B2C revenues was essentially due to the Numericable brand digital business, which increased by €31.1 million, or 4.8%, from €650.4 million in 2012 to €681.5 million in 2013. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totalled 1.264 million at December 31, 2013, as compared to 1.228 million at December 31, 2012. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings. LaBox was launched in mid-2012 and was aggressively advertised in the fall of 2012. The increase in the client base was accompanied by an increase of €0.80 in ARPU for existing clients, from an average of €40.70 per month in 2012 to an average of €41.5 per month in 2013.

Fiber white labels constituted the second growth vector, with revenues increasing by 20.4%, or €15.4 million, from €75.3 million in 2012 to €90.7 million in 2013. This increase reflects an approximate 22% increase in the number of fiber white label end users year-on-year, from approximately 297,000 end users as of December 31, 2012 to approximately 363,000 end users as of December 31, 2013, due to the continued commercial roll-out of Bouygues Télécom's white label offering since its launch at the end of 2010.

Analog revenues continued to decrease as anticipated, decreasing by € 8.3 million, or 22.5%, from €36.9 million for the year ended December 31, 2012 to €28.6 million for the year ended December 31, 2013. This decrease is primarily due to a 21% decrease in the Numericable Group's analog customer base, from approximately 103,000 subscribers as of December 31, 2012 to approximately 81,000 as of December 31, 2013. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.1%, totaling €68.6 million for the year ended December 31, 2013, compared to €70.1 million for the year ended December 31, 2012, reflecting a slight decrease in the Numericable Group's bulk customer base.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €29.0 million, or 7.5%, from €386.1 million in 2012 to €415.1 million in 2013. This increase primarily reflects the marketing and communications efforts made in order to grow the digital subscriber base between 2012 and 2013. Subscriber acquisition costs, which include subscriber acquisition-related marketing and communications costs and commissions paid to external sales networks, increased by almost €17 million, from €73.4 million in 2012 to €90.0 million in 2013.

In addition, energy and network-maintenance costs increased by approximately €1 million, call center costs increased by €2.5 million, and costs of material purchased for resale increased approximately €5 million.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 12.3%, or €9.5 million, from €77.6 million in 2012 to €87.1 million in 2013. This increase reflects the hiring of new sales team members in 2012 and 2013, as well as higher variable compensation paid to marketing staff, tied in part to the number of new customers. Furthermore, wages increased by approximately 1% in 2013.

In addition, share-based compensation expense in connection with the IPO resulted in additional costs of €3.6 million.

Taxes and Duties

Taxes and duties increased by 3.0%, or €0.6 million, from € 19.9 million in 2012 to €20.5 million in 2013. This increase is due to the growth in the Company CVAE during this period, which in turn results from the Company's significant investments in the B2C business and the related increase in both the value of fixed assets and added value.

Provisions

Net provisions increased by €4.1 million, from €4.5 million for the year ended December 31, 2012 to €8.6 million for the year ended December 31, 2013.

Provisions mainly consist of those for commercial and tax litigation, for retirement indemnities and for amounts charged to end users who do not return the Numericable Group's equipment after canceling their subscriptions with the Numericable Group.

The increase was primarily due to the increase in net provisions for bad debt, for approximately €4 million. The other provisions recorded during the year were offset by reversals during the period.

Other Operating Income

Other operating income decreased by €2.6 million, from €68.1 million for the year ended December 31, 2012 to €65.5 million for the year ended December 31, 2013. This decrease was primarily due to lower capital expenditures on the DSP 92 project, as the first phase ended during the year.

Other Operating Expenses

Other operating expenses increased by €2.6 million, from € 16.0 million for the year ended December 31, 2012 to €18.6 million for the year ended December 31, 2013. This increase was the result of an increase of €7.3 million in expenses related to the completion of certain DSPs, which resulted in a return of certain assets to local governments. This return of assets results in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow. This increase in expenses was partially offset by a significant decrease in refinancing fees as compared with 2012, a year in which costs increased strongly as a result of two note issuances.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA decreased by €11.6 million, from €396.6 million for the year ended December 31, 2012 to €385.0 million for the year ended December 31, 2013. Compared to 2012 and earlier years, in which revenue remained relatively stable, the growth in 2013, driven by a more significant capture of new customers, generated higher subscription acquisition costs. In the first year of return to growth, these higher costs more than offset the growth in revenues. However, B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external sales networks) increased from €468.4 million for the year ended December 31, 2012 to €470.0 million for the year ended December 31, 2013.

Moreover, this segment's EBITDA was affected in 2013 by the costs of stock option grants in the amount of €3.6 million, as well as additional charges with no effect on cash flow relating to the completion of DSPs, for €7.3 million.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and impairment for the B2B segment for the years ended December 31, 2012 and 2013.

B2B Segment (in € millions)	**Year ended December 31, 2013**	**2012**	**Change 2013/2012**
Revenues	**312.6**	**324.5**	**(3.7)%**
Voice revenues	115.5	133.9	(13.7)%
Data revenues	197.1	190.6	3.4%
Purchases and subcontracting services	(180.2)	(178.4)	1.0%
Staff costs and employee benefits expense	(60.5)	(57.2)	5.8%
Taxes and duties	(8.1)	(7.6)	6.6%
Provisions	(11.6)	(1.3)	NS
Other operating income	20.8	21.1	(1.4)%
Other operating expenses	(1.9)	(1.1)	72.7%
Operating income before depreciation and amortization and impairment (EBITDA)	**71.2**	**100.0**	**(28.8)%**
EBITDA margin rate	*22.8%*	*30.8%*	—

Revenues

B2B segment revenues decreased by €11.9 million, or 3.7%, from € 324.5 million in 2012 to €312.6 million in 2013. This decrease reflected a decrease in voice revenues, which was partially offset by an increase in data revenues.

Voice revenues decreased by €18.4 million, or 13.7%, from € 133.9 million in 2012 to €115.5 million in 2013. This decrease resulted from a gradual passing on to customers of the successive decreases in regulated call termination rates and to a lesser extent from a decrease in volumes.

Data revenues increased by €6.5 million, or 3.4%, from € 190.6 million for the year ended December 31, 2012 to €197.1 million for the year ended December 31, 2013. This increase reflected the Numericable Group's strategy of focusing on data services, where most new contracts are signed.

In addition, 2013 was also affected by credit notes issued to certain customers in response to customer complaints regarding service quality problems during the integration of Altitude Télécom within Completel. These credit notes primarily affected the nine-month period ended September 30, 2014, for a total of approximately €10 million, the impact of which reduced revenues.

Purchases and Subcontracting Services

Purchases and subcontracting services increased slightly, from €178.4 million in 2012 to €180.2 million in 2013, for an increase of 1.0%. This small increase results from the growth in the Numericable Group's data business, the revenues of which increased 3.4% for the year, generating more purchases of capacity.

This increase was partly offset by a decrease in telephony costs of approximately €4 million from 2012 to 2013 resulting from a decrease in per-unit costs—the effect of the last decrease in regulated interconnection rates, which occurred on January 1, 2013—and of a contraction in volumes of minutes.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 5.8%, from €57.2 million in 2012 to €60.5 million in 2013. This increase has two main causes. First, additional sales staff was recruited to address the lower-end market and SMEs. Second, new contracts increased strongly in 2013 as compared with 2012 (monthly revenues from new contracts increased from €5.660 million in 2012 to €6.657 million in 2013, representing an increase of 17.6%, the effect of which should be seen essentially in 2014), generating higher bonuses for the sales teams in 2013 than in 2012.

Taxes and Duties

Taxes and duties increased slightly, by €0.5 million, between 2012 and 2013.

Provisions

Provisions (net of reversals) increased by €10.3 million, from €1.3 million in 2012 to €11.6 million in 2013. Most of this increase comes from a provision recorded following a tax audit performed in 2013 relating to the years 2010 and 2011, following which the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of the assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income did not change significantly, decreasing by €0.3 million, or 1.6%, from €21.1 million in 2012 to €20.8 million in 2013. This other income largely comprises capitalized payroll.

Other Operating Expenses

Other operating expenses increased by €0.8 million, from €1.1 million in 2012 to €1.9 million in 2013. This increase is essentially due to fees paid in connection with refinancing transactions in 2013.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA decreased by €28.8 million, or 28.8%, from €100.0 million in 2012 to €71.2 million in 2013.

This decrease in the B2B segment's operating income is due to a decrease in the size of the voice market, primarily as a result of the regulated decrease in interconnection rates, and, to a lesser extent, in volumes. It was amplified in 2013 by the low level of contract-based orders in 2012, leading to an incremental revenue in 2013 that was weaker than in 2012. The credit notes of close to €10 million issued in the nine-month period ended September 30, the year also weighed heavily on this segment's profitability in 2013, as did the provision relating to the tax audit, for €11.4 million.

The commercial recovery in 2013, as measured by the value of new contracts signed, which increased 17.6% in 2013 as compared with 2012, as well as the end of the regulated decreases in call termination rates, are positive signs for 2014.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and impairment for the Wholesale segment for the years ended December 31, 2012 and 2013.

Wholesale Segment (in € millions)	**Year ended December 31, 2013**	**2012**	**Change 2012/2013**
Revenues	**200.8**	**211.5**	**(5.1)%**
Purchases and subcontracting services	(84.3)	(103.8)	(18.8)%
Staff costs and employee benefits expense	(7.0)	(6.7)	4.5%
Taxes and duties	(5.4)	(4.9)	10.2%
Provisions	(0.3)	(0.4)	(25.0)%
Other operating income	0.1	—	—
Other operating expenses	0.0	—	—
Operating income before depreciation and amortization and impairment (EBITDA)	**103.9**	**95.7**	**8.6%**
EBITDA margin rate	*51.7%*	*45.3%*	—

Revenues

Wholesale segment revenues decreased by €10.7 million, or 5.1%, from €211.5 million in 2012 to €200.8 million in 2013.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Numericable Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in revenues of approximately €27 million. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues (ex-Darty) white label DSL brands continued to decrease (by €4 million between 2012 and 2013) in correlation with the decrease in the number of customers hosted on the Numericable Group's network, which decreased from 168,005 customers at the end of 2012 to 120,261 in 2013, or a decrease of 28%.

Conversely, revenues from data capacity resales, which have high margins, continued to grow, increasing by approximately €17 million from 2012 to 2013.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased by €19.5 million, or 18.8%, from €103.8 million in 2012 to €84.3 million in 2013.

This decrease resulted from a decrease in volume and value of telephone traffic over the Numericable Group's network. The decrease in volume was the result of a lower volume of minutes exchanged between Bouygues Télécom and Free Mobile using the Numericable Group's network. The decrease in value was the result of the regulated decrease in interconnection rates, which last occurred on January 1, 2013.

The increase in data activity had only a small impact on purchases and subcontracting services, because it primarily includes the resale of capacity on the Numericable Group's network, which does not generate additional external costs.

Staff Costs and Employee Benefits Expenses

Staff costs and employee benefits expense increased by 4.5%, or €0.3 million, from €6.7 million in 2012 to €7.0 million in 2013, due primarily to the increase in profit sharing based on income growth in 2013.

Taxes and Duties

Taxes and duties increased by €0.5 million, or 10.2%, from €4.9 million in 2012 to €5.4 million in 2013. This tax increase is directly correlated with the increase in income generated by Wholesale activities.

Provisions

Provisions (net of reversals) decreased from €0.4 million in 2012 to €0.3 million in 2013. Neither the change in provisions nor their absolute value is significant.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA of Wholesale activities grew by €8.2 million, or 8.5%, between 2012 and 2013, from €95.7 million in 2012 to €103.9 million in 2013. This increase in EBITDA results from a decline in the traditional telephony service resale business, which has lower margins, more than offset by growth in the data service resale business, which have higher margins.

Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012

The table below shows the Numericable Group's combined statement of income for the years ended December 31, 2011 and December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2011		2012		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,306.9**	**100.0%**	**1,302.4**	**100.0%**	**(0.3)%**
Purchases and subcontracting services	(621.7)	(47.6)%	(602.1)	(46.2)%	(3.2)%
Staff costs and employee benefits expense	(141.0)	(10.8)%	(141.5)	(10.9)%	(0.4)%
Taxes and duties	(28.3)	(2.2)%	(32.4)	(2.5)%	14.5%
Provisions	(8.0)	(0.6)%	(6.2)	(0.6)%	(3.8)%
Other operating income	80.4	6.2%	89.2	6.9%	10.9%
Other operating expenses	(25.1)	(1.9)%	(17.2)	(1.3)%	(31.5)%
Operating income before depreciation and amortization and impairment (EBITDA)	**563.2**	**43.1%**	**590.8**	**45.4%**	**4.9%**
Depreciation and amortization	(294.5)	(22.5)%	(291.7)	(22.4)%	(1.0)%
Operating income	**268.7**	**20.6%**	**299.0**	**23.0%**	**11.3%**
Financial income	1.2	0.1%	4.3	0.3%	258.3%
Interest relative to gross financial debt	(177.3)	(13.6)%	(183.1)	(14.1)%	3.3%
Other financial expense	(9.9)	(0.8)%	(32.7)	(2.5)%	230.3%
Finance costs, net	**(186.0)**	**(14.2)%**	**(211.4)**	**(16.2)%**	**13.7%**
Income tax expense	(13.4)	(1.0)%	(2.5)	(0.2)%	(81.3)%
Share in net income (loss) of equity affiliates	(0.3)	0.0%	(0.2)	0.0%	(33.3)%
Net income (loss) from ongoing activities	**69.0**	**5.3%**	**84.9**	**6.5%**	**23.0%**
Net income from discontinued operations	126.1	9.6%	—	0.0%	(100.0)%
Net income (loss)	**195.1**	**14.9%**	**84.9**	**6.5%**	**(56.5)%**
Attributable to owners of the entity	194.9	14.9%	84.9	6.5%	(56.4)%
Attributable to non-controlling interests	0.2	0.0%	0.0	0.0%	NA

See "—*Overview—Key Performance Indicators*" for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues remained relatively stable, decreasing €4.5 million, or 0.3%, from €1,306.9 million for the year ended December 31, 2011 to €1,302.4 million for the year ended December 31, 2012. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

The B2C segment's contribution to Numericable Group revenues remained relatively stable, decreasing by €4.1 million, or 0.5%, from €830.3 million for the year ended December 31, 2011 to €826.2 million for the year ended December 31, 2012. This relative stability reflects an increase in fiber white label revenue and a stable performance in bulk revenue, offset by a decrease in both digital and analog revenues.

The B2B segment's contribution to Numericable Group revenues decreased slightly by €5.0 million, or 1.5%, from €328.2 million for the year ended December 31, 2011 to €323.2 million for the year ended December 31, 2012. This decrease reflects a decrease in voice revenue, which was partly offset by an increase in data revenue. This decrease also reflects higher churn due in part to the migration of segment engineers to Rouen, which underwent a reorganization in the first quarter of 2012, which resulted in higher churn and a low level of new installations, as well as certain technical issues, which were resolved towards the end of 2012.

The wholesale segment's contribution to Numericable Group revenues increased by €4.8 million, or 3.2%, from €148.3 million for the year ended December 31, 2011 to €153.1 million for the year ended December 31, 2012. This increase reflects increases in voice and fiber wholesale revenues, partially offset by decreases in data and white label revenues as well as a reduction in regulated interconnection rates.

Excluding one large one-off revenue item recorded in 2011—a €19 million payment by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—Numericable Group revenues would have increased by €14.5 million, or 1.1%, in 2012 as compared to 2011.

Purchases and Subcontracting Services

Purchases and subcontracting services expenses decreased by €19.6 million, or 3.2%, from a total expense of €621.7 million for the year ended December 31, 2011 to a total expense of €602.1 million for the year ended December 31, 2012. This decrease primarily reflects lower expenses in the B2B segment, as a result of synergies following the Altitude Télécom acquisition as well as a reduction in regulated call termination rates and a reduction in content costs in the B2C segment.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses remained stable, increasing by €0.5 million, or 0.3%, from €141.0 million for the year ended December 31, 2011, to €141.5 million for the year ended December 31, 2012. This stability reflects slight increases in headcount, wages and employee profit sharing in 2012, partially offset by staff cost synergies realized following the acquisition of Altitude Télécom.

Taxes and Duties

Taxes and duties increased by €4.1 million, or 14.5%, from €28.3 million for the year ended December 31, 2011 to €32.4 million for the year ended December 31, 2012, reflecting a general increase in the tax burden of French corporations in 2012.

Provisions

Net provisions remained relatively stable, amounting to €8.0 million for the year ended December 31, 2011 and €7.7 million for the year ended December 31, 2012.

Other Operating Income

Other operating income increased by €8.8 million, or 10.9%, from €80.4 million for the year ended December 31, 2011 to €89.2 million for the year ended December 31, 2012. This increase reflects an €18.2 million increase in own work capitalized, relating in particular to DSP 92.

Other Operating Expenses

Other operating expenses decreased by €7.9 million, or 31.5%, from €25.1 million for the year ended December 31, 2011 to €17.2 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology, partially offset by debt refinancing-related fees.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA increased by €27.6 million, or 4.9%, from €563.2 million for the year ended December 31, 2011 to €590.8 million for the year ended December 31, 2012. This increase primarily reflects reductions in content-related costs in the B2C segment, as well as synergies derived from the integration of Altitude Télécom (acquired in late 2010) into Completel.

Adjusted EBITDA

Adjusted EBITDA increased by €48.6 million, or 8.5%, from €572.2 million for the year ended December 31, 2011 to €620.8 million for the year ended December 31, 2012. See "*Summary Financial Information and Other Data*" for an explanation of adjusted EBITDA and its components.

Depreciation and Amortization

Depreciation and amortization expenses remained relatively stable, amounting to €294.5 million for the year ended December 31, 2011 and €291.7 million for the year ended December 31, 2012.

Operating Income

Operating income increased by €30.3 million, or 11.3%, from €268.7 million for the year ended December 31, 2011 to €299.0 million for the year ended December 31, 2012. This increase is due to the same factors as the increase in EBITDA.

Finance Costs, Net

Finance costs is a net charge which increased by €25.4 million, or 13.7%, from €186.0 million for the year ended December 31, 2011 to €211.4 million for the year ended December 31, 2012. This variation reflects higher interest relative to gross debt and other financial expenses as a result of the Numericable Group's 2012 debt refinancing. The Numericable Group paid substantial waiver fees in connection with such refinancing, and it resulted in a higher blended interest rate. In addition, no mark-to- market gains were recorded in 2012 in relation to the fixed/variable interest rate swap that was terminated in the middle of 2011, after having generated substantial mark-to-market gains in 2011 (€27.0 million). See "*—Liquidity and Capital Resources of the Numericable Group—Cash Flows—Net cash from (used by) financing activities—Interest paid*".

Income Tax Expense

Income tax expense decreased by €10.9 million, or 81.3%, from €13.4 million for the year ended December 31, 2011 to €2.5 million for the year ended December 31, 2012. This decrease is a result of a base effect in 2011: the Numericable Group recorded a provision of €11 million in respect of tax audits. The effective income tax rate decreased from 16.19% in 2011 to 2.84% in 2012.

Analysis of Results by Segment for the Years Ended December 31, 2011 and December 31, 2012

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and impairment for the B2C segment for the years ended December 31, 2011 and 2012.

B2C Segment (in € millions)	**Year ended December 31, 2011**	**2012**	**Change 2012/2011**
Revenues	**835.3**	**832.6**	**(0.3)%**
Digital revenues	660.4	650.4	(1.5)%
Analog revenues	51.1	36.9	(27.8)%
Bulk revenues	70.0	70.1	0.1%
Fiber white label revenues	53.8	75.3	40.0%
Purchases and subcontracting services	(385.0)	(386.1)	0.3%
Staff costs and employee benefits expense	(73.5)	(77.6)	5.6%
Taxes and duties	(18.9)	(19.9)	5.3%
Provisions	(5.3)	(4.5)	7.5%
Other operating income	60.2	68.1	13.1%
Other operating expenses	(14.4)	(16.0)	11.1%
Operating income before depreciation and amortization and impairment (EBITDA)	**398.4**	**396.6**	**(0.4)%**
EBITDA margin rate	*47.7%*	*47.6%*	*(0.1)%*

Revenues

B2C segment revenues remained relatively stable, totaling €832.6 million for the year ended December 31, 2012, compared to €835.3 million for the year ended December 31, 2011.

Digital revenues, consisting of the revenues deriving from the sale of digital multiple play packages and options (VOD, additional channels, etc.) decreased by €10.0 million, or 1.5%, from €660.4 million for the year ended December 31, 2011 to €650.4 million for the year ended December 31, 2012. This decrease was primarily due to a slight reduction in the digital customer base, which totalled 1.228 million at December 31, 2012, as compared to 1.238 million at December 31, 2011. The decrease in the customer base reflected a more difficult nine-month period ended September 30, 2012 in terms of gross adds and a relatively flat second half of the year. Churn improved in 2012 as compared to 2011. The reduction in the customer base was partly offset by a €0.4 increase in the ARPU of the customer base in 2012 compared to 2011. VOD revenues also increased from €10.0 million in 2011 to €12.0 million in 2012.

Analog revenues decreased by €14.2 million, or 27.8%, from €51.1 million for the year ended December 31, 2011 to €36.9 million for the year ended December 31, 2012. This decrease was primarily due to a 22.6% decrease in the Numericable Group's analog customer base, from approximately 133,000 subscribers as of December 31, 2011 to approximately 103,000 as of December 31, 2012. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered. The pace of churn in the analog customer base was lower in 2011 when the satellite analog signal was switched-off.

Bulk revenues remained stable, totaling €70.0 million for the year ended December 11, 2011, compared to €70.1 million for the year ended December 31, 2012, reflecting the relative stability of the Numericable Group's bulk customer base and slight contractual increases in tariffs.

Fiber white label revenues increased by €21.5 million, or 40.0%, from €53.8 million for the year ended December 31, 2011 to €75.3 million for the year ended December 31, 2012. This increase reflected a 44% increase in the number of fiber white label end users year- on-year.

Purchases and Subcontracting Services

Purchases and subcontracting services remained relatively stable at €386.1 million for the year ended December 31, 2012, compared to €385.0 million for the year ended December 31, 2011. This stability results from a reduction in content-related costs and an increase of other expenses such as externalized door-to-door sales force (for an amount of €4 million) and some rental expenses where the Numericable Group's network equipment is located (for an amount of €2.5 million). "Subscriber acquisition" costs, which include subscriber acquisition-related marketing, communications and commissions paid to external distribution networks amounted to €73.8 million and €73.4 million, respectively, for the years ended December 31, 2011 and 2012.

Content-related costs decreased from €103.1 million for the year ended December 31, 2011 to €93.1 million for the year ended December 31, 2012. This decrease is mainly the result of renegotiations that took place at the end of 2011 to renew certain broadcasting contracts with the main TV channels and owners of content rights. In 2012, the Numericable Group negotiated more favorable financial terms for the MNVO contracts entered into with Bouygues Télécom, which terms retroactively apply as from January 1, 2012.

Staff Costs and Employee Benefits Expense

Staff costs increased by 5.6% or €4.1 million, from €73.5 million for the year ended December 31, 2011 to €77.6 million for the year ended December 31, 2012. This increase was due to sales force hirings made in the course of 2012 and 2011, the latter of which having a full-year effect in 2012. In addition, wages increased approximately 1% in 2012 and employee profit sharing expenses increased by €1.5 million.

Taxes and Duties

Taxes and duties increased by 5.3% or €1.0 million, from €18.9 million for the year ended December 31, 2011 to €19.9 million for the year ended December 31, 2012. This increase is mainly due to a general increase in the tax burden on French corporations in 2012 and the increased profitability of this segment.

Provisions

Net provisions remained relatively stable at €5.7 million for the year ended December 31, 2012 compared to €5.3 million for the year ended December 31, 2011.

Provisions mainly consist of those for commercial and tax litigations, for retirement indemnities and for amounts charged to end-users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The slight increase in net provisions in 2012 is primarily due to increases in provisions for retirement indemnities, the calculation of which is affected by discount rates, which decreased between 2011 and 2012 and therefore generated an additional expense in 2012 of €2.3 million compared to 2011.

Other Operating Income

Other operating income increased by €7.9 million, or 13.1%, from €60.2 million for the year ended December 31, 2011 to €68.1 million for the year ended December 31, 2012. Excluding a one-off payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court, other operating income increased by €17.9 million. The increase resulted mainly from an increase in own work capitalized, relating in particular to the DSP 92 project.

Other Operating Expenses

Other operating expenses increased by €1.6 million, or 11.1%, from €14.4 million for the year ended December 31, 2011 to €16.0 million for the year ended December 31, 2012. The increase is primarily a result of €3.9 million in advisory fees incurred in 2012 in connection with the Numericable Group's 2012 debt refinancing.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA decreased by €3.0 million, or 0.8%, from €398.4 million for the year ended December 31, 2011 to €395.4 million for the year ended December 31, 2012. This is tied to the relative stability of revenues, optimization of content-related costs and a number of items included in the table in "Selected Financial and Operating Data—Other Financial Data—Adjusted EBITDA".

B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external distribution networks) increased from €461.8 million for the year ended December 31, 2011 to €468.4 million for the year ended December 31, 2012, an increase of 1.4%.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and impairment for the B2B segment for the years ended December 31, 2011 and 2012.

B2B Segment (in € millions)	Year ended December 31, 2011	2012	Change 2012/2011
Revenues	**331.1**	**324.5**	**(2.0)%**
Voice revenues	152.2	133.9	(12.0)%
Data revenues	179.0	190.6	6.5%
Purchases and subcontracting services	(196.7)	(178.4)	(9.3)%
Staff costs and employee benefits expense	(61.0)	(57.2)	(6.2)%
Taxes and duties	(5.7)	(7.6)	33.3%
Provisions	(3.3)	(1.7)	(48.5)%
Other operating income	20.1	21.1	5.0%
Other operating expenses	(10.6)	(1.1)	(89.6)%
Operating income before depreciation and amortization and Impairment (EBITDA)	**74.0**	**99.6**	**34.6%**
EBITDA margin rate	*22.3%*	*30.7%*	*8.4%*

Revenue

B2B segment revenues decreased by €6.6 million, or 2.0%, from €331.1 million for the year ended December 31, 2011 to €324.5 million for the year ended December 31, 2012. This decrease reflected a decrease in voice revenue, which was partly offset by an increase in data revenue.

Voice revenues decreased by €18.3 million, or 12.0%, from €152.2 million for the year ended December 31, 2011 to €133.9 million for the year ended December 31, 2012. This decrease resulted from a gradual passing on to customers of successive decreases in regulated termination rates.

Data revenues increased by €11.6 million, or 6.5%, from €179.0 million for the year ended December 31, 2011 to €190.6 million for the year ended December 31, 2012. This increase reflected the Numericable Group's strategy to focus on data services following the acquisition in late 2010 of Altitude Télécom, an operator that was focused exclusively on data services.

In general, the nine-month period ended September 30, 2012 was difficult, due to the migration of B2B segment engineers to Rouen and a technical overloading problem at a Completel site in the second quarter of the year, which weighed further on installations. The third quarter was seasonally low in telephony traffic and hence revenues. Sales performance improved in the fourth quarter of 2012, although installations remained low.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased significantly from €196.7 million for the year ended December 31, 2011 to €178.4 million for the year ended December 31, 2012, representing an €18.3 million, or 9.3%, decrease. This decrease resulted from the optimization of other purchases and subcontracting services following the full integration and merger of Altitude Télécom within Completel, completed in December 2011, as well as from a gradual passing on to customers of successive decreases in regulated termination call rates.

Cost synergies generated by the integration and the merger of Altitude within Completel amounted to savings of approximately €10 million in 2012 compared to 2011, the majority of which was related to savings in network expenses, which were reduced by €5.2 million, as well as smaller reductions in marketing expenses (−€2.6 million) and general and administrative expenses (−€1.5 million).

Voice-related expenses decreased by €4.6 million between 2011 and 2012, mainly due to reductions in regulated termination rates.

Staff Costs and Employee Benefits Expense

Staff costs decreased by 6.2%, or €3.8 million, from €61.0 million for the year ended December 31, 2011 to €57.2 million for the year ended December 31, 2012. This decrease is primarily the result of the full integration and merger of Altitude Télécom within Completel, completed in December 2011, which allowed for optimization of staff costs in 2012.

Taxes and Duties

Taxes and duties increased by €1.9 million, from €5.7 million for the year ended December 31, 2011 to €7.6 million for the year ended December 31, 2012. This increase of 33.3% is mainly due to a general increase in the tax burden on French corporations in 2012 and is consistent with the increase of segment EBITDA (+34.6%).

Provisions

Net provisions decreased from €3.3 million for the year ended December 31, 2011 to €1.7 million for the year ended December 31, 2012. The decrease is mainly due to the recording in 2011 of a provision for a redundancy plan relating to the acquisition of Altitude Télécom.

Other Operating Income

Other operating income remained relatively stable from €20.1 million for the year ended December 31, 2011 to €21.1 million for the year ended December 31, 2012.

Other Operating Expenses

Other operating expenses decreased by €9.5 million, or 89.6%, from €10.6 million for the year ended December 31, 2011 to €1.1 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology.

Operating Income Before Depreciation and Amortization and Impairment (EBITDA)

EBITDA increased by €25.6 million, or 34.6%, from €74.0 million for the year ended December 31, 2011 to €99.6 million for the year ended December 31, 2012. This improvement in profitability is mainly due to increased data revenues, as well as decreased purchases and subcontracting services expenses, reflecting synergies captured through the integration of Altitude Télécom into Completel.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization and Impairment for the wholesale segment for the years ended December 31, 2011 and 2012.

Wholesale Segment (in € millions)	Year ended December 31, 2011	2012	Change 2012/2011
Revenues	**201.1**	**211.5**	**5.2%**
Purchases and subcontracting services	(100.6)	(103.8)	3.2%
Staff costs and employee benefits expense	(6.6)	(6.7)	1.5%
Taxes and duties	(3.7)	(4.9)	32.4%
Provisions	0.6	(0.4)	NA
Other operating income	0.1	0.0	NA
Other operating expenses	—	—	—
Operating income before depreciation and amortization and Impairment (EBITDA)	**90.9**	**95.7**	**5.3%**
EBITDA margin rate	*45.2%*	*45.2%*	*0.0%*

Revenue

Wholesale segment revenues increased by €10.4 million, or 5.2%, from €201.1 million for the year ended December 31, 2011 to € 211.5 million for the year ended December 31, 2012. This increase was due to increase in the voice business and fiber wholesale partly offset by the decrease in data and DSL white labels.

Voice revenues increased by €23.2 million from €74.9 million for the year ended December 31, 2011 to €98.1 million for the year ended December 31, 2012. This increase reflected favorable contracts signed with Bouygues Télécom following the unexpected changes in telecommunications operators' needs for voice termination resulting from Free's entry into the mobile market in January 2012. The Numericable Group was able to temporarily provide voice termination services to Bouygues pending the latter's development of its own capacity to interconnect with Free's new mobile customer base. The resulting increase in volume more than offset the decrease in regulated call termination rates in July 2011.

The increase in voice revenues was partially offset by decreases in data and DSL white label revenues.

Data revenue decreased from €41 million in 2011 to €30 million in 2012. Excluding a one-off element in 2011—a payment of € 19 million by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—segment data revenue for the year ended December 31, 2012 would have increased by €8 million.

DSL white label revenues decreased by €10 million, from approximately €59 million in 2011 to approximately €49 million in 2012. This decrease is due to a reduction in the number of DSL white label end-users in 2012 following the acquisition by Bouygues Télécom of Darty's telecommunications business in July 2012 and the subsequent migration of certain Darty white label customers from the Numericable Group's network to Bouygues Télécom's network. See "*Description of Our Business—Products and Services—Business-to-Business Services—France—White Label Services—White Label Services (DSL)*".

Finally, fiber wholesale revenues increased by €8.2 million, essentially driven by a stronger need for fiber in the B2B segment. These intra-Numericable Group revenues are eliminated in combination.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €3.2 million or 3.2% to €103.8 million, for the year ended December 31, 2012 compared to €100.6 million for the year ended December 31, 2011. This slight increase is a result of the Numericable Group providing call termination services to Bouygues Télécom as described in "*—Wholesale Segment*" on segment revenue and reflects termination costs paid by the Numericable Group to Free for such services.

Staff Costs and Employee Benefits Expenses

Staff costs remained stable at €6.6 million for the year ended December 31, 2011 compared to €6.7 million for the year ended December 31, 2012.

Taxes and Duties

Taxes and duties increased from €3.7 million for the year ended December 31, 2011 to €4.9 million for the year ended December 31, 2012, primarily as a result of the increased tax burden on French corporations in 2012.

Provisions

Net provisions amounted to €0.4 million for the year ended December 31, 2012 and consisted of provisions for potential service claims.

Operating Income Before Depreciation and Amortization and Impairment

Operating income before depreciation and amortization and impairment increased by €4.8 million, or 5.3%, from €90.9 million for the year ended December 31, 2011 to €95.7 million for the year ended December 31, 2012, primarily reflecting the increased interconnection business generated by Free's entry into the mobile telephony market.

Reconciliation of EBITDA and Adjusted EBITDA

Reconciliation of Adjusted EBITDA to EBITDA
(Numericable Group)

(in € millions)	For the year ended December 31 2011	2012	2013	For the nine months ended September 30, 2013	2014
EBITDA	**563.2**	**592.3**	**560.1**	**436.3**	**443.1**
Debt-refinancing related advisory fees[(a)]	3.5	7.4	4.9	1.5	1.7
Advisory fees related to the 2014 SFR Acquisition	—	—	—	—	6.8
Acquisition-related restructuring costs[(b)]	14.2	2.5	1.4	1.1	2.9
Provisions / costs for tax and social security audits	0.8	0.6	11.3	0.2	(1.1)
Exceptional income from SFR[(c)]	(19.0)	—	—	—	—
Exceptional income/charge from France Télécom-Orange or Free[(d)]	(10.0)	0.1	7.2	—	—
CVAE[(e)]	10.5	11.9	12.7	9.2	9.0
Accelerated depreciation of equipment[(f)]	7.0	5.2	14.7	4.2	—
Penalties[(g)]	1.9	1.0	—	1.1	3.7
Share-based compensation expense	—	—	3.6	—	—
Adjusted EBITDA	**572.2**	**620.9**	**615.9**	**453.6**	**466.1**

(a) Advisory fees paid in connection with the Numericable Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Télécom and SFR (classified in purchases and subcontracting services and staff costs and employee benefits expense).

(c) Amount received from SFR in connection with the early termination of a long-term IRU lease it had inherited through an acquisition and no longer needed (classified in revenues of the wholesale segment).

(d) Amount received from France Télécom-Orange as payment of damages and interest pursuant to a ruling of the Paris Commercial Court against France Télécom-Orange related to restrictive trade practices on the ADSL market in 2001 and 2002 (classified in other operating expenses). Exceptional charge recognized primarily in 2013 for the €6 million penalty relating to the dispute with Free.

(e) As from January 1, 2010, the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy, partially replaced the former local business tax (*taxe professionnelle*) (classified in taxes and duties).

(f) Non-cash losses resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers (classified in purchases and subcontracting services), and, as applicable, the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(g) Penalties paid to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Liquidity and Capital Resources of the Numericable Group

The Numericable Group's principal financing needs include its working capital requirements, capital expenditures, interest payments and debt repayments. The Numericable Group's financing needs also include acquisition financing, such as the acquisitions of SFR (which was completed on November 27, 2014) and Virgin Mobile (which remains pending).

The Numericable Group's principal source of liquidity on an ongoing basis has been its operating cash flows. The Numericable Group's ability to generate cash in the future from operations will depend on its operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Numericable Group's control. The Numericable Group has at its disposal cash and cash equivalents to fund the ongoing requirements of its business.

The Numericable Group has also regularly refinanced its debt. In 2012, the Numericable Group made two bond issuances to extend its debt maturity profile. In 2013, the Numericable Group carried out three major changes with respect to its financings. In July and August 2013, the subsidiaries Ypso France and Altice B2B France amended and extended the maturity of their primary syndicated loans. The capital increase in November 2013 in connection with the initial public offering of Numericable Group's shares enabled the Numericable Group to repay a portion (€150 million) of its Old Numericable Senior Secured Notes. In December 2013, the Ypso France sub-group acquired the Altice B2B sub-group and refinanced all of its debt. In order to do this, the Numericable Group entered into a new facility for an amount of €800 million (the "D Facility") within the framework of the Ypso France Senior Facility Agreement. In addition to refinancing the debt of the Altice B2B sub-group, this facility allowed the Numericable Group to repay all of the Old Floating Rate Notes and a portion of the Old Fixed Rate Notes. In the nine-month period ended September 30, 2014, in connection with the 2014 SFR Acquisition, the Numericable Group issued bonds in a total aggregate principal amount of €7,873 million and concluded a new Numericable Term Loan Agreement in an aggregate principal amount of

€3,780 million. The Numericable Group also signed a new revolving credit facility, with €300 million available immediately and an additional €450 million available after the completion of the 2014 SFR Acquisition. A portion of the proceeds of the drawdowns under the Numericable Term Loan Agreement were used to refinance in full the Old Numericable Senior Secured Notes and the Ypso France Senior Facility Agreement, including related fees and make-whole amounts in connection therewith. The remainder of the proceeds of the drawdowns under the Numericable Term Loan Agreement (after the refinancing and the payment of related fees and expenses), and all of the proceeds of the bonds, were used to finance the 2014 SFR Acquisition and certain related expenses and had been placed in escrow accounts pending the completion of this acquisition on November 27, 2014.

The Numericable Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements, capital expenditures, interest expenses, debt repayments and the financing of planned acquisitions.

The Numericable Group is of the view that its consolidated net working capital (i.e., its access to liquidity and cash resources) is sufficient in light of its obligations for the next twelve months as from the date of these Listing Particulars, both prior to taking into account the effect of this offering as well as after taking account of this offering, Vivendi's contribution of 57,227,114 shares of SFR, and the 2014 SFR Acquisition.

Financial Resources

Overview

In 2012 and 2013, the Numericable Group principally relied on the following sources of financing:

- Cash flow from operating activities, which amounted to €531.0 million in 2012 and €570.3 million during 2013.

- Cash on hand, which totalled €8.0 million and €101 million at December 31, 2012 and 2013, respectively. See Note 20 "Cash and cash equivalents" to the Numericable Group's financial statements included elsewhere in these Listing Particulars. The significant increase in cash on hand as of December 31, 2013 is tied to the capital increase of November 2013, of which only a portion was used to repay the Old Numericable Senior Secured Notes. The remaining cash was used by the Numericable Group for its general financing needs, including its organic growth (in particular the deployment of fiber in the network).

- Indebtedness, which, as of December 31, 2013, consisted of the Ypso France Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 "Financial Liabilities" to the Numericable Group's annual financial statements included elsewhere in these Listing Particulars and the discussion below.

In the first nine months of 2014, the Numericable Group has principally relied on the same sources of financing, with an increase in the reliance on indebtedness funding the escrow accounts for the future payment of part of the acquisition price of SFR:

- Cash flow from operating activities, which amounted to €365.9 million in the nine-month period ended September 30, 2014, compared to €414.4 million in the nine-month period ended September 30, 2013.

- Cash on hand, which totalled €101.4 million and €14.2 million at September 30, 2013 and 2014, respectively. See Note 14 "Cash and cash equivalents" to the Numericable Group's financial statements included elsewhere in these Listing Particulars.

- Indebtedness, which, at September 30, 2014, consisted mainly of the Numericable Senior Secured Notes and the drawdowns under the Numericable Term Loans. The majority of the proceeds of this debt was placed in escrow accounts for the payment of a part of the acquisition price of SFR. See Note 15 "Financial Liabilities" to the Numericable Group's financial statements included elsewhere in these Listing Particulars.

Financial Liabilities

The Numericable Group's financial liabilities totalled €12,705.7 million and €2,766.1 million as of September 30, 2014 and December 31, 2013, respectively. The following table provides a breakdown of the Numericable Group's gross debt as of December 31, 2012 and 2013 and September 30, 2014:

(in € millions)	At December 31, 2011	2012	2013	At September 30, 2014
Financial Liabilities under Senior Facility Agreements	2,871.4	2,800.7	2,632.4	—
Of which Senior Secured Notes (defined below)	—	860.2	380.4	—
Financial Liabilities under Numericable Term Loan Agreement	—	—	—	3,936.0
Financial Liabilities under Numericable Senior Secured Notes	—	—	—	8,457.8
Perpetual subordinated notes	32.9	35.2	37.7	39.7
Financial liabilities under finance leases	29.6	27.3	41.5	44.4
Deposits received from customers	42.9	44.5	51.9	56.8
Mark-to-market swaps				119.1
Other financial liabilities	174.2	133.3	2.7	1.8
Of which subordinated instruments and Super PECs[(1)]	122.3	129.0	—	—
Total financial liabilities	**3,104.5**	**3,041.1**	**2,766.1**	12,705.7

(1) These subordinated instruments and Super PECs are expected to be repaid in full in connection with the listing on Euronext Paris of the Company's shares. See "—Other Financial Liabilities—Shareholder Financing".

The following table shows the Numericable Group's current credit ratings:

Moody's	S&P
B1 (positive outlook)	B+

Following the Company's initial public offering, the acquisition of the Altice sub-group by the Ypso France sub-group and the refinancing of various Numericable Group financings, the two ratings agencies decided (i) to remove the rating of the Altice B2B sub-group and (ii) to improve the Ypso France sub-group's rating from B2/B to B1/B+, which became the Numericable Group's rating. Moody's rated the new financing raised in April 2014 Ba3 and announced that the rating of the Numericable Group is Ba3 following the completion of the 2014 SFR Acquisition. S&P confirmed the B+ rating of the Numericable Group.

The following section discusses the main categories of the Numericable Group's financial liabilities. The section begins with a description of the main financing agreements that were in place until the 2014 Numericable Refinancing Transactions. A description of the main financing agreements currently in place follows.

Old Senior Facility Agreements

Until the 2014 Numericable Refinancing Transactions, the Numericable Group's main financing agreement was the Ypso France Senior Facility Agreement (defined below), which included the liabilities related to the Numericable Group's Old Numericable Senior Secured Notes (defined below). Prior to the refinancing that took place in December 2013, the Numericable Group also had a senior facility agreement (the Altice B2B SFA (defined below)) put in place at the Altice B2B sub-group level. These financing agreements are briefly described below.

Ypso France Senior Facility Agreement

Ypso France S.A.S. ("Ypso France") and certain subsidiaries entered into a senior facility agreement dated June 6, 2006 (as amended, the "Ypso France Senior Facility Agreement") with a syndicate of banks and BNP Paribas as agent and security agent, for the principal purpose of the acquisition and refinancing of the financial indebtedness of Ypso France and its subsidiaries. Numericable Finance & Co. S.C.A. acquired loans under the SFA in amounts equal to the principal amount of the Numericable February 2012 Notes and the Numericable October 2012 Notes (each as defined below). Certain members of the Ypso France Numericable Group were joint guarantors under the Ypso France Senior Facility Agreement, and on December 18, 2013, following the acquisition of Altice B2B France by Ypso France, the companies Altice B2B France and Completel became guarantors as well. Numericable Group was not party to this financing agreement.

The initial amount available under the SFA was €3,225 million. As of December 31, 2013, the amount available (i.e., undrawn) was € 65 million (corresponding to a revolving credit facility) and € 2,638.1 million was drawn. Drawdowns on the SFA were made in euros and bore interest at rates per annum which were either fixed or equal to EURIBOR plus a margin. Fixed rate drawdowns corresponded to loans related to € 380.4 million of Old Numericable

Senior Secured Notes (defined below) issued at a fixed rate on December 31 2013. The margin on variable rate drawdowns was a rate adjusted by reference to a net leverage ratio equal to the ratio of consolidated total net borrowings of the Numericable Group, calculated at the level of Ypso France and in accordance with French accounting standards, to its annualized EBITDA. The Ypso France Senior Facility Agreement also included a euro-denominated revolving credit facility in a maximum aggregate amount of €65 million, which was fully undrawn at December 31, 2013.

The July 31, 2013 amendments extended the average duration of the Ypso France Senior Facility Agreement by modifying the breakdown by tranche. The November 22, 2013 amendment had provided for the addition of the new Facility D to refinance all of the Altice B2B France SFA debt and to repay all of the Floating Rate Notes as well as a portion of the Fixed Rate Notes (each as defined below).

A new credit facility "Facility D" was implemented and completely drawn on December 18, 2013 and bore interest at a rate equal to EURIBOR plus 3.75% per annum (regardless of the net leverage ratio). The following table sets out the use of the Facility D:

(rounded amounts, in € millions)	**Amount**
Repayment of the Altice B2B France SFA Facilities (as defined below)	451.2
Repayment of the C2B Additional Credit Facility (Floating Rate Notes)	275.0
Make-Whole for Floating Rate Notes (2% of the principal)	5.5
Interest accrued on Floating Rate Notes	4.0
Repayment of remaining 35% of the C2A Additional Credit Facility (Fixed Rate Notes)	53.1
Premium on the Fixed Rate Notes (8.75% of the amount repaid)	4.6
Interest accrued on the repaid portion of the Fixed Rate Notes	1.5
OID of the Facility D (0.5% of the principal)	4.0
Various commissions	1.1
Total	**800.0**

Financial Covenants under the Ypso France Senior Facility Agreements

The Ypso France Senior Facility Agreement included customary covenants for this kind of financing, and specifically included financial covenants that required the Numericable Group to comply with certain financial ratios, specifically a net leverage ratio (of consolidated total net borrowings divided by annualized EBITDA), a debt service coverage ratio (consolidated cash flow divided by debt service adjusted for customary items for this type of financing contract) and a net interest coverage ratio (annualized EBITDA to consolidated total net cash interest payable). These financial ratios were calculated in accordance with French GAAP and not IFRS.

The following table summarizes the thresholds required with respect to these ratios as well as the ratios at December 31, 2013:

	Required Threshold at December 31, 2013	**Ratio at December 31, 2013**
Net Leverage Ratio	5.40x	4.12x
*Debt Service Cover Ratio**	1.00x	1.42x
Net Interest Coverage Ratio	2.15x	3.57x

* Under Ypso France Senior Facility Agreement, the testing requirement would have been suspended permanently as from the first testing date where the net leverage ratio of the Ypso France Numericable Group was equal to or less than 3.5:1.

Altice B2B France SFA

Prior to the December 18, 2013 implementation of the Facility D under the Ypso France Senior Facility Agreement, the Numericable Group also had debt outstanding under the senior facility agreement entered into by Altice B2B France S.A.S. ("Altice B2B France") and certain subsidiaries on August 29, 2007 (as amended, the "Altice B2B France SFA") with Credit Agricole Corporate and Investment Bank as mandated lead arranger, agent and security agent and other lenders, for the principal purpose of the acquisition and refinancing of the financial indebtedness of the business of Altice B2B France and its subsidiaries (the "Altice B2B France Numericable Group"). After the initial public offering, the acquisition of Altice B2B France by Ypso France triggered a change of control, so that the full amount was immediately due under the Altice B2B France SFA. The full amount was paid thanks to the implementation and draw down of Facility D under the Ypso France Senior Facility Agreement, and the Altice B2B France SFA terminated on December 18, 2013.

Old Numericable Senior Secured Notes

Summary of the Issuance Structure

The Numericable February 2012 Notes and the Numericable October 2012 Notes (the "Old Numericable Senior Secured Notes") were issued by Numericable Finance & Co. S.C.A (the "Old Numericable Notes Issuer"), an independent stand-alone special purpose financing company formed for the purpose of issuing the Numericable February 2012 Notes, the Numericable October 2012 Notes and any other additional debt permitted to be issued under the Old Indentures (as these terms are defined below). All payments due under the Old Numericable Senior Secured Notes came from the payments made in the first instance by the Old Obligors under the Ypso France Senior Facility Agreement, and the terms and conditions of the Old Numericable Senior Secured Notes and the corresponding facilities under the Ypso France Senior Facility Agreement reflected this arrangement.

Numericable February 2012 Notes

On February 14, 2012, the Old Numericable Notes Issuer issued € 360.2 million principal amount of fixed rate $12^3/_8$% senior secured notes due February 2019 (the "Numericable February 2012 Notes"). The Old Numericable Notes Issuer used the proceeds of the issuance to acquire a direct participation in, and subsequently to acquire, an Additional C1 Facility Loan made by J.P. Morgan Ltd. as lending bank to Ypso France. Ypso France used the proceeds of the Additional C1 Facility Loan to repay €350 million of debt outstanding under the Ypso France Senior Facility Agreement. The Old Numericable Notes Issuer was dependent upon payments from Ypso France under the Additional C1 Facility Loan to make payments under the Numericable February 2012 Notes. The Numericable February 2012 Notes were issued pursuant to an indenture dated February 14, 2012 (the "February 2012 Indenture"), between, among others, the Old Numericable Notes Issuer, Citibank, N.A., London Branch, as trustee, Citibank, N.A., London Branch, as security agent, paying agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar (as amended from time to time).

The Numericable February 2012 Notes were due on February 15, 2019 and bore interest at a fixed rate equal to $12^3/_8$% per annum, payable in cash on February 15 and August 15 of each year.

Following the initial public offering, upon Ypso France's instruction, the Old Numericable Notes Issuer redeemed 35% of the aggregate principal amount of the Numericable February 2012 Notes using a portion of the net cash proceeds of the capital increase realized as part of the Numericable Group's initial public offering at a redemption price equal to 112.375% of the principal amount of the Numericable February 2012 Notes redeemed, increased by accrued and unpaid interest.

As part of the 2014 Numericable Refinancing Transactions, the remaining amount outstanding under the Numericable February 2012 Notes was redeemed at a price of 126.434% in accordance with the February 2012 Indenture, accrued and unpaid interest was paid, and the corresponding Additional C1 Facility Loan was also repaid in full.

Numericable October 2012 Notes

On October 25, 2012, the Old Numericable Notes Issuer issued € 225.0 million principal amount of fixed rate $8^3/_4$% senior secured notes due February 19, 2019 (the "Old Fixed Rate Notes") and € 275.0 million principal amount of senior secured floating rate notes due October 15, 2018 (the "Old Floating Rate Notes" and together with the Old Fixed Rate Notes, the "Numericable October 2012 Notes" and together with the Numericable February 2012 Notes, the "Old Numericable Senior Secured Notes"). Interest on the Old Floating Rate Notes accrued at a rate equal to three-month EURIBOR plus 7.875%. The Numericable October 2012 Notes were issued pursuant to an indenture dated October 25, 2012 (as amended and supplemented from time to time, the "October 2012 Indenture" and together with the February 2012 Indenture, the "Old Indentures"), between, among others, the Old Numericable Notes Issuer, Citibank, N.A., London Branch, as trustee, Citibank, N.A., London Branch, as security agent, principal paying agent, calculation agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar. The proceeds of the Numericable October 2012 Notes were used to acquire a direct participation in, and subsequently acquire, the Additional C2A Facility Loan and the Additional C2B Facility Loan made by J.P. Morgan Ltd., as lending bank, to Ypso France.

The proceeds of the Additional C2A Facility Loan and the Additional C2B Facility Loan were used to refinance €490 million of debt outstanding under the Ypso France Senior Facility Agreement, with approximately € 10 million incurred in fees in connection with the Numericable October 2012 Notes issuance and the related refinancing.

Interest on the Old Fixed Rate Notes accrued at the rate of $8^3/_4$% per annum and was payable semi-annually in arrears on February 15 and August 15 commencing on February 15, 2013.

The Old Floating Rate Notes were fully repaid on December 18, 2013 with a portion of the proceeds of Facility D. First, the Additional C2B Facility Loan was repaid to Numericable Finance, its sole lender. The latter then redeemed the Old Floating Rate Notes at a price of 102% in accordance with the October 2012 Indenture. The repayment of the Additional C2B Facility Loan (i.e. €275 million) was authorized by the amendment signed on November 22, 2013.

Following the initial public offering, the Old Numericable Notes Issuer, upon instruction from Ypso France, redeemed 35% of the aggregate principal amount of the October 2012 Old Fixed Rate Notes using a portion of the net cash proceeds of the capital increase realized as part of the initial public offering of the Numericable Group at a redemption price equal to 108.75% of the principal amount of the Old Fixed Rate Notes redeemed, plus accrued and unpaid interest. This amount was partly financed by the capital increase realized as part of the initial public offering of the Numericable Group and partly by a portion of the proceeds of Facility D.

As part of the 2014 Numericable Refinancing Transactions, the remaining amount outstanding under the Old Fixed Rate Notes was redeemed at a price of 118.397% in accordance with the October 2012 Indenture, and the corresponding Additional C2A Facility Loan and the Additional C2B Facility Loan were also repaid. The accrued and unpaid interest was also paid.

Numericable Senior Secured Notes, Numericable Term Loan Agreement, 2014 Numericable Group Revolving Credit Facilities and Related Hedging Obligations

On May 8, 2014, Numericable Group issued new bonds and entered into new term loan and revolving credit facility agreements both to finance the 2014 SFR Acquisition and to refinance the bulk of its then-existing indebtedness under the Ypso France Senior Facility Agreement. Prior to such transactions, the Numericable Group and its subsidiaries had €2,638 million of indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes. On May 21, 2014, Numericable refinanced such indebtedness in full (the “2014 Numericable Refinancing Transactions”). The Numericable Group’s finance leases and the perpetual subordinated notes (see “*—Perpetual Subordinated Notes” below*) remained on the balance sheet of Numericable Group. The main structure of the new senior debt issuance and of the 2014 Numericable Refinancing Transactions is described below:

- Prior to the 2014 Numericable Refinancing Transactions, on May 8, 2014, Numericable Group issued Numericable Senior Secured Notes in an aggregate principal amount equivalent to €7,873, comprised of:
    - US \$2,400 million aggregate principal amount of $4^7/_8$% Senior Secured Notes due May 15, 2019 (the “2019 Notes”);
    - €1,000 million aggregate principal amount of $5^3/_8$% Senior Secured Notes due May 15, 2022 (the “Euro 2022 Notes”);
    - US \$4,000 million aggregate principal amount of 6% Senior Secured Notes due May 15, 2022 (the “Dollar 2022 Notes”, and together with the Euro 2022 Notes, the “2022 Notes”);
    - €1,250 million aggregate principal amount of $5^5/_8$% Senior Secured Notes due May 15, 2024 (the “Euro 2024 Notes”, and together with the Euro 2022 Notes, the “Euro Senior Secured Notes”); and
    - US \$1,375 million aggregate principal amount of $6^1/_4$% Senior Secured Notes due May 15, 2024 (the “Dollar 2024 Notes”, and together with the 2019 Notes and the Dollar 2022 Notes, the “Dollar Senior Secured Notes”, and the Dollar Senior Secured Notes together with the Euro Senior Secured Notes, the “Numericable Senior Secured Notes”).
- Numericable, Ypso France and Numericable U.S. LLC entered into the Numericable Term Loan Agreement (as defined below) in an aggregate principal amount equivalent to up to €3,780 million on May 8, 2014. On May 21, 2014, the following amounts were drawn under the Numericable Term Loan Agreement: Numericable borrowed €635 million, Numericable U.S. LLC borrowed \$2,600 million and Ypso France borrowed € 1,265 million.
- Numericable and certain of its subsidiaries entered into a € 750 million revolving credit facilities agreement (the “2014 Numericable Group Revolving Credit Facilities Agreement” and the credit facilities provided thereunder, the “2014 Numericable Group Revolving Credit Facilities”) on May 8, 2014. €300 million of the 2014 Numericable Group Revolving Credit Facilities became available for drawdown on May 21, 2014. The remaining €450 million became available on November 27, 2014.
- Numericable Group entered into swap agreements intended to hedge its exposure to fluctuations in the US dollar/euro exchange rate and LIBOR with respect to U.S. dollar interest and principal payments on the Dollar

Senior Secured Notes and U.S. dollar interest and principal drawdowns under the Numericable Term Loan Agreement. See "—*Hedging Obligations*" below.

The proceeds of certain drawdowns under the Numericable Term Loan Agreement were used to refinance the Numericable Group's debt. The balance of the drawdown as well as the proceeds from the issuance of the Numericable Senior Secured Notes were placed into escrow accounts, pending completion of the 2014 SFR Acquisition, and were released from escrow on November 27, 2014. The following table sets forth the sources and uses of funds related to the Numericable Senior Secured Notes issuance and Numericable Term Loan Agreement. Thus, in total, of the raised funds, €8.9 billion were placed in escrow until November 27, 2014, €2.7 billion were used to repay debt and €72 million were used to pay commissions:

(in € millions)	Amount
Funds Placed in Escrow Accounts	
Funds from Issuance of Numericable Senior Secured Notes	7,873.056
Funds from Numericable Term Loan Agreement	1,030.379
Total Amount Placed in Escrow Accounts	**8,903.435**
Funds Used in Refinancing Existing Indebtedness	
Repayment of All Facilities Outstanding under the Ypso France Senior Facility Agreement(1)	2,638.106
Including Principal of Old Numericable Senior Secured Notes(2)	*380.380*
Premium on the Old Numericable Senior Secured Notes	88.795
Interest Accrued on the Old Numericable Senior Secured Notes	17.040
Total Debt Repaid	**2,743.941**
Various commissions	72,175
Total	**11,719.552**

(1) Rather than a cash repayment, the loans of Ypso France under the Ypso France Senior Facility Agreement were deemed to be exchanged for new loans under the Numericable Term Loan Agreement.

(2) The issuer of the Old Numericable Senior Secured Notes used the proceeds received by it pursuant to the repayment of amounts due under the SFA to redeem all outstanding Old Numericable Senior Secured Notes.

For the purposes of financing the 2014 SFR Acquisition, in addition to the amount of indebtedness already raised and placed into escrow under the Numericable Senior Secured Notes and the 2014 Numericable Refinancing Transactions, Numericable Group completed the Numericable Rights Issue for an aggregate amount of €4,732 million.

On November 27, 2014, Numericable Group used the proceeds of a notes issuance by Altice placed in escrow, as well as the net proceeds of the Capital Increase, to finance the entirety of the 2014 SFR Acquisition and pay certain commissions.

The Numericable Senior Secured Notes, Numericable Term Loan Agreement and 2014 Numericable Group Revolving Credit Facilities are described below.

The relative rights of these creditors (under the Numericable Senior Secured Notes, the 2014 Numericable Group Revolving Credit Facilities Agreement, the Numericable Term Loan Agreement and certain counterparties to hedging obligations relating to the foregoing) and of creditors of future indebtedness are governed by an intercreditor agreement (the "2014 Numericable Group Intercreditor Agreement") entered into on May 8, 2014.

Numericable Senior Secured Notes

Each series of Numericable Senior Secured Notes was issued by Numericable Group on May 8, 2014, under an indenture (each, an "Indenture" and together the "Indentures") between Numericable Group and Deutsche Bank AG, London Branch, in its capacity as trustee (the "Trustee") for each series of Numericable Senior Secured Notes. The Numericable Senior Secured Notes are "covenant light" in that they are not subject to financial ratios tested on a periodic basis but rather only to ratios tested on the occurrence of particular events (such as asset sales, incurrence of new indebtedness, payment of dividends).

The 2019 Notes mature on May 15, 2019. The 2022 Notes mature on May 15, 2022. The 2024 Notes mature on May 15, 2024.

Excluding the impact of existing hedging instruments that modify the interest rate effectively borne by the Numericable Group, the Notes bear the following interest rate:

(a) 2019 Notes accrues at the rate of 4.875% per annum;

(b) 2022 Dollar Notes accrues at the rate of 6.000% per annum;

(c) 2024 Dollar Notes accrues at the rate of 6.250% per annum;

(d) 2022 Euro Notes accrues at the rate of 5.375% per annum; and

(e) 2024 Euro Notes accrues at the rate of 5.625% per annum.

Interest on the Numericable Senior Secured Notes accrues from the date of original issuance (i.e. May 8, 2014) or, after the first interest payment date, from the date interest was most recently paid. Interest is payable in cash semi annually in arrears on each February 15 and August 15, commencing on August 15, 2014; it being specified that for the first day of payment of interest, accrued interest will correspond to a period of less than six months. Interest of 1% will accrue on overdue principal, interest or other amounts, including additional amounts, if any, due on the Numericable Senior Secured Notes.

Certain provisions of the Numericable Senior Secured Notes apply only to Numericable Group and its "restricted subsidiaries". As of the date of issuance of the Numericable Senior Secured Notes, all of Numericable Group's subsidiaries have been designated as restricted subsidiaries, but the Indentures provide a mechanism for subsidiaries to be designated as unrestricted subsidiaries, provided that certain conditions are met.

Except as described under "—*Escrow of Proceeds; Special Mandatory Redemption*" below, Numericable Group is not required to make mandatory redemption payments with respect to the Numericable Senior Secured Notes.

Numericable Senior Secured Notes Guarantors and Security

The Numericable Senior Secured Notes are senior obligations of the Company. The guarantors and other collateral securing the Numericable Senior Secured Notes vary based on the completion of the 2014 SFR Acquisition.

After the completion of the 2014 SFR Acquisition on November 27, 2014:

- the Numericable Senior Secured Notes are guaranteed by Ypso Holding S.à r.l., Ypso France, Coditel Debt S.à r.l., Ypso Finance S.à r.l., NC Numericable S.A.S., Altice B2B France, Completel S.A.S., Numericable US S.A.S. and Numericable U.S. LLC (such guarantors, collectively, the "Completion Date Guarantors"; and

- The Numericable Senior Secured Notes benefit from senior pledges over all of the capital stock of the Completion Date Guarantors, the business (fonds de commerce) of NC Numericable SAS, certain bank accounts, intragroup receivables and intellectual property rights of the Completion Date Guarantors.

In addition, within 90 days after November 27, 2014:

- the 2019 Notes and the Dollar 2022 Notes will be guaranteed on a senior basis by SFR and any subsidiaries of SFR that become guarantors (the "Post-Completion Date Guarantors");

- the 2019 Notes and the 2022 Dollar Notes will benefit from senior pledges over all of the shares of SFR held by the Numericable Group and over the shares of any of its subsidiaries that become Post-Completion Date Guarantors, a senior pledge over certain bank accounts of SFR and the intragroup loan between the Company and SFR which will replace, as part of the 2014 SFR Acquisition, the intragroup loans currently owed by SFR to Vivendi; a senior pledge over the business (fonds de commerce) (including intellectual property rights) of SFR; and senior pledges over receivables owed to SFR by certain of its subsidiaries; and

- the 2022 Euro Notes and the 2024 Notes will benefit from senior pledges over the SFR shares held by the Company and over the intragroup loan between the Company and SFR which will replace, as part of the 2014 SFR Acquisition, the intragroup loans currently owed by SFR to Vivendi.

On and after November 27, 2014, the same collateral also secures indebtedness due under the 2014 Numericable Group Revolving Credit Facilities, the Numericable Term Loan Agreement and certain related hedging obligations.

Optional Redemption

a) 2019 Notes

Prior to May 15, 2016, the Company may, on any one or more occasions, redeem up to 40% of the principal amount of the 2019 Notes at a redemption price of 104.875% of the principal amount of the 2019 Notes plus accrued and unpaid interest and additional amounts using funds from the net proceeds from one or more specified equity offerings (excluding the Capital Increase) specified in the terms and conditions of the 2019 Notes; provided that at least 60% of the principal amount of the 2019 Notes remains outstanding after each such redemption and the redemption occurs within 180 days of the specified equity offering.

In addition, prior to May 15, 2016, the Company may, at any occasion, redeem all or part of the 2019 Notes, subject to prior notice of between 30 and 60 days, at a redemption price of 100% of the principal amount of the 2019 Notes plus a make-whole specified in the issuance agreement and any accrued and unpaid interest and any potential additional amounts.

On or after May 15, 2016, the Company may redeem all or a part of the 2019 Notes at a redemption price of 103.656%, 101.828% and 100.000% respectively, plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve month period beginning on May 15, 2016, 2017 and 2018, respectively.

b) 2022 Notes

Prior to May 15, 2017, the Company may, on any one or more occasions, redeem up to 40% of the principal amount of the 2022 Dollar Notes and up to 40% of the principal amount of the 2022 Euro Notes at a redemption price of 106.000% of the principal amount of the 2022 Dollar Notes and 105.375% of the principal amount of the 2022 Euro Notes, plus accrued and unpaid interest and additional amounts, using funds from the net proceeds from one or more specified equity offerings (excluding the Capital Increase) specified in the terms and conditions of the 2022 Notes, provided that at least 60% of the principal amount of the 2022 Dollar Notes and at least 60% of the 2022 Euro Notes remains outstanding after each such redemption and the redemption occurs within 180 days of the specified equity offering.

In addition, prior to May 15, 2017, the Company may, at any occasion, redeem all or part of the 2022 Dollar Notes and/or 2022 Euro Notes, at a redemption price of 100% of the principal amount of the 2022 Dollar Notes and/or 2022 Euro Notes plus a make-whole specified in the issuance agreement plus accrued and unpaid interest and additional amounts, if any.

On or after May 15, 2017, the Company may redeem all or a part of the 2022 Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve month period beginning on May 15 of the years indicated below:

	Redemption Price	
Year	**2022 Dollar Notes**	**2022 Euro Notes**
2017	104.500%	104.031%
2018	103.000%	102.688%
2019	101.500%	101.344%
2020 and thereafter	100.000%	100.000%

c) 2024 Notes

Prior to May 15, 2017, the Company may, on any one or more occasions, redeem up to 40% of the principal amount of the 2024 Dollar Notes and up to 40% of the principal amount of the 2024 Euro Notes at a redemption price of 106.250% of the principal amount of the 2024 Dollar Notes and 105.625% of the principal amount of the 2024 Euro Notes, plus accrued and unpaid interest and additional amounts, using funds from the net proceeds from one or more specified equity offerings (excluding the Capital Increase) specified in the terms and conditions of the 2023 Notes, provided that at least 60% of the principal amount of the 2024 Dollar Notes and at least 60% of the 2024 Euro Notes remains outstanding after each such redemption and the redemption occurs within 180 days of the specified equity offering.

In addition, prior to May 15, 2019, the Company may, at any occasion, redeem all or part of the 2024 Dollar Notes and/or 2024 Euro Notes, at a redemption price of 100% of the principal amount of the 2024 Dollar Notes and/or 2024 Euro Notes plus a make-whole specified in the issuance agreement plus accrued and unpaid interest and additional amounts, if any.

On or after May 15, 2019, the Company may redeem all or a part of the 2024 Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve month period beginning on May 15 of the years indicated below:

	Redemption Price	
Year	**2024 Dollar Notes**	**2024 Euro Notes**
2019	103.125%	102.813%
2020	102.083%	101.875%
2021	101.042%	100.938%
2022 and thereafter	100.000%	100.000%

Redemption for Modifications in Taxes

The Numericable Group may redeem an applicable series of Numericable Senior Secured Notes in whole, but not in part, at any time upon giving proper notice if changes in tax laws impose certain withholding taxes or other deductions on amounts payable on the series of Numericable Senior Secured Notes or the guarantees thereof, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the redemption date.

Change of Control; Asset Sales

Under the terms of the Numericable Senior Secured Notes, at any time following a Change of Control Triggering Event (as defined in each Indenture), the Company will be required to offer to repurchase each series of Numericable Senior Secured Notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any (a "Change of Control Offer"). Noteholders are not required to tender their shares to the offer.

For the purpose of this provision, a "Change of Control" means: (1) the consummation of any transaction (including any merger or consolidation), the result of which is that any person other than one or more permitted holders becomes the beneficial owner, directly or indirectly, of more than 50% of the voting rights attached to shares issued and outstanding of the Company; (2) during any period of two consecutive years, a change in the majority of the members on the board of directors of the Company (including new directors appointed with the recommendation of the majority of the board of directors); (3) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination), in one or a series of related transactions, of all or substantially all of assets of the Company and its restricted subsidiaries taken as a whole to any person (other than a permitted holder (i.e., the ultimate controlling shareholder of Altice S.A. and members of his immediate family, and their respective affiliates and direct and indirect subsidiaries and sponsors, and other entities or funds managed or controlled by these persons or other affiliates)); provided that certain exceptions related to possible disposals likely to be completed in the context of the 2014 SFR Acquisition as part of or in order to obtain authorization for the transaction from the competition authorities, provided that the following conditions are respected in the event the fair market value of any such sold, leased, transferred, conveyed or disposed of assets exceeds 2% of the total assets of Numericable Group and its restricted subsidiaries, (i) the Consolidated Net Leverage Ratio of the Numericable Group and its restricted subsidiaries (on a pro forma consolidated basis, including SFR and its restricted subsidiaries), shall not increase; and (ii) the Company shall promptly make an offer to all lenders under the Numericable Term Loans and to the extent required by any pari passu indebtedness (other than indebtedness that was issued in a registered offering or an underwritten private placement), at a pro rata basis between them, to repay or repurchase at a price equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon to the date of redemption in an amount equal to the net proceeds of such sale, lease, transfer, conveyance or other disposition and in the event the principal amount of Numericable Term Loans tendered is less than the amount of such net proceeds, the Numericable Group will apply the remainder to prepay the principal amount of Numericable Term Loans at par on a pro rata basis.

"Change of Control Triggering Event" means the occurrence of both a Change of Control (as defined above) and, for so long as Vivendi owns, directly or indirectly, 20% or more of the outstanding common shares of the Numericable Group, a rating decline with respect to the Numericable Senior Secured Notes (if Vivendi no longer owns at least 20% of the Company's outstanding common shares, only a Change of Control need occur for there to be a "Change of Control Triggering Event"). A rating decline means:

- a decrease in the rating of the Numericable Senior Secured Notes of a series by at least one rating agency (S&P and Moody's, or if one of these agencies does not rate the Numericable Senior Secured Notes, another rating agency who rates such notes in lieu of these agencies) by one or more gradations (including gradations within rating categories as well as between rating categories) from its rating on the date which is 90 days prior to the earlier of the Change of Control or public notice of the occurrence of a Change of Control or of the intention of Numericable Group to effect a change of control); or

- the withdrawal of a rating of the Numericable Senior Secured Notes of such series by any of the rating agencies

on, or within 60 days after, the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of the Company to effect a Change of Control (which period shall be extended so long as the rating of the Numericable Senior Secured Notes of such series is under publicly announced consideration by any of the rating agencies).

If no rating agency announces an action with regard to its rating of the Numericable Senior Secured Notes of a series after the occurrence of a Change of Control, the Company must request that each rating agency confirm its rating of the Numericable Senior Secured Notes of such series before the end of such 60 day period.

In addition, if the proceeds received by the Company from certain disposals of assets are not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditures, and such excess proceeds exceed US$25 million, after a certain period of time (366 days, or in certain cases, 546 days), the Company will be required to make an asset disposition offer (an “Asset Disposition Offer”) to all holders of Numericable Senior Secured Notes and, to the extent the Company elects or the Company or a Guarantor is required by the terms of other outstanding pari passu indebtedness, to all holders of such other outstanding pari passu indebtedness to purchase the maximum principal amount of Numericable Senior Secured Notes and any such pari passu indebtedness to which the Asset Disposition Offer applies that may be purchased out of the excess proceeds, at an offer price in respect of the Numericable Senior Secured Notes in an amount equal to (and, in the case of any pari passu indebtedness, an offer price of no more than) 100% of the principal amount of the Numericable Senior Secured Notes and 100% of the principal amount of pari passu indebtedness, in each case, plus accrued and unpaid interest.

Events of Default

The Indentures relating to the Numericable Senior Secured Notes contain customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-default and cross acceleration provisions with respect to mortgages, indentures or other instruments (subject to a US$25 million threshold), certain events of bankruptcy and insolvency, judgment defaults (subject to a US$25 million threshold) and provisions relating to the validity and enforceability of the security of the Numericable Senior Secured Notes (subject to a US$10 million threshold) and provisions relating to the validity and enforceability of the guarantees of the Numericable Senior Secured Notes.

Covenants

The Indentures relating to the Numericable Senior Secured Notes contain covenants for the benefit of the holders of the Numericable Senior Secured Notes that, among other things, limit the ability of Numericable Group or any of its restricted subsidiaries to:

- incur or guarantee additional indebtedness, subject to an incurrence-based Consolidated Net Leverage Ratio (the ratio is 4.0:1 for all debt and 3.25:1.0 for senior secured debt) (see definition below) test;
- make investments (including participations in joint ventures) or other restricted payments (including dividends);
- sell assets other than in the ordinary course of business and sell subsidiary stock;
- engage in certain transactions with affiliates;
- merge or consolidate with other entities;
- redeem or reimburse in anticipation equity securities or subordinated debt, or issues shares of its subsidiaries;
- enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intragroup loans and advances; and
- grant additional security or pledges.

These limitations are, however, subject to a number of important qualifications and exceptions customary for this type of contract, including the ability to issue new indebtedness so long as the Consolidated Net Leverage Ratio (pro forma for such transaction and as defined below) is not greater than 4.0 to 1.0. In particular, if following the 2014 SFR Acquisition, the Consolidated Net Leverage Ratio is not superior to 4.0:1.0, the Combined Numericable Group will be able to incur additional indebtedness. In addition, this new indebtedness may be secured if the Consolidated Net Senior Secured

Leverage Ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. In particular, if, following the 2014 SFR Acquisition, the Consolidated Net Leverage Ratio is not superior to 4.0:1.0, the Combined Numericable Group (after the 2014 SFR Acquisition) will be able to incur additional indebtedness, subject to the aforementioned ceiling.

"Consolidated Net Leverage Ratio" means, as of any date of determination, the ratio of

- Consolidated Net Leverage ((A) the sum, without duplication, of the aggregate outstanding indebtedness of the Company and its restricted subsidiaries on a consolidated basis (excluding hedging obligations and indebtedness incurred under a credit facility up to the greater of € 750 million and 4.0% of total assets) less (B) the aggregate amount of cash and cash equivalents of Numericable Group and its restricted subsidiaries on a consolidated basis); to

- the aggregate amount of pro forma consolidated EBITDA for the period of the most recent two consecutive quarters ending prior to the date of such determination for which internal financial statements of EBITDA are available multiplied by 2.0.

"Consolidated Net Senior Secured Leverage Ratio" is calculated in the same manner as the "Consolidated Net Leverage Ratio", provided that it is calculated with respect to "senior secured indebtedness" rather than "indebtedness". Under the Indentures, senior secured indebtedness includes indebtedness secured by liens as well as indebtedness that is outstanding on May 8, 2014, indebtedness under the Numericable Term Loan Agreement and 2014 Numericable Group Revolving Credit Facility, indebtedness of restricted subsidiaries on the date these entities become restricted subsidiaries and indebtedness permitted to be incurred under the Indentures by certain basket provisions or based on reference to net proceeds from certain equity or subordinated shareholder funding issuances.

The definitions of "indebtedness" and "EBITDA" are those included in the Indentures and are different from those used in the Numericable Group's financial statements included in included elsewhere in these Listing Particulars.

Numericable Term Loan Agreement

Overview

As described above, on May 8, 2014, Numericable, Ypso France and Numericable U.S. LLC (the "Numericable Term Loan Borrowers") entered into a senior secured term loan credit facility providing euro and U.S. dollar term loans in an aggregate principal amount equivalent to up to € 3,780 million (euro equivalent), with the Numericable, Ypso France and Numericable U.S. LLC as borrowers, certain lenders party thereto, Deutsche Bank AG, New York Branch as the dollar administrative agent and Deutsche Bank AG, London Branch as the euro Administrative Agent and as the Security Agent (the "Numericable Term Loan Agreement", and the loans made thereunder, the "Numericable Term Loans"). The Numericable Term Loan Agreement permitted the Numericable Term Loan Borrowers to draw term loans up to the committed principal amount until April 30, 2015. As described above, the proceeds of the Numericable Term Loans were used to finance the 2014 Numericable Refinancing Transactions and certain related fees and expenses, and the remainder was placed in escrow until completion of the 2014 SFR Acquisition, with such amounts being released from escrow on November 27, 2014.

On May 21, 2014, the following drawdowns were made under the Numericable Term Loan Agreement: Numericable borrowed €635 million, Numericable U.S. LLC borrowed US$2,600 million and Ypso France borrowed €1,265 million.

As of the date of these Listing Particulars, the Numericable Term Loan Agreement is fully drawn.

Interest Rate and Fees

The U.S. dollar amounts drawn down under the Numericable Term Loan Agreement bear interest at a rate per annum equal to (i) the higher of (a) a LIBOR rate for the interest period relevant to such borrowing adjusted for certain additional costs and (b) 0.75% and (ii) a margin of 3.75%.

The euro drawdowns under the Numericable Term Loan Agreement bear interest at a rate per annum equal to (i) the higher of (a) a EURIBOR rate for the interest period relevant to such borrowing adjusted for certain additional costs and (b) 0.75% and (ii) a margin of 3.75%.

Interest on overdue principal and interest will accrue at a rate that is 2.00% higher than the otherwise applicable interest rate.

Escrow

€160 million and US$1,206 million were drawn down under the Numericable Term Loan Agreement on May 21, 2014 but not used in the 2014 Numericable Refinancing Transactions and have been deposited into escrow accounts (the "Numericable Term Loan Escrow Accounts") in accordance with the terms of a term loan escrow agreement. The funds deposited in the Numericable Term Loan Escrow Accounts were released on November 27, 2014.

Amortization and Final Maturity

Numericable is required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the Numericable Term Loan Agreement, with the balance due on May 21, 2020. The first payment will take place at the end of the first full quarter after November 27, 2014.

Mandatory Prepayments

In the event that Numericable or any of its subsidiaries sells, leases, transfers, conveys, or disposes of assets, the fair market value of which exceeds 2.00% of the pro forma amount of total assets of Numericable and its restricted subsidiaries but the Change of Control provisions under the Numericable Senior Secured Notes are not triggered due to contractually provided exceptions (see "*—Numericable Senior Secured Notes—Change of Control; Asset Sales*" above), the Numericable Term Loan Borrowers will be required to promptly make an offer to all lenders under the Numericable Term Loans and to the extent required by any pari passu indebtedness (other than indebtedness that was issued in a registered offering or an underwritten private placement), on a pro rata basis between them, to redeem, at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption, an amount equal to the net proceeds of such sale, lease, transfer, conveyance or other disposition. In the event that the principal amount of Numericable Term Loans tendered is less than the amount of such net proceeds, Numericable will apply the remainder to prepay the Numericable Term Loans at par on a pro rata basis.

In addition, if the proceeds received by Numericable from certain disposals of assets are not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditures, and such excess proceeds exceed a certain threshold, Numericable will be required to make an Asset Disposition Offer as described under "*—Numericable Senior Secured Notes—Change of Control; Asset Sales*" of these Listing Particulars.

Commencing with the year ending December 31, 2015, the Numericable Term Loan Agreement also requires the Numericable Term Loan Borrowers to prepay outstanding term loans thereunder, subject to certain exceptions, with 50% of Numericable's annual excess cash flow, which percentage will be reduced to 0% if the Numericable's Consolidated Net Leverage Ratio is less than 4.0:1.0.

Voluntary Prepayments or Amendments to Reduce Yield on Loan

The Numericable Term Loan Borrowers have the right to prepay borrowings under the Numericable Term Loan Agreement at any time and from time to time, in whole or in part; provided however that the Numericable Term Loan Borrowers commit to indemnify each Lender against any loss or expense incurred due to a prepayment prior to the end of an interest period.

Security and Guarantees

Prior to on November 27, 2014, the Numericable Term Loan Agreement:

- is guaranteed on a senior basis by the Completion Date Guarantors; and
- benefits from senior pledges over all of the capital stock of the Completion Date Guarantors; certain intragroup loans being entered into in connection with the transactions, the business (fonds de commerce) of NC Numericable SAS; certain bank accounts and intellectual property rights of the Completion Date Guarantors.

Within 90 days of November 27, 2014, the Numericable Term Loan Agreement will be:

- guaranteed on a senior basis by SFR and any Post-Completion Date Guarantors; and
- will benefit from senior pledges over all of the capital stock of SFR (excluding 10 shares) and any of its subsidiaries that become Post-Completion Date Guarantors; a senior pledge over certain bank accounts of SFR; a senior pledge

over the business (fonds de commerce) (including intellectual property) of SFR; and senior pledges over receivables owed to SFR by certain of its subsidiaries.

Certain Covenants

The Numericable Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the Indentures for the Numericable Senior Secured Notes, and among other things and subject to certain significant exceptions and qualifications, limit the ability of Numericable Group and its restricted subsidiaries to: (i) incur or guarantee additional indebtedness subject to an incurrence-based Consolidated Net Leverage Ratio test, (ii) make investments or other restricted payments (including dividends), (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem shares constituting capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The Numericable Term Loan Agreement also contains certain customary representations and warranties, as well as customary covenants.

Events of Default

The Numericable Term Loan Agreement contains customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults (subject to a €20 million threshold), certain events of bankruptcy and insolvency, judgment defaults (subject to a €20 million threshold) and provisions relating to the validity and enforceability of the loan documents (including the collateral (subject to a €10 million threshold)) and the guarantees and the occurrence of a Change of Control Triggering Event. If an event of default occurs, the lenders under the Numericable Term Loan Agreement will be entitled to take various actions, including the acceleration of amounts due under the Numericable Term Loan Agreement and all actions permitted to be taken by a secured creditor, subject to the 2014 Numericable Group Intercreditor Agreement.

The 2014 Numericable Group Revolving Credit Facilities Agreement

Numericable and certain of its subsidiaries have entered into the 2014 Numericable Group Revolving Credit Facilities Agreement pursuant to which certain lenders party thereto (the “Numericable RCF Lenders”) have agreed to provide Numericable and certain of its subsidiaries with a €750 million senior secured revolving facility (the “Numericable Group Revolving Facilities”) composed of: (i) a €300 million revolving facility (the “Numericable Facility A”) available from May 21, 2014; and (ii) a €450 million revolving facility (the “Numericable Facility B”), available from November 27, 2014. SFR also has access to these revolving credit facilities after November 27, 2014.

Limitations on Use of Funds

The Numericable Group Revolving Facilities may be used by Numericable and certain of its subsidiaries to finance its activities and as working capital for Numericable and its subsidiaries (the “Numericable Borrower Group”).

Conditions to Drawdowns

A drawdown under the 2014 Numericable Group Revolving Credit Facilities Agreement cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent, documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default, or event of default in the case of a rollover loan, is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects and (iii) that the Consolidated Net Senior Secured Leverage Ratio is not greater than the specified ratio, pro forma for such drawdown (see “—*Financial Covenants*” below).

Interest Periods, Interest Rates and Fees

Numericable and certain of its subsidiaries are permitted to make a specified number of drawdowns under each 2014 Numericable Group Revolving Credit Facility for terms of one, two, three or six months (or any other period agreed to by Numericable and the facility agent), but no such period shall end beyond the final maturity date of the 2014 Numericable Group Revolving Credit Facilities Agreement. Drawdowns under the 2014 Numericable Group Revolving Credit Facilities must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the 2014 Numericable Group Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the 2014 Numericable Group Revolving Credit Facilities Agreement is 3.25% prior to any cancellation of the Numericable Facility B pursuant to certain automatic cancellation events (each a "Numericable Facility B Cancellation Event") and 3.50% per annum after the occurrence of a Numericable Facility B Cancellation Event. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period.

With respect to amounts under the 2014 Numericable Group Revolving Credit Facilities Agreement, Numericable is obligated to pay a commitment fee on the available undrawn amounts at the rate of 40% of the margin calculated on undrawn and un cancelled commitments from June 8, 2014 until one month prior to the final maturity date of the 2014 Numericable Group Revolving Credit Facilities Agreement.

Repayment

The final maturity date of the 2014 Numericable Group Revolving Credit Facilities Agreement is fixed at May 21, 2019.

Automatic Cancellation

Customary partial or total cancellation events apply to the 2014 Numericable Group Revolving Credit Facilities, including where it becomes unlawful for any Numericable RCF Lender to fund, issue or maintain its participation in the 2014 Numericable Group Revolving Credit Facilities.

The Numericable Facility A may be permanently cancelled in part at the option of the lenders if a Numericable Facility B Cancellation Event occurs provided that the aggregate amount of Numericable Facility A following any cancellation will not be less than €150 million.

Mandatory Prepayment

Upon the occurrence of a Change of Control Triggering Event, Numericable and the other borrowers thereunder must repay the 2014 Numericable Group Revolving Credit Facilities in full together with accrued interest and all other amounts due under related finance documents and the 2014 Numericable Group Revolving Credit Facilities will be cancelled.

Certain proceeds received by Numericable from certain disposals of assets must be applied in prepayment of the 2014 Numericable Group Revolving Credit Facilities if they are not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or acquire additional assets or (iii) make certain capital expenditures.

Guarantees

Each of the Guarantors of the Numericable Senior Secured Notes and Numericable have also guaranteed the obligations of each obligor under the 2014 Numericable Group Revolving Credit Facilities Agreement and related finance documents, subject to applicable guarantee limitations specified therein.

Security and Guarantees

The 2014 Numericable Group Revolving Credit Facilities are guaranteed and secured by the same entities and collateral as the Numericable Term Loan Agreement.

Representations and Warranties

The 2014 Numericable Group Revolving Credit Facilities Agreement contains representations and warranties customary for facilities of this type, subject to certain exceptions and customary thresholds.

Undertakings

The 2014 Numericable Group Revolving Credit Facilities Agreement contain certain restrictive covenants which substantially reflect the covenants contained in the Indentures.

The 2014 Numericable Group Revolving Credit Facilities Agreement also requires Numericable and the Numericable Borrower Group to observe certain general undertakings subject to materiality conditions and other customary and agreed exceptions.

Financial Covenants

Following November 27, 2014, the 2014 Numericable Group Revolving Credit Facilities Agreement will require Numericable and the Numericable Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio of no more than 4.00:1.00, only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the 2014 Numericable Group Revolving Credit Facilities Agreement at the end of each financial quarter.

Events of Default

The 2014 Numericable Group Revolving Credit Facilities Agreement provides for certain events of default (which are substantively similar to those included in the Indentures), the occurrence of which, subject to certain exceptions and thresholds, will allow the lenders party thereto to: (i) cancel the total commitments; (ii) declare the occurrence of default and accelerate all outstanding loans together with other all amounts due and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of security will be applied in accordance with the 2014 Numericable Group Intercreditor Agreement.

Hedging Obligations

On April 23 and 28, 2014, Numericable entered into various swap agreements with Goldman Sachs International. On May 1, 2014, Numericable and Goldman Sachs International transferred (by novation) a certain number of swap agreements to various prominent international banks. See "—*Qualitative and Quantitative Analysis of Market Risk*" of these Listing Particulars for a discussion of the Numericable Group's exposure to exchange rate and interest rate risks under these swap agreements.

Swap Agreements Relating to U.S. Dollar Amounts in Escrow

Numericable entered into cross-currency swap agreements covering the euro/U.S. dollar exchange rate risk related to the net U.S. dollar proceeds of the Numericable Senior Secured Notes and Numericable Term Loans placed into escrow (i.e., US$7,775 million of net proceeds from the Dollar Senior Secured Notes and US$1,170 million of net proceeds under the Numericable Term Loan), given that the price of the 2014 SFR Acquisition was paid entirely in euros to Vivendi. Pursuant to these swaps, just prior to November 27, 2014, Numericable paid US$8,809 million to the swap counterparties (using the amounts released from escrow) and received € 6,371 million from the swap counterparty, based on an exchange rate of €1.00 = US$1.3827. The difference between the amounts placed in escrow accounts and the amounts paid to the counterparties corresponded to the engagement commissions and OIC on the Numericable Senior Secured Notes and the drawdowns under the Numericable Term Loan Agreement.

5 to 8 Year Swap Agreements Relating to Interest and Principal Payments To Be Made in U.S. Dollars

Numericable also entered into swap agreements to hedge the euro/dollar exchange rate risk related to the interest payments to be made in U.S. dollars with respect to the Dollar Senior Secured Notes and the U.S. dollar drawdowns under the Numericable Term Loan. Pursuant to these swap agreements, Numericable will swap euro amounts for the U.S. dollar amounts to be paid on each semi-annual or quarterly interest payment date, based on an exchange rate of €1.00 = US$1.3827.

The swap agreements with respect to the Dollar Senior Secured Notes cover interest payments starting with the first semi-annual interest payments to be made on August 15, 2014 and ending with the last payment to be made on May 15, 2019 with respect to the 2019 Dollar Notes and May 15, 2022 with respect to the 2022 Dollar Notes and the 2024 Dollar Notes. The swap agreements with respect to the U.S. dollar drawdowns under the Numericable Term Loan Agreement cover interest payments starting with the first quarterly payments to be made on July 30, 2014 and ending with the last payment to be made on May 21, 2019.

With these swap agreements, the Company also hedged the principal amount of its Dollar Senior Secured Notes and Numericable Term Loan agreements. On May 15, 2019, Numericable will pay €1,736 million and will receive US$2,400 million corresponding to the principal of the 2019 Notes and will pay €870 million and will receive US$1,203 million corresponding to the principal of the Numericable Term Loan Agreement, even though it is due in May 2020. On May 15, 2022, Numericable will pay €2,893 million and receive US$4,000 million, corresponding to the principal amount of the Dollar 2022 Notes, and will pay €994 million and receive US$1,375 million, corresponding to the principal amount of the Dollar 2024 Notes, even though these are due in May 2024.

Importantly, Numericable's counterparties to the swap agreements benefit from an early termination right after 5 years for the 8-year agreements, i.e. those relating to the principal and interest of the Dollar 2022 Notes and the Dollar 2024 Notes. The counterparties can unilaterally denounce the swap agreements three years before they reach maturity and, according to the market conditions at the time, pay Numericable or have Numericable pay the market value of the swap agreements.

Swap Agreements with respect to Interest Payments Based on LIBOR

In addition to the objectives of hedging the euro/dollar exchange rate risk related to the interest payments to be made in U.S. dollars under the Numericable Term Loan Agreement, the swap agreements also convert Numericable's LIBOR exposure under the U.S. dollar drawdowns of the Numericable Term Loan Agreement into EURIBOR exposure. The Numericable Group's risk is, however, not entirely hedged as the U.S. dollar drawdowns under the Numericable Term Loan Agreement bear interest at LIBOR plus a margin, subject to a floor of 0.75% on LIBOR, while the swap agreements do not include a floor.

The swap agreements with respect to the U.S. dollar drawdowns under the Numericable Term Loan Agreement cover interest payments starting with the first quarterly payments to be made on July 30, 2014 and ending with the last payment to be made on May 21, 2019.

Security and Guarantees

The swap agreements described above are guaranteed and secured by the same entities and collateral as the Numericable Term Loan Agreement.

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued €23.65 million principal amount of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) ("TSDI") to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest). The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication). The TSDI bear interest at 7% per annum. Interest is capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Numericable Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Numericable Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Numericable Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Numericable Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by the rate of inflation (equal to a specific percentage increase).

As of December 31, 2013, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 3.96% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is essentially explained by the cost of the new financing entered into with Lease Expansion (see above). See Note 30.2 to the Numericable Group's financial statements included elsewhere in this offering document.

Security Deposits Received from Customers

Security deposits received from customers amounted to €51.9 million and €44.5 million as of December 31, 2013 and 2012, respectively. These deposits are made when customers receive equipment from the Numericable Group. The increase in the amount of deposits from December 31, 2012 to December 31, 2013 reflects the increase in deposits paid by customers for LaBox due to increased subscriptions for services that include LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Other Financial Liabilities

Shareholder Financing

All of the shareholder financings provided to the Numericable Group were redeemed or capitalized at the time of the initial public offering of Numericable Group and of the contributions made to the latter. In particular 132,664,023 subordinated interest preferred equity certificates (the "Super PECs") issued by Ypso Holding S.à r.l., with a nominal value of one euro each, were contributed by Cinven, Carlyle and Altice to Numericable Group on November 7, 2013 in connection with the transactions relating to its initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. As at December 31, 2013, no shareholder loans were outstanding.

Shareholders' Equity

As of December 31, 2013, the Company's shareholders' equity totalled € 253.4 million, compared to negative shareholders' equity of €287.3 million as of December 31, 2012. This increase reflects the transactions that occurred before and following the Company's initial public offering and in particular the following transactions:

- the contribution of Ypso Holding S.à.r.l and Altice B2B Luxembourg S.à.r.l to Numericable Group, resulting in a capital increase of € 1,995.5 million;
- the capital increases carried out within the framework of the Company's initial public offering (public offering of €250 million and offer reserved for employees of €1 million), net of €14.6 million in expenses incurred in connection with the initial public offering that were deduced from the issuance premium (these amounts have been accounted for without any income tax effect);
- costs of stock option plans granted to certain corporate officers and employees of the Numericable Group on November 7, 2013; and
- extinguishment of debts to shareholders within the framework of contributions made to Numericable Group prior to the initial public offering (Super PECs).

As of September 30, 2014, the Company's shareholders' equity totalled negative €51.5 million, compared to shareholders' equity of € 253.4 million as of December 31, 2013. This change reflects the following:

- the negative comprehensive income of €306.4 million in the first nine months of 2014;
- costs of stock option plans granted to certain corporate officers and employees of the Numericable Group in January 2014. €3.2 million was recorded in the income statement for the period; and
- the impact of the program to buy back treasury shares implemented during the nine-month period ended September 30, 2014.

Presentation and Analysis of the Main Categories of Use of the Numericable Group's Cash

Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- Network: investments in improving, renovating, upgrading capacity, expanding and maintaining the Numericable Group's network (fiber, backbone and DSL), directly or, in the case of certain network upgrades, through public-private partnerships;

- Customers: capital expenditures linked to in-home B2C and on-site B2B equipment (high-speed routers and TV decoders) as well as in-home wiring for new B2C clients and the creation of fiber links between B2B sites;

- Service Platforms: investment in television and fixed-line telephony platforms; and

- Other: capital expenditures in connection with wholesale projects, as well as miscellaneous investments.

The Numericable Group's capital expenditures in 2012, 2013 and the nine-month period ended September 30, 2014 amounted to €285.6 million, €319.8 million and €250.0 million, respectively. For additional information regarding the Numericable Group's historical, ongoing and planned future capital expenditures, see "—*Capital Expenditures*").

Interest Payments and Debt Repayments

The Numericable Group made interest payments of €152.1 million and €180.6 million, respectively in 2012 and 2013. It also made debt repayments of €957.2 million and €987.4 million, respectively in 2012 and 2013. The high level of debt repayments in 2012 reflects the Numericable Group's refinancing of its debt in such year, in which it issued €831.0 million of new debt. Similarly, the high level of debt repayment in 2013 reflects the repayments of the Altice B2B France Sub-Numericable Group's debts, the Floating Rate Notes and 35% of the Fixed Rate Notes with the proceeds of the capital increase following the initial public offering and implementation of Facility D.

In the nine-month period ended September 30, 2014, the Numericable Group made interest payments of €282.6 million, representing a significant increase compared to the nine-month period ended September 30, 2013 when interest paid amounted to €135.3 million. This increase is due to the increase in the Numericable Group's debt to finance the 2014 SFR Acquisition and for which the amounts are in escrow accounts, and the low financial income paid with respect to the escrow accounts compared to the cost of the debt.

For information, the first payment date for interest on the Numericable Senior Secured Notes (which is payable in cash semi-annually on February 15 and August 15 of each year) was August 15, 2014 (interest for this first interest period corresponded to a period of less than six months). The Numericable Group made the following payments on August 15, 2014:

- with respect to the Dollar Senior Secured Notes: US$119.3 million (after conversion pursuant to the swap agreements, the amount in euros was €74.9 million);

- with respect to the Euro Senior Secured Notes: €33.4 million.

Financing of Working Capital Requirements

Working capital requirements primarily correspond to the value of inventory plus trade receivables and other receivables minus trade payables and other payables. Structurally, the Numericable Group's working capital requirements reflect differences in its business. In the B2C segment, the Numericable Group releases working capital because its B2C customers have shorter payment terms (generally 5 days) than its suppliers (generally 60 days), while in the B2B segment, the Numericable Group consumes working capital because its B2B customers have longer payment terms. The Numericable Group generally finances its working capital requirements through its cash flow from operations.

In 2012, the Numericable Group generated €31.9 million of working capital. In 2013, the Numericable Group consumed €20.7 million of working capital. In the nine-month period ended September 30, 2014, the Numericable Group consumed €7.5 million of working capital.

Contractual Obligations

The table below sets out the Numericable Group's contractual commitments and obligations as of September 30, 2014, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments.

€ thousands	< 1 year	Maturity 1 - 5 years	> 5 years	Total September 30, 2014
Loans and financial liabilities	177.1	1,844.6	10,033.6	12,055.3
Operating lease arrangements	9.9	31.4	9.0	50.4

Total	187.0	1,876.0	10,042.6	12,105.7

A table showing debt owing under the Numericable Term Loan and the Numericable Senior Secured Notes as of September 30, 2014, is included in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Numericable Group—Qualitative and Quantitative Analysis of Market Risk—Liquidity Risk*" of these Listing Particulars.

The amount on the line "operating lease obligations" corresponds to the amount of the minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to property and vehicle lease commitments as well as operating leases of TV programs. Leases involving equipment and network IRU (usage rights on local loop, backbone) or other rental contracts (rights of way) were not individually considered material.

The Numericable Group has also committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France. In addition, through its subsidiary Sequalum, the Numericable Group has committed, subject to certain conditions, to deploy 2,600 km of fiber cables and reach 827,900 apartments and offices in the Hauts-de-Seine department. See "*Description of Our Business—Products and Services—Business-to-Business Services—Infrastructure Wholesale Services*" and
"*—Capital Expenditures*" in these Listing Particulars for a description of investments in DSP 92. Legal proceedings are currently ongoing over the termination of the DSP 92 contract. See "*Description of Our Business—Legal Proceedings—Dispute Settlement Proceedings Concerning the DSP 92*".

To operate telecommunications networks, the Numericable Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Numericable Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Numericable Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

In 2010, the Numericable Group entered into long-term MVNO agreements for voice and data transmission with Bouygues Télécom, pursuant to which the Numericable Group provides mobile telephony services to B2C customers under the Numericable Group's own brand but through the nationwide network of Bouygues Télécom, pursuant to which the Numericable Group is obligated to pay a flat fee corresponding to a minimum level of consumption. See "*Description of our Business—Material Contracts—MVNO Agreements*".

The Numericable Group has also entered into certain operating leases, including property and vehicle leases, leases involving equipment and network IRUs and operating leases and agreements to purchase TV programs. See Note 29 to the Numericable Group's consolidated financial statements included elsewhere in these Listing Particulars.

Undertakings given with respect to the 2014 SFR Acquisition

In connection with the completion of the 2014 SFR Acquisition, the Numericable Group was required to pay the banking fees related to debt that was drawn but not yet used for a total amount of €173 million. As explained in Note 2.3 to the nine months financial statements, the costs linked to securing the bonds, bank loans and the RCF are recognized at amortized cost using the effective interest method in conformity with IAS 39, and are thus spread over the maturity of the debt.

The Numericable Group was also be required to pay certain minor related fees (€6 million) in connection with the completion of the 2014 SFR Acquisition.

Security and Guarantees

The security and guarantees given with respect to the Numericable Senior Secured Notes, Numericable Term Loans and 2014 Numericable Group Revolving Credit Facilities are above in "—Financial Liabilities".

Cash Flows

The table below summarizes the Numericable Group's cash flows for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			**For the nine months ended September 30,**	
(in € thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
Net cash provided by operating activities	577,127	530,960	570,279	414,422	365,859

Net cash used by investing activities	(237,652)	(285,217)	(342,657)	(204,023)	(9,142,491)
Net cash used by financing activities	(489,705)	(278,327)	(134,253)	(197,494)	8,689,444
Total net increase (decrease) in cash and cash equivalents	**6,027**	**(32,584)**	**93,369**	**12,905**	**(87,188)**

Net cash provided by operating activities

The table below summarizes the Numericable Group's combined net cash provided by operating activities for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			For the nine months ended September 30,	
(in € thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
Cash flow from operations before changes in working capital and income tax	570,651	566,213	553,918	425,711	350,538
Changes in working capital	5,392	(31,911)	20,653	(7,468)	16,818
Income tax paid	1,083	(3,342)	(4,292)	(3,821)	(1,497)
Net cash provided by operating activities	**577,127**	**530,960**	**570,279**	**414,422**	**365,859**

Cash flow from operations before changes in working capital, interest paid and income tax

Cash flow from operations before changes in working capital and income tax decreased by €4.5 million, or 0.8%, from a cash inflow of €570.7 million in the year ended December 31, 2011 to a cash inflow of €566.2 million in the year ended December 31, 2012. This decrease was driven by a €22.8 million increase in other financial expenses, reflecting fees incurred in connection with the refinancing of part of Ypso's debt in 2012 (including the issuance of the Senior Secured Notes, the establishment of new credit facilities and amendments to, and extension of the maturity of, the Ypso France Senior Facility Agreement), partially offset by a €15.9 million increase in net income from continuing operations resulting from a €27.5 million increase in EBITDA.

Cash flow from operations before changes in working capital, interest paid and income tax decreased by €12.2 million, or 2.2%, from a cash inflow of €566.2 million in the year ended December 31, 2012 to a cash inflow of €553.9 million in the year ended December 31, 2013. This decrease was driven by an increase in other financial expenses, resulting from the premiums paid in connection with early repayment of the Senior Secured Notes, compounded by a decrease in Adjusted EBITDA of €5 million.

Cash flow from operations before changes in working capital, interest paid and income tax decreased by €75.2 million, from a cash inflow of €425.7 million for the nine months ended September 30, 2013 to a cash inflow of €350.5 million for the nine months ended September 30, 2014. This sharp decrease was primarily the result of the €89.0 million make-whole payment in May 2014.

Change in working capital requirements

In 2011 and 2012, the Numericable Group made an exceptional working capital investment, related to the termination of a free share plan of Completel Europe NV, which resulted in exceptional cash outflows of €32.8 million in 2011 and €16.4 million in 2012. The free share plan involved grants of free shares for which the pricing and therefore the amount of liabilities were determined in 2009 and recorded in current liabilities. In 2011 and 2012, the Numericable Group made cash payments to the holders to terminate the plan, resulting in the exceptional cash outflows.

The change in working capital requirements represented a cash inflow of €5.4 million in the year ended December 31, 2011. Excluding the outflow related to the termination of the free share plan, the Numericable Group would have recorded a cash inflow of €38.2 million in 2011.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, compared to a cash inflow of €20.7 million in the year ended December 31, 2013. By excluding the cash outflow related to the termination of the free share plan (€16.4 million), the Numericable Group would have recorded a cash outflow limited to €15.5 million in 2012. The year ended December 31, 2012 was exceptional for the change in working capital requirements due to increased subscriber acquisition costs resulting from a larger client base.

The change in working capital requirements represented a cash inflow of €16.8 million for the nine months ended September 30, 2014 and a cash outflow of €7.5 million for the nine months ended September 30, 2013, resulting from the increase of net capital expenditures. The Numericable Groups generally realizes cash inflows from B2C customers in 30 days while its suppliers are paid in 60 days. This difference in payment terms caused the improvement in working capital requirements.

Income tax paid

Income tax paid represented a cash outflow of €0.9 million in 2012, compared to a cash inflow of €1.1 million in 2011, primarily as a result of the increased tax burden on French corporations in 2012 as well as a new limitation on usage of tax loss carryforwards, and the first taxable profits at the level of Altice B2B France. The Ypso group also had a negative taxable result in 2012 due in particular to fees in relation to the various 2012 refinancings.

Income tax paid represented a cash outflow of €4.3 million in 2013, compared to a cash outflow of €3.3 million in 2012, primarily as a result of the increased taxable profits at the level of the Altice B2B France sub-group. The Ypso Sub-Numericable Group continued to produce a negative taxable result in 2013 as a result of the listing of the group head, amendments to the SFA and the 2013 refinancing.

Income tax paid represented a cash outflow of €3.8 million in the nine-month period ended September 30, 2013, as compared to a cash outflow of €1.5 million in the nine-month period ended September 30, 2014. This difference was due to the one-off expenses incurred to finance the 2014 SFR Acquisition as well as early repayment fees, which had a strong negative effect on income before taxes.

Net cash used by investing activities

The table below summarizes the Numericable Group's net cash provided (used) by investing activities for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			For the nine months ended September 30,	
(in € thousands)	**2011**	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
Net capital expenditures	(237,694)	(281,771)	(314,752)	(200,773)	(246,449)
Escrow accounts	—	—	—	—	(8,893,932)
Net financial investments	41	(3,446)	(27,905)	(3,250)	(2,110)
Net cash (used) by investing activities	**(237,652)**	**(285,217)**	**(342,657)**	**(204,023)**	**(9,142,491)**

Net capital expenditures

Net capital expenditures are capital expenditures net of proceeds from the disposal of tangible and intangible assets and investment subsidies and grants received.

Cash used in net capital expenditures increased €44.1 million, or 18.5%, from a cash outflow of €237.7 million in 2011 to a cash outflow of €281.8 million in 2012, due to higher capital expenditures (up €48.4 million) in connection with the launch of LaBox and the acceleration in fiber deployment in 2012 and lower disposal proceeds (down €1.2 million), partially offset by higher subsidies (up €5.6 million) received in connection with the DSP 92 project.

Cash used in net capital expenditures increased by €33.0 million, or 11.7%, from a cash outflow of €281.8 million in 2012 (given the guarantees given with respect to the implementation of the DSP 92 network) to a cash outflow of €314.8 million in 2013, due to higher capital expenditures (up €30.2 million) in connection with a full year of deployment of LaBox instead of the 5-month deployment in 2012 (launched commercially in the third quarter of 2013) and with the continuous acceleration in fiber deployment in 2013, lower subsidies (down €5.5 million) received in connection with the DSP 92 project, partially offset by higher disposal proceeds (up €1.3 million).

Cash used in net capital expenditures increased by €45.7 million from a cash outflow of €200.8 million in the nine-month period ended September 30, 2013 to a cash outflow of €246.4 million in the nine-month period ended September 30, 2014, as the Numericable Group accelerated its deployment of optical fiber and increased its digital client base.

Escrow accounts

The proceeds from the issuance of the Numericable Senior Secured Notes and from certain drawdowns under the Numericable Term Loan were placed in escrow pending the closing of the 2014 SFR Acquisition on November 27, 2014. The table below breaks down the €8.9 billion placed in escrow

(in millions)	Amount in currency of issuance	Amount in euros[(2)]
2019 Dollar Notes	2,400.0	1,735.7
2022 Dollar Notes	4,000.0	2,892.9
2024 Dollar Notes	1,375.0	994.4
2022 Euro Notes	1,250.0	1,250.0
2024 Euro Notes	1,000.0	1,000.0
U.S. dollar portion of Numericable Term Loan[(1)]	1,191.4	861.7
Euro portion of Numericable Term Loan[(1)]	159.2	159.2
Amount placed in escrow accounts		**8,893.9**

(1) Net of OID (original issue discount, which was 1% for the dollar-denominated Numericable Term Loan and 0.5% for the euro-denominated Numericable Term Loan).

(2) After hedging.

Net financial investments

Net financial investments comprise acquisition of subsidiaries (net of cash received) net of disposals of subsidiaries (net of cash paid), plus acquisitions of other financial assets net of disposals of other financial assets.

Cash used by net financial investments increased by €3.4 million from zero cash inflow in 2011 to a cash outflow of €3.4 million in 2012 due to performance guarantees given in the context of the continuation of DSP 92 network's deployment (see "*Description of Our Business—Products and Services—Business-to-Business Services—Infrastructure Wholesale Services*" and "*Description of Our Business—Legal Proceedings—Dispute Settlement Proceedings Concerning the DSP 92*"). The Numericable Group also bought out the minority shareholders of Sequalum in 2012.

Cash generated by net financial investments increased from a cash outflow of 3.4 million in 2012 (due to the guarantees given in connection with the deployment of the DSP 92 network) to a cash outflow of €27.9 million in 2013. The Numericable Group acquired LTI Télécom in October 2013, as well as Auchan and Valvision's subscribers in March and June 2013, respectively, whereas no acquisitions were made in 2012.

Cash used by net financial investments decreased by €1.1 million, from a cash outflow of €3.3 million in the nine-month period ended September 30, 2013 to a cash outflow of €2.1 million in the nine-month period ended September 30, 2014, mainly due to the acquisition of Auchan Telecom and Volvision's subscribers in March and June 2013, respectively.

Net cash from (used by) financing activities

The table below summarizes the Numericable Group's net cash provided by financing activities for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

	For the year ended December 31,			For the nine months ended September 30,	
(in € thousands)	2011	2012	2013	2013	2014
				(Unaudited)	
Issuance of shares	—	—	236,490	—	—
Issuance of debt	172	830,975	797,223	7,276	11,631,448
Repayment of debt	(335,085)	(957,189)	(987,420)	(69,532)	(2,659,443)
Interest on SFA debt excluding the Senior Secured Notes	*(20,962)*	*(106,513)*	*(93,157)*	—	—
Interest on Senior Secured Notes	—	*(47,412)*	*(84,589)*	—	—
Other interest	*(9,640)*	*1,813*	*(2,800)*	*(1,891)*	*(6,019)*
Derivative instruments (swaps)	—	—	—	—	—
Interest on debt of former SFA	—	—	—	(133,457)	(55,168)
Interest on new debt placed in escrow accounts	—	—	—	—	(173,484)
Interest on new debt used to reimburse existing debt	—	—	—	—	(47,891)
Total interest paid	(154,791)	(152,113)	(180,546)	(135,237)	(282,561)
Net cash from (used) by financing activities	**(489,705)**	**(278,327)**	**(134,253)**	**(197,494)**	**8,689,444**

Issuance of debt

Issuance of debt totalled €0.2 million, €831.0 million and €797.2 million in 2011, 2012 and 2013, respectively, and €7.2 million and €11.6 billion in the nine-month period ended September 30, 2013 and 2014, respectively.

In 2011, the Numericable Group did not materially draw on any debt instruments.

In 2012, Numericable Finance & Co. S.C.A. issued €831.0 million of debt (net of OID (original issue discount) and fees), comprising three issuances of Senior Secured Notes, which occurred in February and October 2012. The net proceeds of these Senior Secured Notes were used to refinance existing senior debt of Ypso France.

In 2013, the Numericable Group implemented the new Facility D for an amount of €800 million under the Senior Facility Agreement and new sale- leaseback agreements.

In the nine-month period ended September 30, 2013, the Numericable Group did not increase the debt outstanding under the Senior Facility Agreements, but did put in place new sale-lease back agreements, which explains the minor amount of debt issuances in the nine months ended September 30, 2013.

In the first half of 2014, the Numericable Group issued the Numericable Senior Secured Notes and drew down loans under the Numericable Term Loan for a total gross amount of €11,653.4 million. €76.9 million of expenses and commissions related to the establishment of the debt (€72.2 million of OID and underwriting commissions and € 4.7 million of rating agency fees) were incurred for the refinancing of existing debt. In the above table, the amount of debt issued (€ 11,631.4 million) is net of these commissions and expenses.

Repayment of debt

The Numericable Group repaid €335.1 million, €957.2 million and €987.4 million of debt in 2011, 2012 and 2013, respectively, and €69.5 million and €2.7 billion in the nine-month period ended September 30, 2013 and 2014, respectively.

In 2011, the Numericable Group repaid €335.1 million due under the Senior Facility Agreements, as the Numericable Group made mandatory or voluntary repayments relating to the sale of Coditel. The Numericable Group used the proceeds from the sale of Coditel to finance €156.3 million of the repayments and financed the remainder (€158.3 million) with cash from operations.

In 2012, the Numericable Group repaid €117.1 million under the Senior Facility Agreement with cash from operations and €840 million with the proceeds of the Senior Secured Notes.

In 2013, the Numericable Group repaid €32.8 million under the SFA (in accordance with its obligations), €479.8 million under the Senior Secured Notes and all of the amounts due under the Altice B2B France SFA, i.e. €453.9 million.

In the first half of 2014, the Numericable Group repaid all of its historical debt for an amount of €2,638.1 million. €14.0 million of other repayments corresponds to repayments of finance leases at maturity for €13.4 million and €0.6 million of various debt.

In the third quarter of 2014, the Numericable Group repaid €7.1 million in finance leases that reached maturity and €0.3 million of various debt.

Interest paid

The Numericable Group paid €152.1 million in interest in 2012, a slight decrease as compared to 2011. This decrease reflected the termination in June 2011 of the cash-consuming variable-to-fixed interest swap and the lower amounts due under the Senior Facility Agreements following repayments in 2011, partially offset by the increase in EURIBOR between 2011 and 2012, the issuance of the Senior Secured Notes in 2012 and the incurrence of the Additional C1 Facility Loan, which bear higher interest rates than the debt that was repaid with the proceeds thereof, and a margin increase on the Ypso France Senior Facility Agreement following the extension of certain tranches pursuant to the February 2012 refinancing.

The Numericable Group paid €180.5 million in 2013, an increase of €28.4 million as compared to 2012. This increase reflects the general increase in the cost of the Ypso sub-group's debt following the repayment of low margin facilities in 2012 through the issuance of the Senior Secured Notes in February and October 2012.

The Numericable Group paid €282.6million of interest in the nine- month period ended September 30, 2014, representing an increase compared to €135.3 million in the nine-month period ended September 30, 2013. This increase reflects the increase in the amount of debt outstanding following the debt issued to finance the 2014 SFR Acquisition. A total of €173.5 million reflects interest relating to the new debt to finance the acquisition for the period of May to September 2014. Interest on debt at constant scope (i.e. refinanced debt) amounted to €103.1 million, down €30.5 million compared to the nine month period ended September 30, 2013. This decrease is due to the various refinancing transactions carried out over the last twelve months (capital increase at the time of the initial public offering, Facility D establishment and May 2014 refinancing).

The third quarter of 2014 is the first full quarter of interest payments on the debt put in place in May 2014. The amount of interest paid in the third quarter totaled €146.2 million, of which €33.6 million was on debt at constant scope (refinanced debt) and €109.2 million on the new acquisition debt. The remainder (€3.5 million) corresponds to various debt.

Off-Balance Sheet Commitments

Excluding the arrangements concerning the financial debt and acquisition contracts of both SFR and Omer Telecom, as well as the off-balance sheet arrangements described in the notes to the consolidated financial statements of the Numericable Group, the Numericable Group is not a party to any off- balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

Capital Expenditures

Historical Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- Network: investment in improving, expanding, increasing capacity, extending and maintaining the Numericable Group's network (fiber, backbone and DSL), either directly or, in the case of certain network expansion projects, through public-private partnerships;

- Customers: capital expenditures linked to in-home B2C equipment installation and on-site B2B equipment installation (broadband routers and set-top boxes), as well as wiring for new B2C customers and the creation of new fiber links between B2C sites;

- Service Platforms: investment in television and fixed-line telephony platforms, and

- Other: capital expenditures in connection with wholesale projects, as well as miscellaneous investments, such as the upkeep of the Numericable Group's property and administrative, technical and commercial investments, as well as own work capitalized.

For the year ended December 31, 2013, the Numericable Group incurred capital expenditure of €319.8 million, compared to €285.6 million and €242.7 million (net of subsidies received) for the years ended December 31, 2012 and 2011, respectively. For the nine-month period ended September 30, 2014, the Numericable Group incurred capital expenditure of €250.2 million, as compared to an amount of €205.9 million for the nine-month period ended September 30, 2013.

Net capital expenditures are capital expenditures net of proceeds from tangible and intangible asset transfers and of investment subsidies received.

The table below sets out the amount of capital expenditures by type: (i) capital expenditures for the maintenance of the network, i.e., "maintenance" capital expenditures (in other words, capital expenditures required regardless of the commercial activity in order to serve existing clients with the same quality and service (e.g. information systems, electrical systems, cooling systems)), (ii) capital expenditures for connecting new customers (customer equipment (e.g. set-top boxes), connection costs, etc.), (iii) capital expenditures for the upgrading and renovation of the network (including the transition to EuroDocsis 3.0, with 408,000 homes connected in 2013 and 410,000 homes connected in the nine- month period ended September 30, 2014, and the DSP 92 project), for the 2011-2013 period as well as the nine-month period ended September 30, 2013 and 2014.

(in € millions)	Maintenance Capital Expenditures	New Customer Capital Expenditures	Network Upgrade Capital Expenditures
First half 2014	54.8	72.3	35.5
First half 2013	46.4	72.4	20.0
2013	125.4	152.4	42.1
2012	107.4	145.7	32.5
2011	90.5	138.2	14.0

Approximately half of the Numericable Group's capital expenditures are comprised of capital expenditures in the new customer category, which vary depending on the acquisition of new B2C and B2B clients. The Numericable Group's capital expenditures are therefore highly dependent on its business activities as well as the pace of network renovations, in particular with respect to fiber, as well as potential public-private partnerships.

The Numericable Group's main public-private partnership was DSP 92, run through its subsidiary Sequalum. Formed in 2008, Sequalum's purpose is the creation, financing, marketing, deployment and technical and commercial operation of a very high speed FTTH fiber network in the Hauts-de-Seine district. Legal proceedings are currently ongoing over the termination of the DSP 92 contract. See "*Description of Our Business—Legal Proceedings—Dispute Settlement Proceedings Concerning the DSP 92*".

The Numericable Group has also made acquisitions, in particular acquiring LTI Télécom, a telecommunications operator created in 1998 and present on the B2B market, which provides fixed, mobile and Internet telephony solutions to small and midsize businesses of 5 to 250 employees. See "*Description of Our Business—History*".

Ongoing and Future Capital Expenditures

The Numericable Group expects the annual amount of its capital expenditures excluding network upgrades to be approximately €300 million over the 2014 to 2016 period. As the 2014 SFR Acquisition has been completed, the figures that had previously been published relating to renovation investments are now obsolete.

The Numericable Group intends to renovate 700,000 to 800,000 triple-play compatible plugs to EuroDocsis 3.0 in 2014 (and has already upgraded approximately 609,000 homes in the nine-month period ended September 30, 2014) and to continue to renovate non-upgraded local triple-play fiber local loops to make them compatible with EuroDocsis 3.0.

The Numericable Group also has ongoing acquisition projects (Virgin Mobile).

Acquisition of Virgin Mobile

On December 4, 2014, Numericable Group completed the acquisition of all the share capital of Omer Telecom Limited (the holding company of the group operating in France under the Virgin Mobile brand) for the acquisition of the entirety of Omer Telecom Limited's capital, at a price corresponding to an enterprise value of €325 million. The acquisition is part of the Numericable Group's acceleration of its complementary strategy between fast and superfast broadband and mobile. The acquisition was consummated on December 4, 2014.

Virgin Mobile France was founded in 2006, and is the largest MVNO in the French market based on the number of subscribers, with a reputation for innovation and high-quality customer service, offering a wide range of tariffs and contract options, catering to a broad range of customer needs. Virgin Mobile France only operates in France.

Virgin Mobile France has invested in the development of a Full MVNO infrastructure, operating its own core network elements and interconnection equipment while using the radio network of another operator. This enables it to participate more fully in customer revenue streams, including termination revenues, and to reduce its costs. It also provides additional strategic flexibility by giving the business greater control of its customers. 77% of Virgin Mobile's customers were on the Full MVNO infrastructure at March 31, 2014.

Virgin Mobile also has a distribution network, with 76 Virgin Mobile single- branded sales locations (independent or owned), and a well-established online platform.

Virgin Mobile furnishes its services using the networks of Orange, SFR and Bouygues Telecom and, for 4G services, SFR and Bouygues Telecom.

The following table provides certain key performance indicators for Virgin Mobile as of March 31, 2013 and 2014:

(in millions)	As of March 31, 2013	As of March 31, 2014
Post-paid customers	1.35	1.32
Pre-paid customers	0.37	0.35
Total customers	1.71	1.67
Mobile ARPU (including insurance margin)	24.3	23.2
Broadband ARPU (including OTT)	29.8	33.4

Source: Virgin Mobile France

Like other mobile operators in France, Virgin Mobile has adapted to the difficult market conditions, in particular the intense market competition, which has caused downward pressure on ARPU and the customer base. The business has been able to maintain its focus on innovative propositions and high-quality customer service to provide differentiation, despite intense market competition. As of October 1, 2014, 93% of its post-paid subscriptions were based on offers launched or modified after Free's entry into the market in January 2012.

Virgin Mobile's offers are available on a SIM-only basis or with a handset subsidy (and a 24-month commitment). The following table shows Virgin Mobile France's offers in March 2014:

Data	100 Mb of Data 3G+		1 Gb of Data 3G+	3 Gb of Data (H+/4G)	5 Gb of Data H+/4G + 1 Gb of Data in Europe	
Voice/SMS/MMS	2 hours of voice and unlimited SMS/MMS	Unlimited voice and unlimited SMS/MMS	2 hours of voice and unlimited SMS/MMS	Unlimited voice toward 52 countries (France + international) and unlimited SMS/MMS	4 hours of voice and unlimited SMS/MMS	Unlimited voice toward 52 countries (France + international) and unlimited SMS/MMS
SIM only, monthly price	€3.99	€9.99	€9.99	€19.99	€19.99	€29.99
With handset subsidy, monthly price	€13.99	€19.99	€19.99	€39.99	€29.99	€52.99

Virgin Mobile also has OTT and quadruple-play offerings: Studio Box and Virgin Box. Studio Box is available for an additional €10 a month and provides enriched access to TNT channels (replay, timeshifting) and additional channels (Paramount, Game One, etc.) as well as SVOD (400 movies and youth programs and a large pay-per-view VOD catalogue), with a set-top box provided by Netgem. Virgin Box is available as part of a quadruple-play bundle from €29.98 per month and includes a market-standard triple-play offer (internet up to 25 Mbps per second, unlimited calls toward fixed lines and 100 countries, unlimited calls to mobile as an option, TV and VOD), with a modem and set-top box based on no-frills SFR equipment and all services operated by SFR.

2014 SFR Acquisition

See "*General Description of our Business and the Offering—Recent Developments—2014 SFR Acquisition*" for a description of the Numericable Group's acquisition of SFR.

Qualitative and Quantitative Analysis of Market Risk

Exchange Rate Risk

The Numericable Group faces monetary exchange rate fluctuations. Given that revenue is recorded in euros, since the refinancing transactions in the nine-month period ended September 30, 2014, the Numericable Group has been exposed to exchange rate risk in connection with its financing activities. Specifically, in May 2014, the Numericable Group incurred U.S. dollar- denominated debt (consisting of part of the Numericable Group's Numericable Term Loans used to refinance the Numericable Group's debt, the "Refi Numericable Term Loans" and the Numericable Term Loans of which the amounts were placed in an escrow account, the "Non-Refi Numericable Term Loans") and certain tranches of the Numericable Senior Secured Notes (see "*—Liquidity and Capital Resources of the Numericable Group—Financial Resources—Financial Liabilities*" and Note 15.3 to the financial statements as of September 30, 2014)).

Because the Numericable Group's financial statements are presented in euros, the Numericable Group converts its debts into euros at the then-applicable exchange rate. As a result, exchange rate fluctuations between the U.S. dollar and the euro may affect the value of U.S. dollar-denominated debt in the Numericable Group's financial statements. As of September 30, 2014, outstanding U.S. dollar-denominated debt totalled U.S. $7,775 million, excluding accrued interest and not taking into account deduction of the initial set-up costs, and outstanding euro-denominated debt totalled €2,250 million, excluding accrued interest and not taking into account the deduction of costs of set up, of the security deposits and of the perpetual subordinated notes.

In addition, the Numericable Group faces exchange rate risk relating to interest due in US Dollars on its US Dollar denominated debt. The Numericable Group seeks to hedge this exposure via derivatives. There can be no guarantee that the Numericable Group's hedging strategies will entirely protect its operating results from the effects of exchange rate fluctuations, or that such hedging will not limit any gain that the Numericable Group could record from favorable exchange rate movements.

As of December 31, 2013, the Numericable Group had no outstanding exchange rate derivatives. On April 23 and 28, 2014, the Company entered into various swap agreements with Goldman Sachs International. On May 1, 2014, Numericable Group and Goldman Sachs International transferred (by novation) a number of swap agreements to various leading international banks. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Numericable Group—Liquidity and Capital Resources of the Numericable Group—Financial Resources—Financial Liabilities*".

As of September 30, 2014, the Numericable Group was a party to five categories of currency swaps with more than fifteen counterparties:

	Dollar 2019 Notes	Dollar 2022 Notes	Dollar 2024 Notes	Refi Numericable Term Loan	Non-Refi Numericable Term Loan
Notional amount in USD Million / € Million	2,400 / 1,736	4,000 / 2,893	1,375 / 994	1,394 / 1,008	1,206 / 872
USD Leg/ Euro Leg	4.875% / 4.354%	6.0% / 5.147%	6.25% / 5.383%	L+3.75% /E+4.2135%	L+3.75% /E+4.2085%
First Exchange Date	April 30, 2015	April 30, 2015	April 30, 2015	May 21, 2014	April 30, 2015
Initial Amounts Exchanged in USD million / € Million	2,358 / 1,705	3,930 / 2,842	1,351 / 977	1,355 / 980	1,173 / 848
Coupon Payment date	August 15 / February 15	August 15 / February 15	August 15 / February 15	July 30, October 30, January 30, April 30	July 30, October 30, January 30, April 30
Final Exchange Date	May 15, 2019	May 15, 2022	May 15, 2022	May 15, 2019	May 15, 2019
Final Amount Exchanged in USD Million / € Million	2,400 / 1,736	4,000 / 2,893	1,375 / 994	1,394 / 1,008	1,206 / 872
Special provisions		Banks have a five-year termination right	Banks have a five-year termination right		

The Numericable Group's dollar-denominated debt issuances and the funds placed in the escrow accounts were fully hedged through cross-currency swaps. The table below shows the impact of hedging transactions on the initial debt and the escrow accounts before and after hedging.

		Initial debt		Hedging instrument		Final debt	
Initial amounts (in € millions)	**Currency**	**In USD**	**In euros**	**In foreign currency**	**In euros**	**In foreign currency**	**In euros**
2019 Notes	USD	(2,400)	—	2,400	(1,736)	—	(1,736)
2022 Notes	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Notes	USD	(1,375)	—	1,375	(994)	—	(994)
2020 Loan ("Refi")	USD	(1,394)	—	1,394	(1,008)	—	(1,008)
2020 Loan ("Non Refi")	USD	(1,206)	—	1,206	(872)	—	(872)
Total liabilities		**(10,375)**	**—**	**10,375**	**(7,503)**	**—**	**(7,503)**
Escrow accounts	USD	8,966	—	(8,966)	6,485	—	6,485
Total assets		**8,966**	**—**	**(8,966)**	**6,485**	**—**	**6,485**

The Numericable Group's dollar-denominated debt issuances (the Numericable Term Loans and Numericable Senior Secured Notes) and the amounts placed in the escrow accounts were fully hedged through cross-currency swaps. However, the Numericable Group's risk is not fully hedged, since U.S. dollar-denominated drawdowns under the Numericable Term Loans bear interest at LIBOR plus a margin subject to a floor of 0.75% on LIBOR, whereas the swap agreements do not include this floor. For the U.S. dollar-denominated Numericable Term Loans, if LIBOR is above 0.75%, the debt is fully hedged; otherwise, the difference between 0.75% and LIBOR is not covered by a dollar/euro swap. See "*—Interest Rate Risk*" below and Note 2.4 to the consolidated financial statements included in these Listing Particulars for a description of the hedging transactions relating to the refinancing transactions.

The following table shows the notional amounts and (negative) fair value of the swaps as of September 30, 2014:

(in € millions)	Notional amount	Fair value (including accrued interest)	Fair value (excluding accrued interest)
2019 Notes	1,736	43.2	45.4
2022 Notes	2,893	116.1	121.4
2024 Notes	994	38.7	40.6
2020 Loan ("Refi")	1,008	(78.8)	(78.8)
2020 Loan ("Non Refi")	872	(0.1)	(0.1)
Total	**7,503**	**119.1**	**128.5**

Impact of the swaps on the Numericable Group's consolidated financial statements

The Numericable Group has entered into two types of swaps:

- The swaps on the Numericable Senior Secured Notes are considered cash flow hedges because they correspond exactly to the cash flow of the underlying Numericable Senior Secured Notes. The effective portion of the change in the fair value of these derivatives is recorded as a component of other comprehensive income. It is recorded in income or loss when the covered item affects net income. As of September 30, 2014, €207.4 million was recorded in other comprehensive income (and therefore in shareholders' equity) representing the fair value of these financial instruments. The Numericable Group also recorded €78.8 million of deferred tax assets on these instruments in other comprehensive income and shareholders' equity as of September 30, 2014.

- The swaps on the Numericable Term Loans were recorded as a natural hedge (at fair value through profit and loss, in accordance with IAS 39). The swaps on the Numericable Term Loans are accounted for differently from the swaps on the Numericable Senior Secured Notes due to the variable rate of the underlying obligations. These swaps are recorded at their fair value on the balance sheet, and changes in their value affect income or loss. As of September 30, 2014, the fair value of these financial instruments (including the fair value of the LIBOR/EURIBOR conversion, which cannot be isolated) was recorded as other financial income of €78.9 million, thus positively affecting the Numericable Group's net income. The Numericable Group also recorded €(33.4) million of expense in deferred tax on these instruments as of September 30, 2014.

Altogether, as of September 30, 2014, the change in the swaps' mark- to-market value positively affected net income by €45.5 million. See Note 16.3 and Note 9.2 to the Numericable Group's interim consolidated financial statements included elsewhere in these Listing Particulars for more information on accounting for these swaps.

Interest Rate Risk

The Numericable Group is exposed to interest rate risk. The variations of these rates could have a material adverse effect on the service of its debt.

The Numericable Group is exposed to the risk of an increase in interest rates, essentially under Numericable Group's Term loans, which is indexed to the European Interbank Offered Rate ("EURIBOR") or, for dollar-denominated loans, the London Interbank Rate ("LIBOR"), plus applicable margins. In addition, any amount that the Numericable Group borrows under the 2014 Numericable Group Revolving Credit Facilities will bear interest at a floating rate. An increase in interest rates applicable to the Numericable Group's debt will reduce available funds to reimburse its debt and finance its operations and capital expenditures. Although the Numericable Group may resort to various derivative instruments to manage its exposure to interest rate movements, there can be no assurance that it will be able to continue to do so at a reasonable cost.

To cover its exposure to changes in LIBOR (which applies to the portion of the Numericable Term Loan denominated in U.S. dollars), the Numericable Group has entered into swap agreements hedging its exposure to euro/dollar currency fluctuations and to changes in LIBOR, thus converting its exposure to LIBOR rates into exposure to EURIBOR rates. See "—*Exchange Rate Risk*" above.

As of September 30, 2014, the Numericable Group had no contracts covering its exposure to fluctuations in the EURIBOR rate. EURIBOR could increase considerably in the future, which would lead to additional interest expense for the Numericable Group, reducing its available cash flow for investments and limiting its ability to service the debt under certain of its debt instruments.

The following table shows changes in the Numericable Group's financial assets and liabilities at September 30, 2014:

(in € millions) September 30, 2014	Financial Assets (a)		Financial Liabilities (b)		Net Exposure (c) = (b) − (a)		Rate-hedging instruments (d)		Net exposure after hedging (e) = (c) − (d)	
	Floating Rate	**Fixed Rate**	**Floating Rate**	**Fixed Rate**	**Floating Rate**	**Fixed Rate**	**Floating Rate**	**Fixed Rate**	**Floating Rate**	**Fixed Rate**
Less than a year				25.6	—	25.6	—	—	—	25.6
From 1 to 5 years......................				1,920.6	—	1.920.6	—	—	—	1,920.6
More than 5 years			3,958.8	6,506.5	3,958.8	6,506.5	—	—	3,958.8	6,506.5
Total...			**3,958.8**	**8,452.7**	**3,958.8**	**8,452.6**	**—**	**—**	**3,958.8**	**8,452.7**

* The hedges implemented relate mostly to foreign currencies; these agreements convert the Numericable Group's exposure to the LIBOR rate to an exposure to the EURIBOR rate and therefore does not reduce the Numericable Group's global exposure to the variability of interest rates.

Numericable's counterparties to the hedging agreements with an eight-year term (relating to interest and principal due on the Dollar 2022 Notes and the Dollar 2024 Notes) benefit from an early termination clause after five years. These counterparties may unilaterally terminate the hedging agreements three years before the end of their terms and cause Numericable Group to pay (depending on market conditions on that date) the remaining balance of the swaps at the time of the termination of the agreements. This possibility thus results in a liquidity risk, as the Numericable Group could reasonably enter into new swap agreements at market conditions concurrent with such termination.

As of December 31, 2013, the Numericable Group's outstanding variable- rate debt totalled €2,257.7 million, and its outstanding fixed-rate debt totalled €380.4 million. As of September 30, 2014, the Numericable Group's outstanding variable-rate debt totalled €3,958.8 million, and its outstanding fixed-rate debt totalled €8,452.7 million.

The Numericable Group has at times entered into interest rate swap agreements and interest rate cap agreements, and intends to continue doing so when necessary. There can be no assurances as to the Numericable Group's ability to properly manage its exposure to interest rate fluctuations in the future or to continue to do so at a reasonable cost.

Given the relative weights of the Numericable Group's fixed-rate and variable-rate debt, and of the existing swap rates that convert the Numericable Group's exposure to fluctuations in LIBOR into exposure to fluctuations in EURIBOR, an immediate change of 50 basis points in EURIBOR would have an effect of plus or minus €9.5 million on the Numericable Group's net income for the nine months ended September 30, 2014. As noted above, due to its interest rate swaps, the Numericable Group is not exposed to changes in LIBOR.

Liquidity Risk

The Numericable Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching as much as possible the maturity profiles of financial assets and liabilities.

The following table details the Numericable Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of September 30, 2014. It was prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Numericable Group can be required to pay. The table includes principal cash flows. The contractual maturity is based on the earliest date on which the Numericable Group may be required to pay.

(€ in thousands)	September 30, 2014 Less than 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities under the Numericable Term Loan	79,266	—	3,780,379	3,859,645
(of which accrued interest)	28,968	—	—	28,968
Financial liabilities under the Numericable Senior Secured Notes	51,361	1,735,734	6,137,322	7,924,417
(of which accrued interest)	51,361	1,735,734	6,137,734	7,924,417
Perpetual subordinated notes	—	—	39,654	39,654
Financial liabilities pursuant to leasing-financing agreements	26,644	19,372	390	44,406
Other financial liabilities	1,000	833	—	1,833
Total notes and loans	**385,005**	**3,116,788**	**6,634,326**	**10,136,118**
(of which amortization of initial costs)	—	—	(61,410)	(61,410)
Marked-to-Market value of swaps	9,394	43,249	75,896	128,539
Security deposits received from customers	11,432	45,411	—	56,843
Bank overdrafts	—	—	—	0
Total financial liabilities	**177,097**	**1,844,599**	**10,033,641**	**12,055,337**

The Numericable Group has no repayment to make with respect to the Numericable Senior Secured Notes or the Numericable Term Loans in the last quarter of 2014. The only repayment to be made during the last quarter of 2014 are with respect to finance leases, in an amount of approximately € 6.6 million. Interest due on the Numericable Term Loans was paid during the last quarter of 2014 in an estimated total amount of approximately € 45.9 million.

The Numericable Group is also exposed to the risk of having to pay the amount corresponding to the mark-to-market value of its hedging agreements with an eight-year term (relating to interest and principal due under the Dollar 2022 Notes and Dollar 2024 Notes) under which the counterparties of Numericable benefit from an early termination clause after five years. See "*—Liquidity and Capital Resources of the Numericable Group—Financial Liabilities*" of these Listing Particulars. These counterparties can unilaterally renounce the hedging agreement three years before their maturity and force Numericable Group to pay (according to market conditions at that date) the mark-to-market value (at the date of the cancellation of the agreements) of the swaps. This possibility thus results in a liquidity risk, as the Numericable Group could reasonably enter into new swap agreements at market conditions concurrent with such termination.

The Numericable Senior Secured Notes are "covenant light", i.e. these Notes have no covenants tested periodically, but rather only on the occasion of particular events (such as transfer of assets, incurrence of new debt, payment of dividends, etc.).

The Numericable Group also has revolving credit facilities (the "2014 Numericable Group Revolving Credit Facilities") available for drawdown for a total amount of €300 million and, as from November 27, 2014, in the additional amount of €450 million. The availability of these revolving credit lines is subject to customary covenants and other undertakings (see Note 20.1 to the consolidated financial statements included elsewhere in these Listing Particulars for more information).

The following table shows the Numericable Group's current credit ratings:

Moody's	S&P
B1 (positive outlook)	B+

Credit and/or Counterparty Risk

Credit and/or counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Numericable Group.

Financial instruments that could potentially subject the Numericable Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the consolidated financial statements, which is net of depreciation, represents the Numericable Group's maximum exposure to credit risk.

The Numericable Group believes that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. An analysis of credit risk on net trade receivables past due is provided in Note 20 to the consolidated financial statements included elsewhere in these Listing Particulars.

The Numericable Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above. The Numericable Group enters into interest rate contracts with leading financial institutions and currently believes that the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

In 2008, at the time Lehman Brothers filed for bankruptcy, part of the Numericable Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the interest rate swaps. The Numericable Group currently has a damages claim against Lehman Brothers for a total amount of €11.2 million. In 2013, the Numericable Group received payments of €4.5 million and €2.6 million in relation to this claim. A third payment was received in November 2013, and the Numericable Group received a fourth payment of €0.8 million in the nine-month period ended September 30, 2014. All amounts accepted by the administrator have been paid to Ypso France (a total of €10.7 million, representing all of the amount initially claimed). The Numericable Group does not expect any additional payments from the administrator of the Lehman Brothers bankruptcy.

Risks Relating to Shares and Other Financial Instruments

As of the date of these Listing Particulars, the Numericable Group does not hold any securities apart from securities of associates and holdings in non- consolidated companies (see Note 17 "Investments in Associates" and Note 31 "Non-current Assets Held for Sale and Discontinued Operations" to the consolidated financial statements included elsewhere in these Listing Particulars). As a result, the Numericable Group believes it is not subject to material market risks relating to shares and other financial instruments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SFR

The following discussion and analysis is intended to assist in providing an understanding of SFR's financial condition, changes in financial condition and results of operations. The discussion is based on SFR's audited combined financial statements as of and for the years ended December 31, 2011, 2012, and 2013, and SFR's unaudited combined condensed interim financial statements as of and for the nine months ended September 30, 2014, in each case, prepared in accordance with IFRS as adopted by the European Union. SFR's combined financial statements as of and for the years ended December 31, 2011, 2012, and 2013, were audited by KPMG Audit, a department of KPMG S.A., and Ernst & Young et Autres. and SFR's unaudited combined condensed interim financial statements as of and for the nine months ended September 30, 2014, were the subject of a limited review by KPMG S.A. An English translation of these reports are included in these Listing Particulars.

Except as the context otherwise indicates, when discussing historical results of operations under "Description of SFR's Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR", "SFR", "it" and other similar terms are generally used to refer to SFR's business. In this section, references to "SFR Combined Group" refer to SIG 50, SFR and their subsidiaries, and references to the "SFR Group" refer to SFR and its subsidiaries and, as the context requires, SIG 50 and its subsidiaries.

You should read the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR" in conjunction with the combined financial statements of SFR and the accompanying notes an English translation of which is included in these Listing Particulars. A summary of the critical accounting estimates that have been applied to SFR's financial statements is set forth below in "Critical Accounting Estimates". This discussion also includes forward-looking statements which, although based on assumptions that SFR considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of the risks and uncertainties SFR faces as a result of various factors, see "Risk Factors".

Presentation of Financial Information

The discussion and analysis below for each of the periods presented is based on the financial information derived from the audited combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013 (the "2011, 2012 and 2013 Combined Financial Statements") and the unaudited combined condensed interim SFR financial statements as of and for the nine months ended September 30, 2014 (the "SFR Q3 2014 Combined Financial Statements" and together with the SFR 2011, 2012 and 2013 Combined Financial Statements, the "SFR Combined Financial Statements"). The SFR Combined Financial Statements cover the following parameters: (i) SFR S.A. ("SFR"); (ii) entities held directly or indirectly by SFR and its subsidiaries; (iii) Vivendi S.A.'s ("Vivendi") participation through its interest in SIG 50, in the telecommunications products and services distribution activity and the telecommunications business of Futur Télécom (a CID subsidiary), given their operational link to SFR's activity; and, with respect to the SFR Q3 2014 Combined Financial Statements, (iv) Groupe Telindus France, which was acquired by SFR on May 1, 2014, when it acquired Groupe Telindus France and operates in the telecommunications and network integration business.

In the absence of a specific IFRS text on the preparation of combined financial statements, SFR defined the basis of preparation of its combined accounts as of and for the years ended December 31, 2011, 2012 and 2013 and as of and for the nine months ended September 30, 2013 and 2014. The SFR Combined Financial Statements were prepared in accordance with IFRS as approved by the European Union.

Introduction

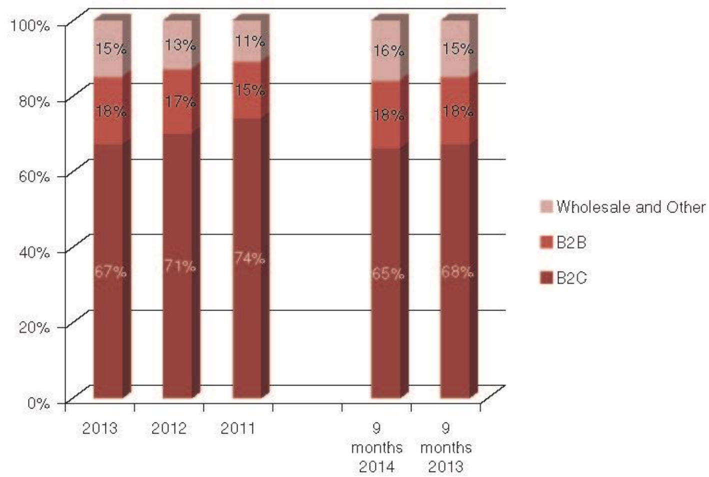
As SFR's business evolves towards increased convergence of the activities of the mobile telephone and broadband internet, and fixed revenue services, it will continue to globalize and unify its operations. The chief operating decision-maker checks the results and operating plans, and decides on the distribution of resources at the group level. SFR has therefore identified one individual operating sector that corresponds to the criteria of standard IFRS 8. Similarly, in view of the fact that virtually all of SFR's activity is on French territory, a single geographic segment has been retained.

SFR's combined revenue has been broken down by the following three markets:

- B2C, which includes the offers and services marketed to the consumer market in mainland France;
- B2B, which includes the offers marketed to VSE/SME, large companies and public entities in mainland France; and
- Wholesale and Other, which includes: (i) services offered to mobile virtual network operators ("MVNOs") or to foreign mobile operators whose customers use SFR's network; (ii) voice and data transmission services;

(iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and internet access providers. In the presentation of the SFR Combined Group's revenues, this market also includes activities that have not been included in the B2C and B2B markets, principally Société Réunionnaise du Radiotéléphone ("SRR"), SFR Collectivités and its subsidiaries as well as inter-segment eliminations.

The following diagram illustrates the relative percentages of the activities of each of these markets in the SFR Combined Group's revenues for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014:



Key Figures

The following table presents the breakdown in SFR's combined revenue among its three markets as well as certain key performance indicators for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014

	Year ended December 31,					Nine months ended September 30,		
	2013	2012	2011	% Change 2013/2012	% Change 2012/2011	2014	2013	% Change 2014/2013
				€ in millions				
B2C	6,873	7,974	8,982	(13.8)%	(11.2)%	4,831	5,156	(6.3)%
B2B[a]	1,789	1,871	1,868	(4.4)%	0.2%	1,349	1,341	0.6%
Wholesale and Other	1,536	1,442	1,333	6.5%	8.2%	1,217	1,120	8.7%
Combined revenue[a]	**10,199**	**11,288**	**12,183**	**(9.7)%**	**(7.3)%**	**7,396**	**7,616**	**(2.9)%**
EBITDA	**2,766**	**3,301**	**3,800**	**(16.2)%**	**(13.1)%**	**1,777[h]**	**2,200**	**(19.2)%**
SFR Group								
Number of mobile customers (in thousands)[b]	21,354	20,690	21,463	3.2%	(3.6)%	21,414	21,144	1.3%
Number of Internet customers (in thousands)[c]	5,257	5,075	5,019	3.6%	1.1%	5,271	5,209	1.2%
Mobile subscriber acquisition costs (in € millions)	430	497	602	(13.4)%	(17.5)%	261	303	(13.6)%
Mobile retention costs (in € millions)	541	634	645	(14.7)%	(1.8)%	351	386	(9.0)%
B2C[d]								
Number of mobile customers (in thousands)[b]	14,555	15,057	16,578	(3.3)%	(9.2)%	14,182	14,486	(2.1)%
Number of mobile subscribers (in thousands)[b][e]	11,381	11,194	11,961	1.7%	(6.4)%	11,315	11,230	0.8%
Smartphone penetration rate[f]	64.1%	51.2%	42.1%	12.9pts	9.1pts	69%	58%	10.8 pts
Monthly Mobile ARPU over last twelve months (€)[g]	24.1	28.3	31.4	(15.0)%	(9.6)%	22.8	25.0	(8.7)%
Number of High-Speed Internet Customers (in thousands)[c]	5,209	5,039	4,994	3.4%	0.9%	5,217	5,163	1.0%
of which Fiber customers (in thousands)	197	126	97	55.6%	29.7%	249	172	44.5%
of which quadruple-play customers ("MultiPack") (as a % of the customer base)	45%	35%	24%	9.8pts	11.9pts	49%	44%	5.8 pts
Monthly Broadband Internet ARPU over last twelve months (€)[g]	32.5	33.3	34.1	(2.6)%	(2.1)%	32.2	32.6	(1.0)%

(a) Combined revenues for the SFR Combined Group and the B2B market include revenues from Telindus France since May 2014. On a comparable basis (excluding Telindus), 2013 SFR Combined Group revenues decreased by 4.2% and B2B revenues declined by 6.7% in the nine months ended September 30, 2014.

(b) The 2013 numbers of mobile customers include a technical purge carried out in 2013 of 92,000 inactive lines related to the migration of the billing system (with no impact on revenues). The total number of customers as of December 31, 2012 is as originally published (i.e. without the technical purge).

(c) The total number of high-speed internet customers as of December 31, 2011 was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation.

(d) Mainland France, excluding SRR.

(e) Total mobile subscribers is equal to post-paid customers.

(f) Number of customers equipped with a smartphone compared to the total number of mobile customers (excluding remote connections).

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

(h) Includes a non-recurring charge of €196 million.

SFR's B2C and B2B activities are carried out in mainland France, while its Wholesale and Other activities include the activities of SRR, which operates outside of mainland France in Reunion Island and Mayotte and represented approximately 17% of Wholesale and Other combined revenues for 2013.

Key Income Statement Items

Revenue

SFR's revenue is principally comprised of revenues from services and equipment sales. The principles for recognition of revenue are described in note 1.3.4 of the SFR Combined Financial Statements.

B2C Revenue

B2C Revenue is principally comprised of pre-tax revenue from the sale of retail services and equipment to consumers (fixed and mobile) in metropolitan areas of France and call termination income for traffic to B2C customers of SFR.

The main B2C mobile telephony offers available in mainland France are:

- The "Formules Carrées" range, based on mobile internet and the provision of premium content to SFR customers ("Extras"), supplemented a range of services. These plans include access to a wide range of subsidized handsets, with a commitment period, and are available through all sales channels, in particular through SFR's network of brick-and-mortar Espace SFR stores;

- The "Red" range of plans, which do not require a time commitment and are sold essentially through the internet and cover low-priced offers;

- Prepaid offers sold under the "SFR La Carte" brand.

The majority of B2C mobile telephony revenues is generated by subscriptions ("Formules Carrées" and "Red"). Prepaid offers generated nearly 9% of retail mobile revenues in 2012 and 2013 and 7% of retail mobile revenues in the nine months ended September 30, 2014, and their weight has tended to decline with the arrival of low-priced subscription offers without time commitments.

Revenues from sales of handsets and mobile telephony accessories as well as related insurance revenues are included in B2C revenues.

The main B2C fixed offers available in mainland France are:

- Internet access offers through xDSL or optical fiber:

    - Unlimited high speed ADSL, which enables customers to access the internet with a minimum speed;

    - Very high speed fiber (FTTH) offers, which enable eligible customers to access the internet with download speeds of up to 1 Gbps;

- Fixed telephony offers, without associated internet access:

    - Pre-selection offers (call-by-call selection or automatic pre-selection), in which customers keep their telephone-line subscriptions with Orange; and

    - Offers that include the telephone-line subscription, in which customers obtain their telephone subscription from SFR rather than from Orange.

The majority of B2C fixed revenues is generated by internet access offers. Fixed telephony offers without associated internet access generated approximately 9% of B2C fixed revenues in 2012, nearly 8% in 2013 and approximately 6% in the nine months ended September 30, 2014.

SFR also offers automated home solutions to the B2C market, under its “Home by SFR” brand. Call termination income for traffic to B2C customers of SFR is also included in B2C revenues.

B2B Revenue

B2B Revenue comprises pre-tax income from the sales of services to SMEs/VSEs, large businesses and public administrations in metropolitan areas of France, including:

- 3G/4G voice and data mobile services for smartphones, tablets and PCs;

- fixed data services via xDSL technologies or fiber and business network offers (Virtual Private Networks), which provide connections to the sites of single-site or multi-site businesses;

- fixed telephony services for businesses;

- a range of unified communications solutions, including the Business Entrepreneurs Pack for VSEs, the Business Enterprises Pack for SMEs and the Business Corporate Pack (for large businesses);

- value-added hosting services intended for large account customers, or cloud services intended for

- SMEs and integration services; and

- the revenue associated with MtoM communications.

Call termination income for traffic to B2B customers of SFR is also included in B2B revenues.

Wholesale and Other Revenue

Wholesale and Other revenue is principally comprised of the following elements:

- revenue generated by the Operators division of SFR which includes:

    - revenue generated with virtual mobile operators who are customers of SFR;

    - revenue generated by roaming foreign visitors on the SFR mobile network (“roaming in”); and

    - revenue from fixed activities, including the collection and termination of voice, data and special number traffic on behalf of national and international operators, the resale of national and international connections, or the sale of end-to-end voice services.

- revenue generated by SRR, which conducts its activity as a fixed and mobile operator in Reunion and Mayotte for consumers and businesses;

- revenue generated by SFR Collectivités and its subsidiaries from regional authorities. The role of SFR Collectivités is to support the strategy of deploying SFR networks and services complementing the needs of the regional authorities; and

- intersegment eliminations.

Call termination income for traffic to customers of the Wholesale and Other activity is also included in Wholesale and Other revenues.

Costs

The costs of sales are comprised of the purchase of goods, interconnection costs, network operating and maintenance costs, and of the share of costs of sales associated with personnel expenses and taxes and duties. Purchases of goods include purchases of mobile handsets. Commercial and distribution costs include the costs of acquiring customers and developing their loyalty (excluding mobile handset subsidy costs, which are deducted from revenue) such as distributor compensation, customer service and advertising and marketing costs. Overhead costs primarily consist of information systems costs, cost structures, and taxes not associated with the costs of sales.

EBITDA

As explained in note 1.2.5 "Group operational performance" of the SFR Combined Financial Statements, SFR considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA corresponds to operating income adjusted for other operating income and charges and net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment. EBITDA illustrates the profit generated by SFR's activities independently of financing conditions, taxes (corporate income tax) and net depreciation/amortization expense and provisions related to plant and equipment.

EBITDA is calculated from combined revenues, less cost of sales, commercial and distribution costs and general costs (excluding net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment).

EBITDA is not an IFRS indicator and does not have a standard definition. As a result, SFR's method of calculating EBITDA may not be comparable to those used to calculate indicators with a similar name by other entities.

Operating Income

Operating income corresponds to SFR's combined EBITDA, less depreciation and amortization on intangible and tangible assets, other operating expenses, and other operating income, which includes the amortization of subscriber bases recognized during the combining of businesses and restructuring costs.

Financial Income (Expense)

Financial income (expense) is composed of:

- Net financing cost, which is composed of
    - interest expense on loans, which in turn depends on the level of the debt and the average applicable rates. For 2011, 2012 and 2013 and the nine months ended September 30, 2014, interest expense relates primarily to financial expenses in respect of the shareholder advances provided by Vivendi; and
    - interest income on cash, which is principally composed of income from the investment of cash and cash equivalents.
- Other financial income and expense, which comprise default interest, changes in the value of derivative instruments and the effects of accretion connected to debts and provisions (particularly on debt connected to the GSM license, the provision for post-employment benefits and the provision for the refurbishment of sites).

Income Tax

Income tax in the SFR Combined Financial Statements includes taxes calculated based on the net income realized by each combined entity and excludes other taxes paid by the SFR Combined Group, such as real estate taxes, Flat Rate Tax on Enterprise Networks ("IFER") and the Contribution on Value Added of Companies ("CVAE"), which are included in EBITDA and operating income. It also includes deferred taxes. The effective tax rate is defined as income tax on pre-tax income. For more information, see note 1.3.16 "Income Tax" of the SFR Combined Financial Statements.

Key Operating Measures

SFR uses several key operating measures, including total mobile and internet customers, which are used to evaluate the success of different offers.

In addition, in order to analyze the behavior of customers in a dynamic manner and evaluate the success of different offers, SFR also used the net sales indicator. In the mobile sector, SFR also distinguishes between "subscribers" and "prepaid" as these relate to offers that differ in terms of customer behavior and profitability.

None of these operating measures are measures of performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these operating measures are derived from SFR's internal operating and financing systems. As defined by SFR management, these operating measures may not be directly comparable to similar measures used by SFR's competitors or other companies.

ARPU

SFR uses ARPU as an indicator for its B2C mobile and fixed activities.

B2C Mobile ARPU is the average monthly revenues per B2C mobile customer. It is calculated by dividing Mobile B2C revenues (excluding equipment) generated over the last twelve months by the average number of customers (excluding multi-sim and back-up keys) over the same period. The average number of customers is the average of the monthly averages over the relevant period. The monthly average is the arithmetic average of the number of customers at the beginning and end of the month. ARPU is expressed as an average revenue per customer.

B2C broadband internet ARPU is the average monthly revenues per B2C high-speed internet line. It is calculated by dividing B2C High-speed internet revenues generated over the last twelve months by the average number of B2C High-speed internet lines over the same period. The average number of B2C High-speed internet lines is the average of the monthly averages over the relevant period. The monthly average is the arithmetic average of the number of customers at the beginning and end of the month.

Monthly Subscriber Acquisition and Retention Costs

SFR follows its mobile subscriber acquisition and retention costs as a performance indicator. These costs correspond to compensation paid to the distribution network and subsidies for the acquisition of the handset at the time of subscription to a package offer. As stated above, the costs of subsidizing handsets are deducted from revenues. The costs of acquiring and retaining customers are recorded in the income statement in the year they are incurred, i.e. at the time of acquisition or renewal.

Key Factors Affecting SFR's Business

The main factors having an impact on the normal course of SFR's activities and its results include: (i) economic and financial developments in France; (ii) competitive pressures; (iii) significant capital expenditures linked in particular to purchase of licenses; (iv) changes in regulatory tariff prices; and (v) the implementation of a long-term transformation plan. These factors are further described below.

Economic and Financial Environment in France

SFR generates almost all of its revenue in France and is therefore strongly exposed to economic and financial developments in France. The years 2011 to 2013 and the nine months ended September 30, 2014, were marked by almost no economic growth in France, as well as a drop in the purchasing power of households and a reduction in corporate spending. These elements have affected the results of SFR over the same period.

Intensifying Competition

SFR carries out all its business in the telecommunications sector in France, which is marked by intense and growing competition. In particular, at the start of 2012, the French mobile market experienced a significant increase in competition as a result of the entry of a fourth operator, the Iliad Group, which led to a significant increase of low-price, no-commitment offers. The entry of Iliad Group into the market negatively affected the pricing for SFR's mobile offers and churn rate, as well as its ability to attract new customers during 2012, 2013 and the nine months ended September 30, 2014.

Network Expenditures

SFR's business requires significant investments for the maintenance, modernization and development of its networks. In order to develop SFR's businesses and to improve the performance of its network, SFR acquired frequencies granted by the French authorities. The years of 2011 and 2012 were therefore marked by acquisition costs for 4G licenses (the bands 2.6 GHz and 800 MHz), with these costs representing an amount of €1,065 million in 2012. In addition, during the last three years, SFR had to pursue its investments linked to the commitments for the coverage and deployment of the network it undertook pursuant to its mobile licenses. For further information, see note 25 of the SFR 2011, 2012 and 2013 Combined Financial Statements contained elsewhere in these Listing Particulars.

Regulatory Tariffs

A portion of SFR's revenue (approximately 10% in 2013 and 11% in the nine months ended September 30, 2014) is subject to changes in regulations applicable to the telecommunications sector. However, the share of revenue subject to such changes is diminishing. This is mainly related to the decrease in income from call termination on the mobile network of SFR, the tariffs for which are set by ARCEP, and the revenue linked to roaming in Europe, the tariffs for which are subject to European regulations. The decreases in tariffs implemented by the regulators over the last three years were notably as follows:

- decrease in regulated prices for mobile call terminations of 33% on July 1, 2011, of 25% on January 1, 2012, of 33% on July 1, 2012 and of 20% on January 1, 2013;
- decrease in tariffs for mobile roaming on July 1, 2011, 2012 and 2013 as described on the ARCEP website (www.arcep.fr) , under "Major Files—Mobiles—Roaming");
- decrease in prices for SMS call termination tariffs of 25% on July 1, 2011 and of 33% on July 1, 2012; and
- decrease in prices of fixed line call terminations of 40% on October 1, 2011, of 50% on July 1, 2012 and of 47% on January 1, 2013.

The tables below show the impact of the regulatory measures on SFR's combined revenue:

	2013	2012	2011	% Variation 2013/ 2012	% Variation 2012/2011
		€ in millions			
Combined revenue	10,199	11,288	12,183	(9.7)%	(7.3)%
Variation excluding regulatory impacts[(a)]	—	—	—	(7.2)%	(3.3)%

(a) Excluding the price effect of the decreases in the regulated tariff prices detailed above

	September 2014	September 2013	% Variation
	€ in millions		
Combined revenue	7,396	7,616	(2.9)%
Variation excluding regulatory impacts[(a)]			(2.3)%

(a) Excluding the price effect of the decreases in the regulated tariff prices detailed above

SFR's Long-Term Transformation Plan

SFR initiated a global transformation plan in 2012 aimed at adapting to developments in the telecommunications market and anticipating the challenges for its business (see "*Description of SFR's Business—Overview of SFR's Business*"). SFR pursued this transformation plan in 2013 and the nine months ended September 30, 2014, adapting its organization to the market developments and retaining its investment capacity in the high-speed and mobile sectors. This plan has also contributed to decreasing the operating costs of SFR by more than €1 billion between the end of 2011 and September 30, 2014.

Critical Accounting Estimates

The SFR Combined Financial Statements were prepared in accordance with IFRS standards that require SFR's management to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information in the notes to the SFR Combined Financial Statements. The management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Should these assumptions change, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the SFR Combined Financial Statements concern the following:

- certain elements of revenue, particularly identification of the separate elements of a packaged offer and the duration of decreases in revenue linked to costs of access to the service;

- the amount of the provisions for risks and other provisions linked to the business of the SFR Combined Group;

- the assumptions used for calculating the obligations linked to staff benefits;

- the methods of valuation and impairment of goodwill;

- recognition of the deferred tax assets; and

- duration of the utility of intangible and tangible fixed assets.

The estimates and assumptions used by the management of SFR in the preparation of the SFR Combined Financial Statements are described in detail in note 1.3 of the SFR Combined Financial Statements.

Discussion and Analysis of the SFR Combined Group's Results of Operations

The following table provides the main line items of the SFR Combined Group's income statement for the years 2011, 2012 and 2013 and nine months ended September 30, 2013, and 2014.

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Revenues	**10,199**	**11,288**	**12,183**	**7,396**	**7,616**
Cost of sales[(a)]	(4,851)	(5,113)	(5,681)	(3,716)	(3,518)
Commercial and distribution costs[(a)]	(1,928)	(1,965)	(1,864)	(1,213)	(1,412)
Selling, general and administrative expense[(a)]	(654)	(909)	(838)	(690)	(486)
EBITDA	**2,766**	**3,301**	**3,800**	**1,777**	**2,200**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(1,508)	(1,153)	(1,136)
Other operating income	2	11	14	2	1
Other operating expense	(169)	(270)	(84)	(117)	(76)
Operating result	**1,005**	**1,530**	**2,222**	**510**	**989**
Net financing cost	(229)	(217)	(208)	(147)	(186)
Other financial income	2	2	8	2	1
Other financial expense	(24)	(34)	(70)	(9)	(13)
Financial income	**(251)**	**(249)**	**(270)**	**(155)**	**(198)**
Income from equity affiliates	(12)	(13)	(17)	(7)	(6)
Pretax income from continuing operations	**742**	**1,267**	**1,935**	**348**	**785**
Income tax	(315)	(516)	(535)	(164)	(314)
Net earnings	**426**	**752**	**1,400**	**184**	**471**
of which					
Attributable to shareholders	**420**	**746**	**1,399**	**178**	**465**
Attributable to non-controlling interests	**6**	**6**	**1**	**6**	**6**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Analysis and Comparison of Results for the Nine Months Ended September 30, 2013 and September 30, 2014

The table below shows the combined income statement of SFR for the nine months ended September 30, 2013 and September 30, 2014, in millions of euros.

	For the Nine months ended September 30,			
	2014	2013	Variation	% Variation
	€ in millions			
Revenues	**7,396**	**7,616**	**(220)**	**(2.9)%**
Cost of sales[(a)]	(3,716)	(3,518)	(198)	5.6%
Commercial and distribution costs[(a)]	(1,213)	(1,412)	199	(14.1)%
Selling, general and administrative expense[(a)]	(690)	(486)	(204)	41.9%
EBITDA	**1,777**	**2,200**	**(423)**	**(19.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	**(1,153)**	**(1,136)**	**(17)**	**1.5%**
Other operating income	2	1	1	100%
Other operating expense	(117)	(76)	(41)	53.9%
Operating result	**510**	**989**	**(479)**	**(48.4)%**
Net financing cost	(147)	(186)	39	(21.0)%
Other financial income	2	1	1	100%
Other financial expense	(9)	(13)	4	(30.8)%
Financial income	**(155)**	**(198)**	**43**	**(21.7)%**
Income from equity affiliates	(7)	(6)	(1)	16.6%
Pretax income from continuing operations	**348**	**785**	**(437)**	**(55.6)%**
Income tax	(164)	(314)	150	(47.7)%
Net earnings	**184**	**471**	**(287)**	**(60.9)%**
of which				
Attributable to shareholders	**178**	**465**	**(287)**	**(61.7)%**
Attributable to non-controlling interests	**6**	**6**	**0**	**0%**
Excluding net depreciation expenses and provisions on intangible and tangible assets				

On April 30, 2014, SIG 50 acquired all of Groupe Telindus France's securities for a total amount of €88 million, excluding €6 million for cash acquired. The principal subsidiary, Telindus France, is one of the main players in the French market for telecom and network integration and is the primary distributor for Cisco in France. Telindus France's revenues were €241.5 million for 2013 and €171 million for the nine months ended September 30, 2014, of which €98 million was recorded in the SFR Combined Group's financial statements at September 30, 2014.

Combined revenue

SFR's combined revenues decreased by €220 million, representing a decrease of 2.9% on a real basis and a decrease of 4.2% on a comparable basis, from €7,616 million for the nine months ended September 30, 2013, to €7,396 million for the nine months ended September 30, 2014. The decrease in revenues slowed: on a comparable basis, revenues decreased by 3.2% in the third quarter of 2014, compared to 4.7% in the first half.

As of September 30, 2014, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 1.3% from September 30, 2013. The total number of mobile subscribers was 18.3 million, or 85.5% of total mobile customers. The total number of residential customers subscribing to broadband Internet rose by 14,000 during the nine months ended September 30, 2014, to 5.3 million.

Information by market

The changes in combined revenues by market are as follows:

	For the nine months ended September 30,		
	2014	2013	% Variation
	€ in millions		
B2C	4,831	5,156	(6.3)%
B2B[(a)]	1,349	1,341	0.6%
Wholesale and Other	1,217	1,120	8.7%
Combined revenue[(a)]	7,396	7,616	(2.9)%

(a) Combined revenues and B2B segment revenues include the revenues of Telindus France starting from May 2014 (a two-month period). On a comparable basis (excluding Telindus France), 2013 B2B combined revenues decreased by 4.2% and B2B segment revenues decreased by 6.7% for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

The following table shows the changes in our key performance indicators:

	For the nine months ended September 30,			For the year ended December 30, 2013
	2014	2013	% Variation	
SFR Group				
Total mobile customers (in thousands)	21,414	21,144	1.3%	21,354
Total internet customers (in thousands)	5,271	5,209	1.2%	5,257
Mobile acquisition costs (in M€)	261	303	(41)	430
Mobile retention costs (in M€)	351	386	(35)	541
B2C				
Total mobile customers (in thousands)	14,182	14,486	(2.1)%	14,555
Total mobile subscribers (in thousands)	11,315	11,230	0.8%	11,381
Smartphone penetration	69.3%	58.4%	11 pts	64.1%
12-month rolling Mobile ARPU (€ per month)	22.8	25.0	(8.7)%	24.1
Number of broadband internet customers (in thousands)	5,217	5,163	1.0%	5,209
Of which FTTH customers (in thousands)	249	172	44.5%	197
Of which quadruple-play customers ("MultiPack") (in % customer base)	49.4%	43.5%	6 pts	45%
12-month rolling broadband internet ARPU (€ per month)	32.2	32.6	(1.0)%	32.5

B2C Segment

B2C segment revenues decreased by 6.3% to €4,831 million (excluding 92,000 inactive lines following a technical purge completed in the fourth quarter of 2013) for nine months ended September 30, 2014, as compared to nine months ended September 30, 2013.

	For the nine months ended September 30,		
	2014	2013	% Variation
	€ in millions		
B2C			
Revenue	4,831	5,156	(6.3)%
Mobile	3,231	3,560	(9.2)%
Landline	1,600	1,595	0.3%

In the B2C Mobile market, total numbers of subscribers of SFR decreased by 66,000 subscribers in the nine months ended September 30, 2014, as compared to December 31, 2013. As of September 30, 2014, the total number of B2C Mobile subscribers was 11,315 million, an increase of 0.8%, as compared to September 30, 2013. The total number of B2C Mobile customers (subscribers and prepaid) of SFR amounted to 14.2 million as of September 30, 2014. The repositioning of clients on new rates continued during the nine months ended September 30, 2014: as of September 30, 2014, 89% of B2C Mobile subscribers benefitted from prices put in place after January 2013. Blended ARPU thus decreased by 8.7% as of September 30, 2014 as compared to September 30, 2013, as a result of the aforementioned re-pricing of existing customer contracts due to the introduction of low-price offers by Free after its entry into the market in 2012. The growth of mobile internet usage continued: 69.3% of B2C customers had smartphones as of September 30, 2014, as compared to 58.4% at the end of September 30, 2013.

In the B2C fixed market, the total number of SFR's residential customers in mainland France subscribing to high-speed internet amounted to 5,217 million as of September 30, 2014, an increase of 8,000 customers as compared to the end of 2013. Within the total number of customers subscribing to high-speed internet, the number of fiber subscribers totalled 249,000 as of September 30, 2014. The "SFR Multi-Pack" offer recorded a growth of 328,000 customers between September 30, 2014, and September 30, 2013, amounting to 2.6 million clients (49.4% of the total number of high-speed customers). The monthly broadband internet ARPU thus decreased by 1.0%, from €32.6 as of September 30, 2013, to €32.2 as of September 30, 2014.

In the field of home automation, the Home offer by SFR was integrated into a premium offer package with access to internet during the second quarter of 2014. As of September 30, 2014, it had around 30,000 customers.

B2B Segment

In a difficult and competitive macro-economic climate, B2B segment revenue was €1,349 million, including Telindus France in the nine months ended September 30, 2014, representing a decrease of 6.7% on a comparable basis (an increase of 0.6% on a real basis) as compared to the nine months ended September 30, 2013. For the nine months ended

September 30, 2014, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses.

Moreover, SFR Business Team continued to focus on offering unified communication solutions through new services such as the launch in April 2014 of the Business Entrepreneurs Initial Package.

Groupe Telindus France was acquired by SFR in the second quarter of 2014. It allows SFR to reinforce its presence in the related markets of telecommunications and network integration and to offer new services to its B2B clients as a complement to its SFR Business Team offers.

Wholesale and Other

The revenue of the Wholesale and Other business (which includes, in particular, Wholesale business, SRR and intragroup eliminations) increased by 8.7% as compared to the nine months ended September 30, 2013, to € 1,217 million. This increase was mainly due to the growth of Wholesale activities, both on Fixed and Mobile markets.

Combined EBITDA

	For the nine months ended September 30,			
	2014	**2013**	**Variation**	**Variation in %**
	€ in millions			
Revenue	7,396	7,616	(220)	(2.9)%
Cost of sales[(a)]	(3,716)	(3,518)	(198)	5.6%
Sales and distribution costs[(a)]	(1,213)	(1,412)	199	(14.1)%
General expenses[(a)]	(690)	(486)	(204)	41.9%
EBITDA[(b)]	**1,777**	**2,200**	**(423)**	**(19.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

(b) Combined EBITDA for the SFR Combined Group include contributions to EBITDA from Telindus France since May 2014.

SFR's combined EBITDA decreased by €423 million, or 19.2%, from €2,200 million for the nine months ended September 30, 2013, to €1,777 million for the nine months ended September 30, 2014. EBITDA for nine months ended September 30, 2014, includes a non-recurring charge of €196 million in relation to certain litigation matters disclosed in the financial statements of SFR, SIG 50 and their subsidiaries at September 30, 2014, December 31, 2013, 2012 and 2011. Excluding this non-recurring charge, EBITDA for the nine months ended September 30, 2014 stood at €1,973 million, a decrease of 10.3% as compared to the nine months ended September 30, 2013.

SFR's combined EBITDA includes contributions from Telindus France from May 2014. Telindus France's EBITDA was €10 million for 2013 and € 5 million for the nine months ended September 30, 2014, of which € 5 million was recorded in the SFR Combined Group's financial statements at September 30, 2014.

Excluding non-recurring charges, this evolution mainly reflects the decrease in revenue of €220 million. In total, on a comparable basis (excluding Telindus France, which entered the scope of consolidation on May 1, 2014), costs decreased by €89 million in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

The decrease in costs during the nine months ended September 30, 2014, reflects:

- A decrease in acquisition and retention costs with respect to mobile customers linked to the implementation of a more selective policy, as well as a decrease in other costs linked to the improvement in operational efficiency. The ongoing long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, costs, both fixed and variable, have decreased by more than € 1 billion.

- This decrease in acquisition and retention costs of mobile customers offset the increase in interconnection costs between the first nine months of 2013 and the first nine months of 2014, with the decrease of certain regulated tariffs no longer offsetting the increase in volume, as was the case in previous years.

Combined operating income

	For the nine months ended September 30,			
	2014	2013	Variation	% Variation
	€ in millions			
EBITDA	**1,777**	**2,200**	**(423)**	**(19.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,153)	(1,136)	(17)	1.5%
Other operating income	2	1	1	N/A
Other operating expense	(117)	(76)	(41)	53.9%
Operating income	**510**	**989**	**(479)**	**(48.5)%**

SFR's combined operating income decreased by €479 million, or by 48.5%, in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, from €989 million for the nine months ended September 30, 2013, to €510 million for the nine months ended September 30, 2014.

This decrease reflects the decrease in EBITDA of €423 million and an increase in net depreciation expenses and provisions on intangible and tangible assets of €17 million, in connection with the increase in capital expenditures in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). Other operating charges increased by €41 million as compared to the nine months ended September 30, 2013, mainly due to non-recurring costs in relation to the planned sale of SFR: notably, as part of the sale of SFR by Vivendi to the Numericable Group, a €2,000 gross bonus was granted as an additional incentive and profit- sharing payment to the employees of the SFR Economic and Social Union (Unité Economique et Sociale SFR), generating a €26 million expense, accounted for in the nine months ended September 30, 2014.

Combined financial income (expense)

SFR's combined financial expense decreased by €43 million, or 21.8%, in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, from €198 million for the nine months ended September 30, 2013, to €155 million for the nine months ended September 30, 2014.

This lower expense reflects the decrease of €39 million in net financing costs, as compared to the nine months ended September 30, 2013. The decrease in the net financing cost results from the decrease in net average financial debt, which decreased from €8,541 million in the nine months ended September 30, 2013, to €6,721 million in the nine months ended September 30, 2014, while the average net financing cost remained stable (2.91% in the nine months ended September 30, 2013, to 2.92% in the nine months ended September 30, 2014).

Income tax on combined profit

Income tax on SFR's combined profit decreased by €150 million in the nine months ended September 30, 2014, from €314 million for the nine months ended September 30, 2013, to €164 million for the nine months ended September 30, 2014.

This €150 million savings mainly reflected the decrease in the profit before tax (tax effects: negative €173 million), not offset by the effect of the increase in the effective tax rate, from 39.7% to 45.7%. The change in the effective tax rate is due principally to the increase in the statutory tax rate, which increased from 36.1% to 38% for large companies (i.e. companies whose revenues are greater than €250 million) such as SFR and the increase in the non-deductible portion of interest expense (which increased from 15% to 25%).

Combined net earnings

SFR's combined net earnings decreased by €287 million for the nine months ended September 30, 2014 (a decrease of 60.9% as compared to the nine months ended September 30, 2013), from €471 million for the nine months ended September 30, 2013, to €184 million for the nine months ended September 30, 2014. This reduction reflects the decrease in operating income net of the effect of income taxes.

Analysis and Comparison of Results for the Years Ended December 31, 2012 and December 31, 2013

The table below shows the combined income statement of SFR for the years ended December 31, 2012 and December 31, 2013.

	2013	2012	Variation	% Variation
	€ in millions			
Revenues	**10,199**	**11,288**	**(1,089)**	**(9.7)%**
Cost of sales[(a)]	(4,851)	(5,113)	263	(5.1)%
Commercial and distribution costs[(a)]	(1,928)	(1,965)	38	(1.9)%
Selling, general and administrative expense[(a)]	(654)	(909)	255	(28.1)%
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	(81.8)%
Other operating expense	(169)	(270)	101	(37.4)%
Operating result	**1,005**	**1,530**	**(525)**	**(34.3)%**
Net financing cost	(229)	(217)	(12)	5.5%
Other financial income	2	2	(0)	(10)%
Other financial expense	(24)	(34)	10	(29.4)%
Financial income	**(251)**	**(249)**	**(2)**	**0.8%**
Income from equity affiliates	(12)	(13)	1	(7.7)%
Pretax income from continuing operations	**742**	**1,267**	**(526)**	**(41.5)%**
Income tax	(315)	(516)	201	(38.9)%
Net earnings	**426**	**752**	**(325)**	**(43.3)%**
of which				
Attributable to shareholders	**420**	**746**	**(326)**	**(43.7)%**
Attributable to non-controlling interests	**6**	**6**	**—**	**0%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

SFR's combined revenue decreased by €1,089 million, of 9.7%, from €11,288 million for the year ended December 31, 2012 to €10,199 million for the year ended December 31, 2013. This decrease primarily reflects the impact of decreases in mobile prices linked to severe competition and decreases in tariffs imposed by ARCEP which included: (i) a 33% decrease in regulated prices for MTRs on July 1, 2012, then 20% on January 1, 2013; (ii) 33% decrease in SMS termination rates on July 1, 2012; (iii) decrease in roaming rates on July 1, 2012 and July 1, 2013; (iv) 50% decrease in fixed termination rates on July 1, 2012, and 47% on January 1, 2013. Excluding the impact of lower tariffs imposed by ARCEP, the decrease in revenue would have been of 7.2%.

As of December 31, 2013, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 756,000 from December 31, 2012. The December 31, 2013, total takes into account a technical purge of 92,000 inactive lines, in relation to a migration of the B2C billing system (without any impact on revenue). Excluding the impact of this purge, the B2C subscribers total increased by 2.5% between 2013 and 2012. The total number of residential customers subscribing to the broadband internet rose by 182,000 customers to 5.257 million at December 31, 2013.

Information by market

The changes in combined revenue by market are as follows:

	2013	2012	% Variation
	€ in millions		
B2C	6,873	7,974	(13.8)%
B2B	1,789	1,871	(4.4)%
Wholesale and Other	1,536	1,442	6.5%
Combined revenue	**10,199**	**11,288**	**(9.6)%**

The following table shows the changes in the performance indicators:

	2013	2012	% Variation
SFR Group			
Total mobile customers (in thousands)[(a)]	21,354	20,690	3.2%
Total internet customers (in thousands)	5,257	5,075	3.6%
Mobile acquisition costs (in € millions)	430	497	(13.4)%
Mobile retention costs (in € millions)	541	634	(14.7)%
B2C			
Total mobile customers (in thousands)[(a)]	14,555	15,057	(3.3)%
Total mobile subscribers (in thousands)[(a)]	11,381	11,194	1.7%
Smartphone penetration	64.1%	51.2%	12.9
12-month rolling Mobile ARPU (€ per month)	24.1	28.3	(15.0)%
Number of broadband internet customers (in thousands)	5,209	5,039	3.4%
Of which FTTH customers (in thousands)	197	126	55.6%
Of which quadruple-play customers ("MultiPack") (in % customer base)	45%	35%	9.8%
12-month rolling broadband internet ARPU (€ per month)	32.5	33.3	(2.6)%

(a) Total mobile customers is equal to the number of customers with active SIM cards in compliance with ARCEP's definition. The total number of customers as at December 31, 2013, integrates a 2013 technical purge of 92,000 inactive lines, which was related to a migration of SFR's invoicing system (without impact on revenues). The total number of customers as at December 31, 2012, is the published number (before the technical purge).

B2C

B2C segment revenues decreased by 13.8% to €6,873 million for the year ended December 31, 2013 from €7,974 million for the year ended December 31, 2012.

	2013	2012	% Variation
	€ in millions		
B2C			
Revenue	**6,873**	**7,974**	**(13.8)%**
Mobile	4,741	5,809	(18.4)%
Landline	2,132	2,165	(1.5)%

At the beginning of 2013, SFR implemented a marketing strategy to attract retail mobile customers to its newly priced offers. This resulted in a net decrease in churn as well as a decrease in revenue linked to the drop of the ARPU, which decreased by 15% between 2013 and 2012.

The lower revenue is attributable to (i) the repositioning of mobile subscribers to new and more competitive prices in 2013 (at December 31, 2013, 85% of B2C mobile subscribers had subscribed to offers launched after January 2012 and approximately 75% to offers launched after January 2013) and (ii) the effect in 2013 of the churn of customers during 2012 after the arrival of the fourth mobile telephone operator in January 2012.

In the B2C mobile market, the net growth of subscribers amounted to an additional 279,000 subscribers in 2013. At December 31, 2013, the total number of post-paid mobile subscribers was 11.381 million customers, representing growth of 2.5%. In the B2C post-paid subscribers segment, SFR recorded in the fourth quarter of 2013 its best net sales performance since the fourth quarter of 2011 and its best month of December for three years. Approximately 80% of gross recruitments in the fourth quarter were "Carré" premium offers, particularly the September 2013 launch of an innovative range of customer contracts. For example, 4G contract customers were able to choose an "Extra" amongst five premium services and content, enabling customers to benefit fully from mobile high speed: iCoyote (driving aid), Napster (music), CanalPlay (films), Gameloft (gaming) and SFR Presse (press) (see "*Description of SFR's Business—SFR Products and Services—B2C Services—Mobile Offers—Premium post-paid offers—"Formules Carrées*"). SFR also supported the development of no-frills offers: the "Red" offer, a no-frill offer, accounted for more than 1.7 million customers at the end of 2013. Including pre-paid customers, the total number of B2C mobile customers of SFR as of December 31, 2013, amounted to 14.555 million, compared to 15.057 million as of December 31, 2012.

The growth of mobile internet usage continued in 2013: 64% of B2C customers had smartphones as of December 31, 2013 (compared to 51% as of December 31, 2012).

In the B2C market for landline telephones, the total number of SFR's residential customers in metropolitan areas of France subscribing to high- speed internet amounted to 5.209 million at December 31, 2013, an increase of 170,000 customers compared to December 31, 2012. An increased take-up of services on SFR's fiber network represented 42% of net sales over the period. The total number of fiber customers amounted to 197,000 customers as of December 31, 2013. SFR has also strengthened the attractiveness of its sales offer with the launch of the TV SFR decoder with Google Play, giving access to the TV services of SFR as well as to the Google services on television to customers who were not at that time eligible for TV by ADSL. In the field of home automation, the number of customers subscribing to the Home offer by SFR reached over 20,000 customers at December 31, 2013 (see *"Description of SFR's Business—SFR's Products and Services—B2C Services—Fixed Telephony Offers*" and "*Description of SFR's Business—SFR's Products and Services—B2C Services—Fixed Internet Offers and related services—Bundled Internet, Telephony and IP Television (triple-play)*").

Finally, SFR has been pursuing its home equipment strategy, the "SFR Multi- packs" offer. This offer gives a connection discount to customers registering for a high-speed internet offer and a mobile subscription at the same time. Customers subscribing to this offer accounted for 2.355 million customers at December 31, 2013, representing 45% of SFR's total broadband internet customers for 2013, compared to 1.785 million customers at December 31, 2012, representing 35% of the broadband internet customers total for 2012.

B2B

B2B segment revenue decreased by 4.4% to €1,789 million for the year ended December 31, 2013 from €1,871 million for the year ended December 31, 2012. The sales dynamics of the B2B market remained strong, with strong gross adds over the period (particularly for connected objects); however, the economic environment has had an unfavorable effect on the attrition rate. Similarly, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses. In particular, smaller firms sought to renegotiate prices following the arrival of the fourth entrant in the mobile market.

In 2013, SFR focused on offers and services targeting medium and small enterprises, while continuing to widen its offers to large business customers. In particular, SFR added 4G to its contract offers as well as security services and device management. Further, SFR created the "*Entrepreneurs Business Pack*" (for VSEs), the "*Corporate Business Pack*" (for large companies) and "*Enterprise Business Pack*" (for SMEs), which offers a complete range of unified communications solutions. SFR has developed hosted value-added services for the largest accounts, as well as the use of cloud computing technologies and SAAS (Software as a service, which enables surfers to access the firm's applications via an interface) to provide simple services for SMEs. SFR's cloud services offers rely on an innovative storage technology, enabling a quick response to increasing capacity requirements.

As a leader for connected objects (MtoM), SFR has increased its initiatives to enable its customers to improve their efficiency. A notable example is the launch of m-alert, a solution dedicated to the securitization of persons and tracking of goods.

Wholesale and Other

The Wholesale and Other segment revenue was €1,536 million, showing growth of 6.5%, when compared to 2012 reflecting the good sales performance of the Wholesale business as well as a drop in inter-segment eliminations, partly offset by the unfavorable evolution of SRR revenue in a context similar to that of metropolitan areas of France.

In particular, the revenue of the Wholesale business has increased slightly, both for the fixed and mobile businesses, in spite of the drop in regulated roaming rates on prices of the mobile wholesale segment, and the collateral effect from the drop in prices in the B2C mobile market following the arrival of the fourth mobile operator. In addition, SFR hosts the main MVNOs on its mobile network, including La Poste Mobile (in which it has a holding of 49%), which had attracted 943,000 customers by the end of December 2013, as well as Virgin Mobile and NRJ Mobile, with which it has signed Full MVNO agreements.

Combined EBITDA

	2013	2012	Variation	% Variation
	€ in millions			
Revenue	**10,199**	**11,288**	**(1,089)**	**(9.6)%**
Cost of sales[(a)]	(4,851)	(5,113)	262	(5.1)%
Sales and distribution costs[(a)]	(1,928)	(1,965)	37	(1.9)%
General expenses[(a)]	(654)	(909)	255	(28.1)%
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

SFR's combined EBITDA has decreased by €533 million, or 16.2%, from €3,299 million for the year ended December 31, 2012 to €2,766 million for the year ended December 31, 2013. This decrease reflects the decrease in revenue of €1,089 million offset partly by the decrease in costs. In total, excluding non-recurring items (€15 million of net non-recurring charges in 2012), costs decreased by €539 million compared to 2012.

This significant decrease in costs for 2013 was caused by the decrease in inter-connection costs, mainly due to the reduction of certain regulated tariffs (decrease of €128 million between 2013 and 2012), acquisition and retention costs with respect to mobile customers linked to the implementation of a more selective policy, the increase in the portion of offers without handsets in the park and other costs linked to the improvement in operational efficiency enabled by the optimization of processes and the development of performance tools, particularly due to ongoing implementation of the transformation plan. This long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, costs, both fixed and variable, have decreased by more than €1 billion. In addition, as a result of the voluntary departure plan initiated in 2012 and completed in August 2013, 873 staff members chose to leave SFR.

Combined operating income

	2013	2012	Change	% Change
	€ in millions			
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**
Net depreciation expenses and provisions on intangible and tangible assets.	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	(81.8)%
Other operating expense	(169)	(270)	101	(37.4)%
Operating income	**1,005**	**1,530**	**(525)**	**(34.3)%**

The combined operating income of SFR decreased by €525 million in 2013 compared to 2012 (i.e. a reduction of 34.3%), decreasing from €1,530 million for the year ended December 31, 2012 to €1,005 million for the year ended December 31, 2013.

This reduction reflects the decrease in EBITDA of €535 million and an increase in net depreciation expenses and provisions on intangible and tangible assets of €84 million, which reflects the increase in investments in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). Other operating charges decreased by €101 million compared to 2012 as a result of the decrease in restructuring costs linked in particular to the voluntary departure plan referred to above, which decreased from €187 million in 2012 to €93 million in 2013 (see note 4.2 "Other operating income and expenses" in the SFR Combined Financial Statements).

Combined financial income (expense)

The combined financial expense of SFR increased by €2 million in 2013 compared to 2012 (i.e. an increase of 0.8%), from €249 million for the year ended December 31, 2012 to €251 million for the year ended December 31, 2013.

This increase reflects the increase in the €12 million increase in net financing costs, which was offset in part by smaller allowances for provisions for financial assets in 2013 compared to 2012. The increase in the net financing cost is explained by the increase in the average interest rate, which increased from 2.58% in 2012 to 2.80% in 2013, which was not fully offset by the decrease in net financial debt, which decreased from €8,397 million in 2012 to €8,160 million in 2013.

Income tax on combined profit

Income tax on SFR's combined profit decreased by €199 million in 2013, from €516 million for the year ended December 31, 2012 to €315 million for the year ended December 31, 2013.

This reduction reflects the decrease in the profit before tax, offset by the effect of the increase in the statutory tax rate, which increased from 36.1% to 38% for large companies such as SFR. The effective tax rate was therefore 42.5% in 2013, compared to 40.7% in 2012.

Combined net earnings

SFR's combined net earnings decreased by €326 million, 43.3%, in 2013, from €752 million for the year ended December 31, 2012 to €426 million for the year ended December 31, 2013. This reduction reflects the decrease in operating income net of the effect of income taxes.

Analysis and Comparison of Results for the Years Ended December 31, 2011 and December 31, 2012

The following table sets out the combined income statements of SFR for the years ended December 31, 2011 and December 31, 2012, in millions of euros.

	2012	2011	Change	% Change
		€ millions		
Revenues	**11,288**	**12,183**	**(895)**	**(7.3)%**
Cost of sales[(a)]	(5,113)	(5,681)	568	(10.0)%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(101)	5.4%
Selling, general and administrative expense[(a)]	(909)	(838)	(71)	8.5%
EBITDA	**3,301**	**3,800**	**(499)**	**(13.1)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	(21.4)%
Other operating expense	(270)	(84)	(186)	221.4%
Operating result	**1,530**	**2,222**	**(692)**	**(31.1)%**
Net financing cost	(217)	(208)	(9)	4.3%
Other financial income	2	8	(6)	(73)%
Other financial expense	(34)	(70)	36	(51.4)%
Financial income	**(249)**	**(270)**	**21**	**(7.8)%**
Income from equity affiliates	(13)	(17)	4	(23.5)%
Pretax income from continuing operations	**1,267**	**1,935**	**(668)**	**(34.5)%**
Income tax	(516)	(535)	19	(3.6)%
Net earnings	**752**	**1,400**	**(648)**	**(46.3)%**
Of which				
Attributable to shareholders	**746**	**1,399**	**(653)**	**(46.7)%**
Attributable to non-controlling interests	**6**	**1**	**5**	**N/A**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

SFR's combined revenue decreased by €895 million, or 7.3%, from €12,183 million for the year ended December 31, 2011 to €11,288 million for the year ended December 31, 2012.

This decrease reflects the impact of price decreases linked to severe competition and decreases in tariffs imposed by regulators, namely: (i) a 33% decrease in regulated prices for MTRs on July 1, 2011, then 25% on January 1, 2012 and then 33% on January 1, 2012; (ii) a 25% decrease in SMS termination rates on July 1, 2011 and then 33% on July 1, 2012; (iii) a new asymmetrical Free termination rate; (iv) a decrease in roaming rates on July 1, 2011 and July 1, 2012; (v) a 40% decrease in fixed termination rates on October 1, 2011, and then 50% on July 1, 2012. Excluding the impact of the tariff reductions introduced by the regulators, revenue would have decreased by 3.3%.

Given the competitive environment marked by the arrival of a fourth mobile telephone operator in France at the beginning of 2012, which increased to a significant degree the intensity of competition in the French market, SFR adapted and simplified its offers by:

- launching in September 2012 new simplified "Formules Carrées", with six pricing plans structured around data and innovations dedicated to a high speed mobile service and a new accompanying segmented approach, "Services Carrées"; and
- adapting the content and prices of the "Series RED" offers, which require no commitment and are distributed mainly over the internet and aimed at the low price segment.

At the end of 2012, the total number of mobile customers of SFR amounted to 20.690 million, a decrease of 773,000 compared to December 31, 2011. The total number of high-speed internet customers as of December 31, 2011, was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation. Customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month. The number of customers subscribing to broadband internet increased by approximately 56,000customers to approximately 5.1 million at the end of December 2012.

Information by market

The combined revenue by market was as follows:

	2012	2011	% Change
	€ in millions		
B2C	7,974	8,982	(11.2)%
B2B	1,871	1,868	0.2%
Wholesale and Other	1,442	1,333	8.2%
Combined revenue	**11,288**	**12,183**	**(7.3)%**

The following table shows the changes in the performance indicators:

	2012	2011	% Variation
SFR Group			
Total mobile customers (in thousands)[(a)]	20,690	21,463	(3.6)%
Total internet customers (in thousands)[(b)]	5,075	5,019	1.1%
Mobile acquisition costs (€ millions)	497	602	(17.5)%
Mobile retention costs (€ millions)	634	645	(1.8)%
B2C[(c)]			
Total mobile customers (in thousands)[(a)]	15,057	16,578	(9.2)%
Total mobile subscribers (in thousands)[(d)]	11,194	11,961	(6.4)%
Smartphone penetration[(e)]	51.2%	42.1%	9.1pts
12-month rolling Mobile ARPU (€ per month)[(f)]	28.3	31.4	(9.6)%
Number of broadband internet customers (in thousands)[(b)]	5,039	4,994	0.9%
Of which fiber customers (in thousands)	126	97	29.7%
Of which quadruple-play customers (“MultiPack”) (in % customer base)	35%	24%	11.9pts
12-month rolling broadband internet ARPU[(f)] (€ per month)	33.3	34.1	(2.1)%

(a) Total Mobile Customers is equal to the net number of lines or SIM cards in compliance with ARCEP’s definition.

(b) The total number of high-speed internet customers as of December 31, 2011 was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Reunion and Mayotte).

(d) Total mobile subscribers is equal to post-paid customers.

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

(f) Mobile “ARPU” is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding MtoM customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband internet ARPU is the average monthly revenue per B2C broadband internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C broadband internet lines over the same period. The average number of

B2C

The revenue for B2C activity was €7,974 million in 2012, a decrease of 11.2% compared to 2011:

	2012	2011	% Change
	€ in millions		
B2C			
Revenue	**7,974**	**8,982**	**(11.2)%**
Mobile	5,809	6,750	(13.9)%
Fixed	2,165	2,232	(3.0)%

This reduction was mainly caused by the loss of mobile customers and the price erosion following the arrival of the fourth mobile operator in January 2012.

The monthly B2C Mobile ARPU decreased by 9.6% in 2012, from €31.4 in 2011 to €28.3 in 2012. The total number of B2C mobile customers (post- paid subscribers and pre-paid customers) declined 9.2% to 15.057 million. This reduction was mostly caused by a decrease in the number of pre-paid customers, as the attractiveness of pre-paid offers declined with the development of “no frills” offers, such as the Red offer, launched at the end of 2011, which had about 700,000 customers at the end of 2012. At the end of December 2012, the number of mobile (post-paid) subscribers amounted to

11.194 million customers, a decrease of 6.4% compared to the end of December 2011, predominantly due to the entry of the fourth mobile operator Free in 2012.

The year 2012 was also marked by continued growth in mobile data usage, brought about by the new generation of smartphones. At the end of 2012, 51% of B2C mobile customers had smartphones (compared to 42% at the end of December 2011).

In the B2C fixed market, the number of residential customers of SFR subscribing to broadband internet amounted to 5.039 million at December 31, 2012, an increase of approximately 45,000 customers compared to December 31, 2011. The “SFR Multi-Pack” offer had 1.785 million customers at the end of December 2012, meaning that 35% of high speed customers had both high speed internet and mobile subscriptions with SFR. The broadband internet ARPU declined 2.1%, from €34.1 at December 31, 2011 to €33.3 at December 31, 2012, in particular due to the decrease in revenues from fixed to mobile communications.

B2B

Revenue for the B2B segment was €1,871 million in 2012, a slight increase over the year (0.2%), due to growth in revenues from fixed products and services which offset the decrease in revenues from mobile products and services.

In 2012, SFR’s goal in the fixed segment was to become a leader in cloud computing for businesses. In September 2012, SFR, the Caisse des Dépôts et Consignations and Bull jointly founded Numergy to provide virtualized computer equipment solutions and enable businesses to take advantage of the potential of the digital transformation. SFR entered into a trade agreement with HP regarding new services to facilitate the adoption of cloud computing by businesses. Moreover, as SFR has been approved to host health data, SFR is positioning itself as an e-health expert. Lastly, SFR signed the “Contact 14 contract” with EDF, creating a customized multi-site, multi- channel and multi-skills virtual contact center.

In the mobile segment, SFR is a leader in connectivity for connected objects (MtoM). In addition, SFR has continued deployment of 150,000 lines under the Opache contract, which provides mobile, voice and data communications and supplies terminals for French ministries and institutions. Lastly SFR launched a new range of streamlined and modular mobile telephony offers and a collaborative on-demand messaging solution for its B2B customers.

Wholesale and Other

Wholesale and Other revenue totalled €1,442 million, an increase of 8.2%, reflecting sound commercial performance on the MVNO market. In 2012, SFR developed its wholesale activities with:

- Virgin Mobile, as a result of the strengthening of the partnership begun in 2011 in ADSL and Mobile.
- La Poste Telecom, virtual mobile operator in the retail market for mobile telephony and which offers a whole range of mobile telephony services, marketed under the La Poste Mobile brand through the La Poste network. At December 31, 2012, it had 643,000 customers.

Combined EBITDA

	2012	2011	Change	% Change
	€ in millions			
Revenue	**11,288**	**12,183**	**(895)**	**(7.3)%**
Cost of sales[(a)]	(5,113)	(5,681)	568	(10.0)%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(101)	5.4%
General expenses[(a)]	(909)	(838)	(71)	8.5%
EBITDA	**3,301**	**3,800**	**(501)**	**(13.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

SFR’s combined EBITDA decreased by €501 million, or 13.2%, in 2012 compared to 2011, from €3,800 million for the year ended December 31, 2011 to €3,299 million for the year ended December 31, 2012. Excluding non-recurring profits and costs (€15 million net non- recurring costs in 2012 and €93 million non-recurring profits in 2011), combined EBITDA would have decreased by 10.6%.

This decline in Combined EBITDA reflects the €895 million decline in revenue due to the factors described above, partially offset by the €502 million decrease in costs excluding non-recurring items, particularly the decrease in interconnection costs owing mainly to the decrease in certain regulated tariffs (decrease of €257 million between 2012 and 2011), mobile acquisition and retention costs associated with the introduction of a more selective policy and other costs linked to the improvement in operational effectiveness made possible by the launch of the transformation plan in 2012, aimed at adapting its organization to market developments.

Combined operating income

	2012	2011	Change	% Change
	€ in millions			
EBITDA	**3,301**	**3,800**	**(499)**	**(13.1)%**
Net depreciation expenses and provisions on intangible and tangible assets.	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	(21.4)%
Other operating expense	(270)	(84)	(186)	221.4%
Operating income	**1,530**	**2,222**	**(692)**	**(31.1)%**

SFR's combined operating income decreased by €692 million in 2012, or 31.1%, compared to 2011, from €2,222 million for the year ended December 31, 2011 to €1,530 million for the year ended December 31, 2012.

This reduction reflects the €501 million decrease in combined EBITDA and the impact of restructuring costs associated with the voluntary departure plan started in 2012, for which €169 million was recorded in "other operating costs" during 2012.

Combined financial income (expense)

Combined financial expense decreased by €21 million, of 7.8%, in 2012, from €270 million for the year ended December 31, 2011 to €249 million for the year ended December 31, 2012.

The net financing cost increased by only €9 million, as a result of the increase of average financial net debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, offsetting the decrease in the average interest rate (2.58% in 2012 compared to 3.25% in 2011, in line with the decrease in interest rates). The decrease in other financial expense is essentially due to the €42 million non-recurring charge in 2011 linked to the net cost of unwinding swaps.

Income tax on combined profits

The tax on the combined profits of SFR decreased by €19 million in 2012, decreasing from €535 million for the year ended December 31, 2011, to €516 million for the year ended December 31, 2012. The impact of the €668 million decrease in pre-tax income was, to a large extent, offset by the following items:

- a tax savings of €127 million in 2011. On December 12, 2011 a sum of €452 million in tax losses was transferred to SFR in the context of a merger with Vivendi Telecom International. These tax losses were fully used by SFR in the 2011;

- an additional tax cost of €32 million in 2012 linked to the introduction of an 85% ceiling on interest that may be deducted.

Combined net earnings

SFR's combined net earnings decreased by €648 million (i.e. a reduction of 46.3%), decreasing from €1,400 million for the year ended December 31, 2011 to €752 million for the year ended December 31, 2012. This reduction essentially reflects the reduction in the operating income of €692 million.

Liquidity and Capital Resources of SFR

The principal financing requirements of SFR comprise its working capital requirements, its operating and financial investments, its interest payments, loan repayments, and the payments of dividends to its shareholders.

SFR has met these financing requirements principally through the cash flow generated by its operating activities and by current account advances and loans granted by Vivendi, its previous shareholder. In the future, the financing requirements of SFR will be met through the cash flow generated by its operating activities and by financing at the Numericable Group level.

The capacity of SFR to generate cash in the future through its operating activities will depend on its future operating performances, themselves dependent to a certain extent on economic, financial, competitive, market, regulatory and other factors, most of which are outside of the control of SFR.

The information analyzed in this section are based on SFR Combined Financial Statements, and in particular the combined cash flow statements and notes 15 and 20.

Sources and Use of Funds

During the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013, SFR's principal sources of funds were principally the following:

- *net cash flow from operating activities:* this amounted to € 1,339 million and €1,416 million for the nine months ended September 30, 2014 and 2013, respectively, and €1,960 million, €2,892 million and €3,197 million for the years ended December 31, 2013, 2012 and 2011, respectively;

- *available cash:* the amounts of cash and cash equivalents were €141 million as of September 30, 2014 (including exchange hedge assets), and €394 million, €267 million and €228 million as at December 31, 2013, 2012 and 2011, respectively (see note 15 "Cash and cash equivalents" of the 2011, 2012 and 2013 Combined Financial Statements); and

- *borrowing and financial debts:* during 2013, 2012 and 2011 these notably comprised of the shareholder debt contracted by SFR with Vivendi via current account advances and loans, amounting to €8,672 million, €7,609 million and €5,461 million as at December 31, 2013, 2012 and 2011, respectively. Simultaneously with the acquisition of SFR by Numericable, the abovementioned shareholder debt between SFR with Vivendi was repaid and replaced with a new shareholder loan between Numericable and SFR. As of September 30, 2014, current account advances and loans under this loan amounted to €4,855 million. Since the 2014 SFR Acquisition, which was completed on November 27, 2014, SFR's financing requirements will be met by the cash flow generated through its operating activities and by financing at the Numericable Group level.

The table below presents the amount of the net financial debt of SFR, corresponding to the net borrowing and financial debts of the cash and cash equivalents, as at December 31, 2013, 2012 and 2011 and September 30, 2014:

	As of December 31,			As of September 30,
	2013	**2012**	**2011**	**2014**
			€ in millions	
Borrowing and financial debt	9,094	8,067	7,385	4,923
Cash, cash equivalents and exchange hedge assets	394	267	228	141
Net financial debt	**8,700**	**7,800**	**7,157**	**4,782**

SFR's net financial debt amounted to €4,788 million as of September 30, 2014, compared to €8,700 million as at December 31, 2013. This decrease of €3,912 million is mainly due to the payment of the sales price for the sale of the shares of SPT, which held the interest in Maroc Telecom. As explained in the SFR Q3 2014 Combined Financial Statements, the sales price, net of tax related to the capital gain realized, of €4,056 million was recorded in shareholders' equity, as it was considered as a contribution in compensation of a debt of Vivendi, the amount of the sale being deducted from the amount owed to Vivendi as a shareholder current account advance. Adjusted for this €4,056 million, net financial debt increased by €144 million, due to the cash flow linked to capital expenditures (operating investments) of €1,244 million and interest payments of €147 million, which more than offset the net cash flow from operating activities of €1,339 million.

SFR's net financial debt amounted to €8,700 million as at December 31, 2013, compared to €7,800 million as at December 31, 2012. This increase of €900 million can principally be explained by the cash flow linked to capital expenditures of €1,610 million, interest payments of €229 million and dividends of €985 million, which more than offset the net cash flow from operating activities of €1,960 million.

SFR's net financial debt increased by €643 million between December 31, 2011 and December 31, 2012, from €7,157 million as at December 31, 2011 to €7,800 million as at December 31, 2012. This increase can principally be explained by the cash flow linked to capital expenditures of €2,765 million (including €1,065 million for 4G licenses), interest payments of €217 million and dividends of €538 million, which more than offset the net cash flow from operating activities of €2,892 million and which was financed by way of an increase in shareholder debt.

For a description of changes in cash flows for the period, see "—*Cash Flow Analysis*" below. For a description of the change in loans and financial debt, see "—*Financial Liabilities—Loans and financial debt as* of December 31, 2011, 2012 and 2013 and September 30, 2014" below.

Financial Liabilities

The following table presents SFR's loans and financial debt as of December 31, 2011, 2012 and 2013 and September 30, 2014.

	As of December 31,			As of September 30, 2014
	2013	2012	2011	
	€ in millions			
Shareholder debt	8,672	7,609	5,461	4,855
Bond issuance(s)	300	300	1,296	—
Securitization of receivables	—	—	422	—
Bank loans	50	66	48	13
Debt related to financial leases	11	15	24	9
Other financial debt	60	77	136	45
Borrowing and financial debt	**9,094**	**8,067**	**7,385**	**4,923**

Borrowing and financial debt decreased by €4,171 million in the nine months ended September 30, 2014, principally due to the € 3,817 million decrease in the shareholder debt owed to Vivendi, composed mainly of shareholder advances and loans, as described below.

Borrowing and financial debt increased by €1,027 million in 2013, principally due to the €1,063 million increase in the shareholder debt owed to Vivendi, composed mainly of shareholder advances and loans, as described below.

Borrowing and financial debt increased by €682 million in 2012, principally due to the €2,148 million increase in shareholder debt owed to Vivendi, intended to finance the €1,000 million repayment of a bond issuance in 2012 and the end of the receivables securitization program, which represented €422 million as of December 31, 2011.

The following were the main categories of SFR's borrowing and financial debt as of September 30, 2014:

Shareholder debt (€4,855 million as of September 30, 2014)

Shareholder debt corresponds to the financial debt contracted with Vivendi in the form of:

- shareholder advances (cash current accounts): this is an advance granted to SFR by Vivendi as part of a short-term cash management agreement signed in February 2014, which replaced the previous advance granted in June 2011. The advance amounted to €3.4 billion as of June 30,

- 2014 and €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate is fixed according to market conditions at Euribor plus a margin of 3%;

- shareholder loans (loans or credit facilities entered into between SFR and Vivendi):

    - a loan entered into in December 2011 for €1.2 billion, bearing interest at Euribor plus a margin of 0.825% and maturing in June 2015 and which was still in force as of June 30, 2014;

    - a revolving credit facility entered into in January 2011 for € 1 billion, bearing interest at the Euribor rate plus a margin of 1% and which matured in 2012; and

    - a €1.5 billion revolving credit facility, entered into in June 2009, bearing interest at Euribor plus a margin of 2.5% and which matured in June 2013.

Bond issuance

SFR repaid €300 million of bonds at maturity on July 9, 2014, which were issued in July 2009 and bore interest of 5%.

As of December 31, 2011, SFR also had bonds outstanding of €1 billion. These bonds were composed of an initial issuance in 2005 of € 600 million of bonds due July 18, 2012, with a 3.375% coupon, increased by the issuance on May 5, 2008 of an additional €200 million, with a coupon of 5.155% and an issuance on January 28, 2009 of an additional €200 million, with the same maturity date. These issuances increased the amount of bonds outstanding due July 18, 2012 to €1 billion. These bonds were repaid in full at maturity in July 2012.

Bank loans (€13 million as of September 30, 2014)

SFR also used bank overdrafts provided periodically by credit institutions.

Other financial debt(€45 million as of September 30, 2014)

This category is composed mainly of accrued interest on the bond issuances as well as the bank loans of subsidiaries of the SFR Combined Group.

As of December 31, 2011, this category also included €40 million of commercial paper that was repaid in full in June 2012.

A receivables securitization program was set up in February 2011 for up to €500 million.

This program related to the sale of receivable held by SFR, with respect to customers pursuant to subscriptions or the provision of mobile telephony services and of the Société Allumettière Française with respect to prepaid recharge coupons, to a debt securitization fund created for the program. This program, which amounted to €422 million as of December 31, 2011, closed ahead of the original due date in June 2012.

Cash Flow Analysis

The following table summarizes the cash flows of SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013 presented in the combined cash flow statement:

	As of December 31,			As of September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
			€ in millions		
Net cash flow from operating activities	1,960	2,892	3,197	1,339	1,416
Net cash flow from investment activities	(1,638)	(2,765)	(1,903)	(1,244)	(1,265)
Net cash flow from financing activities	(195)	(89)	(1,155)	(354)	(161)
Changes in cash and cash equivalents	**128**	**38**	**139**	**(259)**	**(10)**

Net cash flow from operating activities

SFR considers Cash Flow From Operations ("CFFO"), a non-accounting indicator, to be a pertinent indicator of the SFR Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows ("SCF"), after deducting investments net of disposals and changes in the related working capital, adjusted for corporate income tax payments. "Cash Flow From Operations (before investments)" is defined as CFFO before investments net of sales and excluding purchases of licenses and change in working capital requirements linked to investments.

The table below presents the CFFO together with the net operating cash flow for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2013 and 2014:

		Year ended December 31,			Nine months ended September 30,	
		2013	2012	2011	2014	2013
		€ in millions				
EBITDA	(a)	2,766	3,301	3,800	1,777	2,200
Adjusted change to WCR (not linked to net investments)	(b)	(305)	154	59	(321)	(406)
Restructuring costs disbursed	(c)	(179)	(27)	(23)	(59)	(101)
Other items	(d)	(22)	4	5	127	8
Cash Flow From Operations (before investments) (I) (a)+(b)+(c)+(d)		**2,259**	**3,429**	**3,840**	**1,526**	**1,702**
Tangible and intangible investments (excl. licenses)		(1,665)	(1,658)	(1,695)	(931)	(1,012)
Sale of tangible and intangible assets		17	13	13	22	3
Investments, net of sales (excl. licenses)		***(1,648)***	***(1,645)***	***(1,682)***	***(909)***	***(1,009)***
Change in WCR linked to net investments		38	15	23	(329)	(233)
Investments (excl. licenses) net of WCR change	(e)	**(1,610)**	**(1,630)**	**(1,659)**	**(1,238)**	**(1,242)**
Cash Flow From Operations (before licenses II) (I) + (e)		**649**	**1,799**	**2,181**	**288**	**460**
Acquisition of licenses and associated spectrums	(f)	—	(1,107)	(150)	—	—
Cash Flow From Operations (III) (II) + (f)		**649**	**693**	**2,032**	**288**	**460**

The table hereunder reconciles Cash Flow From Operations (before investments) to net cash flow from operating activities:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Cash Flow From Operations (before investments)	**2,259**	**3,429**	**3,840**	**1,526**	**1,702**
Taxes paid	(299)	(537)	(643)	(187)	(286)
Net cash flow from operating activities	**1,960**	**2,892**	**3,197**	**1,339**	**1,416**

The Cash Flow From Operations (before investments) amounted to € 1,526 million for the nine months ended September 30, 2014, as compared with €1,702 million for the nine months ended September 30, 2013. This €176 million decrease was mainly due to the decrease in net flow generated by the activity (EBITDA) of €423 million, which was offset by a €85 million decrease in working capital requirements, which went from requirements of €406 million for the nine months ended September 30, 2013, to requirements of €321 million for the nine months ended September 30, 2014.

The Cash Flow From Operations (before investments) amounted to € 2,259 million for the year ended December 31, 2013, as compared with €3,429 million for the year ended December 31, 2012. This € 1,170 million decrease was mainly due to the decrease in net flow generated by the activity (EBITDA), the €305 million increase in working capital requirements and the increase in restructuring costs disbursed, which increased from €27 million for 2012 to €179 million for 2013.

The Cash Flow From Operations (before investments) amounted to € 3,429 million for the year ended December 31, 2012, as compared with €3,840 million for the year ended December 31, 2011. This decrease of €411 million can notably be explained by the decrease in net cash flow generated by the activity (EBITDA), partly offset by the positive change in working capital requirements of €154 million.

Working Capital Requirements (Not Linked to Net Investments)

The working capital requirements of SFR correspond principally to the value of inventory (composed mainly of mobile handsets, modems, set-top boxes and accessories) plus trade accounts receivable and other receivables and less trade accounts payable and other payables. The working capital requirements of SFR result from the specificities of each of its markets.

With respect to the B2C market, SFR generates working capital in connection with the shorter customer payment periods (generally 30 days) compared to those of the suppliers (generally 60 days), while with respect to the B2B and Wholesale and Other markets, SFR consumes working capital because the B2B and Wholesale and Other customers benefit from longer payment periods.

SFR generally finances its working capital requirements by means of cash flow generated by its sales. The change in working capital requirements of SFR can be broken down as follows for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,			Nine Months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Change in working capital requirements in the Statement of Combined Cash Flow	**(305)**	**143**	**54**	**(323)**	**(404)**
Inventories	6	111	(41)	(21)	(14)
Trade accounts receivable	69	203	126	(63)	(28)
Other receivables	(84)	198	(49)	64	(46)
Trade accounts payable	(84)	(191)	(80)	(7)	(110)
Other payables	(212)	(178)	97	(295)	(205)
Adjustments		11	6	1	(2)
Adjusted change in working capital requirements	**(305)**	**154**	**60**	**(321)**	**(406)**

SFR consumed €321 million of working capital in the nine months ended September 30, 2014, compared to €406 million in the nine months ended September 30, 2013. This difference is mainly due to increased, and better, cash collection.

SFR consumed €305 million of working capital in 2013, while it generated working capital in 2012. This change was principally due to:

- a decrease in the line item "Trade accounts receivable", in connection with the decrease in revenue of the B2C activity;
- an increase in the line item "Other receivables", and particularly the tax receivables (other than corporate income tax and VAT) and a decrease in the line item "Other payables", and notably tax payables in relation to 2012. This is linked to the merger of SFR with Vivendi Télécom International which took place in 2011 and which led to deferring from 2012 to 2013 the settlement and payment of interim taxes such as the Contribution on Value Added of Companies ("CVAE") and the Tax on Electronic Communications; and
- a decrease in the line item "Trade accounts payable", in line with the decline in the B2C activity.

For the year ended December 31, 2012, SFR generated working capital of €154 million, which can be explained by the following elements:

- the reduction in "Inventories", resulting from better management;
- the reduction in the line item "Trade accounts receivable", linked to the decrease in the revenue of the B2C activity;
- the reduction in the line item "Other receivables", and notably those of tax receivables, linked to a lower amount of interim payments on the CVAE and the Tax on Electronic Communications paid in 2012 following the merger with Vivendi Télécom International mentioned above; and
- the decrease in the line item "Trade accounts payable", in line with the decline in activity.

Tax paid

In the nine months ended September 30, 2014, taxes paid represented a cash outflow of €187 million, compared to a cash outflow of €286 million in the nine months ended September 30, 2013, in line with the decrease in taxable income.

Taxes paid represented a cash outflow of €299 million for the year ended December 31, 2013, compared to a cash outflow of €537 million in 2012, in line with the decrease in taxable income, offset by the increase in the tax rate from 36.1% to 38%.

Taxes paid represented a cash outflow of €643 million in 2011, which resulted from tax savings in 2011 of €127 million following the use of €452 million of tax losses transferred to SFR as part of its merger with Vivendi Télécom International.

Net Cash From (Used In) Investing Activities

The following table summarizes the net cash from (used in) investing activities by SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	As of December 31,			As of September 30,	
	2013	2012	2011	2014	2013
			€ in millions		
Purchase of tangible and intangible assets (excluding licenses)	(1,649)	(1,644)	(1,682)	(909)	(1,009)
Change in working capital requirements linked to capital expenditures (operating investments)	38	15	23	(329)	(233)
Investments (excluding licenses) net of the change in working capital requirements	**(1,611)**	**(1,629)**	**(1,659)**	**(1,238)**	**(1,242)**
Acquisition of licenses and associated frequencies	—	(1,107)	(150)	—	—
Net cash flow from operating investing activities	***(1,611)***	***(2,736)***	***(1,809)***	***(1,238)***	***(1,242)***
Net flows from combined entities net of cash acquired	7	(17)	(28)	(35)	7
Net flows from financial assets	(34)	(11)	(66)	29	(30)
Net cash flow from financial investments	***(27)***	***(28)***	***(94)***	***(6)***	***(23)***
Net cash from (used in) investing activities	**(1,638)**	**(2,764)**	**(1,903)**	**(1,244)**	**(1,265)**

In the nine months ended September 30, 2014, net cash used in investing activities decreased by €21 million compared to the nine months ended September 30, 2013, from an outflow of €1,265 million in the nine months ended September 30, 2013, to €1,244 million in the nine months ended September 30, 2014.

In 2013, net cash used in investing activities decreased by €1,127 million compared to 2012, from an outflow of €2,764 million in 2012 to an outflow of €1,638 million in 2013. Operating capital expenditures (or operating investments) were lower in 2013 due to the peak in the purchases of 4G frequencies (800 Mhz) in 2012 for €1,065 million.

In 2012, net cash used in investing activities increased by €862 million compared to 2011, from an outflow of €1,903 million in 2011 to an outflow of €2,764 million in 2012. This increase results from the increase in operating capital expenditures linked to the purchases of 4G frequencies, which amounted to €1,065 million in 2012 (800 Mhz), compared to €150 million in 2011 (2.6 Ghz).

Net cash flow from operating investing activities

The net total operating capital expenditures made by SFR represented € 1,238 million and €1,242 million in the nine months ended September 30, 2014 and 2013, respectively, and €1,611 million, €2,736 million and €1,809 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The table below shows the distribution of the operating capital expenditures of SFR between acquisition of tangible and intangible assets for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
			€ in millions		
Acquisition of intangible assets—licenses	—	(1,107)	(150)	—	—
Acquisition of intangible assets—other	(586)	(578)	(568)	(358)	(364)
Acquisition of tangible assets	(1,079)	(1,080)	(1,127)	(573)	(648)
Acquisitions of tangible and intangible assets	**(1,665)**	**(2,765)**	**(1,845)**	**(931)**	**(1,012)**
Sales of tangible and intangible assets	(17)	(13)	(13)	(22)	(3)
Operating capital expenditures net of sales	**(1,649)**	**(2,751)**	**(1,832)**	**(909)**	**(1,009)**
Change in working capital requirements linked to operating capital expenditures	(38)	(15)	(23)	329	233
Operating capital expenditures	**(1,610)**	**(2,736)**	**(1,809)**	**(1,238)**	**(1,242)**

The investments principally related to the priorities of the SFR Combined Group detailed below.

Acquisition of licenses

The evolution over the last three years is marked by considerable investments in the context of the LTE (4G) licenses, with investments in these licenses totaling €150 million in October 2011 (2.6 GHz band) and € 1,065 million in January 2012 (800 MHz band).

Investments excluding licenses

Excluding licenses, the principal categories of investments are:

- fixed and mobile networks;
- information systems;
- equipment installation at clients' premises; and
- other investments, such as real estate and investments in the commercial distribution network;

For the year ended December 31, 2013 SFR's investments excluding licenses were distributed as follows: 60% network, 24% client equipment, 14% information systems and 2% other.

a) Investments in the network:

i. Continuation of 3G roll-out

The SFR GSM/GPRS network (2G) covered over 99.7% of the French population as of December 31, 2013, and, as of September 30, 2014, and the UMTS/HSPA network (3G/3G+) over 99% as of December 31, 2013, and as of September 30, 2014.

SFR continued to increase the capacity of its network to support the new uses of mobile internet, with 3G+ and 4G data traffic having increased by over 40% in the year ended December 31, 2013, and 70% in the nine months ended September 30, 2014.

Beyond the increase in speeds, SFR continued to invest in the densification of its 3G+ network and, in the densely populated areas, its rolling out of 3G+ over the 900 MHz frequency band, notably in Lyon, Marseille and Toulouse. This technology contributes to improving the quality of voice and mobile internet services.

To assure better coverage in terms of very high speed mobile, SFR has a large coverage in the Dual Carrier technology (latest evolution of 3G), thus covering over 75% of the population as of September 30, 2014, and making it possible to double download speeds.

ii. Acceleration of 4G roll-out

The roll-out of 4G in the 800 MHz frequency band (known as "golden frequencies") further enables more efficient coverage with better service quality, notably inside buildings. At the same time, the roll-out of 4G in the 2,600 MHz frequency band in densely populated areas enables mobile internet customers to have access to download speeds of up to 115 Mbits/s.

In the nine months ended September 30, 2014, SFR continued its investments in 4G coverage.

iii. Fixed: unbundling and roll-out of fiber optic (FTTH)

As of September 30, 2014, SFR held the largest alternative fixed network in France. With almost 6,500 NRA (Subscriber Connection Nodes) unbundled, SFR had almost 28 million homes unbundled to ADSL access. During the year ended December 31, 2013, more than 800 NRAs were unbundled, being the biggest annual volume since the start of unbundling in France in 2001.

SFR has also made investments in the very-high-speed fixed sector. During the year ended December 31, 2013, SFR invested in the development of FTTH, making more than 1.5 million homes in mainland France eligible for optical fiber (as compared with 1.1 million at end 2012). As of September 30, 2014, this number had increased to approximately 2.1 million homes.

b) Investments in information systems

Within the framework of its ONE transformation plan, SFR is putting in a considerable effort to renew its information systems, investing 14% (over €200 million) of its investments excluding licenses in 2013 to renewing such technologies. These investments have the purpose of rationalizing the existing systems by simplifying the architecture and reducing the number of application subsystems. This investment strategy meets a twofold objective: simplify the operation and thus generate savings in maintenance costs, and improve the customer service quality of SFR over all points of contact (physical distribution network, call centers, internet).

c) Investments in customer equipment

These investments cover equipment owned by SFR and provided to customers, consisting mostly of:

- the costs of modems and internet decoders provided to ADSL and fiber optic customers on the B2C segment;
- the incidental costs associated with the connection of internet clients, including notably the logistics costs of shipping the equipment and the access fees to the service billed by Orange;
- the connection costs of optical fiber customers;
- SIM cards;
- the Femto Cell equipment offered to improve coverage inside the home; and
- the telecoms equipment made available to companies (modems, routers, PABX, etc.).

The majority of these investments correspond to the equipment and costs associated with marketing of the ADSL and optical fiber offers on the B2C market.

Net cash flow from financial investment activities

The financial investments made by SFR represented €6 million and €22 million for the nine months ended September 30, 2014 and 2013, respectively, and €28 million, €29 million and €94 million as at December 31, 2013, 2012 and 2011, respectively.

	Year ended December 31,			**Nine months ended September 30,**	
	2013	**2012**	**2011**	**2014**	**2013**
	€ in millions				
Net flow from combined entities net of cash acquired	7	(17)	(28)	(35)	8
Net flow from other financial assets	(34)	(11)	(66)	29	(30)
Net flow from financial investment activities	***(28)***	***(29)***	***(94)***	***(6)***	***(22)***

In the nine months ended September 30, 2014, these financial investments mainly consisted of:

- the acquisition of the shares of Groupe Telindus France for a total of €36 million for the share of the securities net of €6 million in cash acquired, and with the amount of debt acquired increasing the line "Repayment of loans" in the combined cash flow statement. On April 30, 2014, SIG 50 acquired all of the shares of Groupe Telindus France from the Belgacom group for a total amount of €88 million net of € 6 million of acquired cash; and
- repayment of shareholder advances of the Foncière Rimbaud (1 & 2) companies following the sale of real estate of the Saint-Denis site for a total amount of €22 million.

In 2013, these financial investments mainly consisted of equity and current account advances of the companies Foncière Rimbaud (1 to 4), in which SFR holds a 50% stake, alongside Vinci, within the framework of the construction of the headquarters of the SFR Group in Saint-Denis.

In 2012, SFR took a stake of 46.7% in Numergy, created with Bull and the Caisse des Dépôts and which offers a range of IT infrastructure capable of hosting data and applications, accessible remotely and securely ("cloud computing services"), with robust security and confidentiality protection. SFR's interest, which amounts to €105 million, is, as of the date of these Listing Particulars, paid up at the 25% level, i.e. €26 million.

The financial investments in 2011 mainly consisted of the 49% stake taken in La Poste Telecom.

For further information, see note 11 to the SFR 2011, 2012 and 2013 Combined Financial Statements of SFR.

Net cash from (used in) financing activities

The following table summarizes the net cash from (used in) financing activities by SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	As of December 31,			As of September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
	€ in millions				
Net interest paid	(229)	(217)	(208)	(147)	(186)
Dividends paid	(985)	(538)	(1,458)	(7)	(985)
Issuances/repayments of borrowings (including bonds)	(15)	(1,019)	(447)	(358)	(10)
Change in shareholder advances	1,066	2,144	2,142	239	895
Change in other financial liabilities	(25)	(455)	(1,144)	(47)	131
Other cash flow related to financing activities	(7)	(5)	(40)	(33)	(6)
Net cash from (used in) financing activities	**(195)**	**(89)**	**(1,155)**	**(354)**	**(161)**

Net interest paid

SFR paid €147 million and €186 million, respectively, of net interest in the nine months ended September 30, 2014 and 2013, and € 229 million, €217 million and €208 million, respectively, in 2013, 2012 and 2011.

Net interest paid was essentially composed of interest paid on loans, less interest received from the short-term investment of cash.

In the nine months ended September 30, 2014, net interest paid decreased by €39 million, from €186 million in the nine months ended September 30, 2013, to €147 million in the nine months ended September 30, 2014, due to the decrease in average net financial debt, which declined from €8,541 million in the nine months ended September 30, 2013, to €6,721 million in the nine months ended September 30, 2014, while the average cost of financing remained stable.

In 2013, net interest paid increased by €12 million, or 5.5%, from €217 million in 2012 to €229 million in 2013, due to the increase in the average annual cost of financing, which increased from 2.58% in 2012 to 2.8% in 2013, and despite the decrease in average net financial debt, which declined from €8,397 million in 2012 to €8,160 million in 2013.

In 2012, net interest paid increased by €9 million, or 4.3%, from €208 million in 2011 to €217 million in 2012. The increase in interest paid was related to the increase in average net financial debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, partially offset by the decrease in the average cost of financing, from 3.25% in 2011 to 2.58% in 2012 due to the changes in interest rates on the financial market.

Dividends paid

SFR paid €985 million, €538 million and €1,458 million, respectively, in dividends to shareholders in 2013, 2012 and 2011. No material dividend (€7 million) was paid in the nine months ended September 30, 2014. For more information regarding dividends paid, see note 16 "Information on Equity" in the SFR 2011, 2012 and 2013 Combined Financial Statements.

Repayment of debt

In the nine months ended September 30, 2014, repayments of debt totalled €358 million, of which €58 million were with respect to the repayment of the shareholder advance to Belgacom as part of the acquisition of Groupe Telindus France (see "*—Net Cash From (Used In) Investing Activities—Net Cash Flow from Financial Investment Activities*").

On July 9, 2014, the €300 million bond issuance was repaid. In 2013, repayment of debt (including repayment of bond issuances) represented €15 million compared to €1,019 million in 2012, resulting principally from the repayment of the €1,000 million bond issuance in July 2012.

In 2011, repayment of debt (including repayment of bonds) represented €447 million, resulting primarily from the repayment of a banking facility.

Change in shareholder debt

The €239 million increase in shareholder debt in the nine months ended September 30, 2014, resulted mainly from the increase in shareholder advances from Vivendi, less the amount received from the sale of the securities of SPT (the holding company of the interest in Maroc Telecom). The sales price, net of tax related to the capital gain realized, of € 4,056 million was recorded in shareholders' equity, as it was considered a contribution in compensation of a debt of Vivendi, the amount of the sale being deducted from the amount owed to Vivendi as a shareholder advance.

The €1,066 million increase in shareholder debt in 2013 resulted mainly from the increase in shareholder advances from Vivendi of €2.6 billion, which was used to finance the repayment of a revolving credit facility in the amount of €1,500 million, which was signed in July 2009 and which matured in June 2013.

The €2,144 million increase in shareholder debt in 2012 related to the increase in shareholder advances from Vivendi of €4.7 billion, which was used to finance the repayment of €1,000 million of a shareholder loan and a short-term credit line (which amounted to € 1,542 million as of December 31, 2011).

The €2,142 million increase in shareholder debt in 2011 related mainly to the €1,200 million increase in shareholder loans. The remaining €942 million related to shareholder advances.

Change in other financial debt

In 2013, the SFR Combined Group repaid €25 million of other financial debt, compared to €455 million in 2012, which resulted primarily from the payment of the remainder of the receivables securitization program put in place in February 2011 and closed in June 2012.

In 2011, SFR repaid €1,144 million in other financial debt, reflecting mainly the repayment of commercial paper in the amount of €814 million.

Contractual Obligations and Off-Balance Sheet Arrangements

SFR's significant contractual obligations are detailed below.

Contractual commitments for the acquisition of tangible and intangible assets as of December 31, 2013

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €889 million as of December 31, 2013. This amount includes commitments linked to the roll-out of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Less than one year	2 - 5 years	More than 5 years	2012	2011
			€ in millions			
Commitments related to Public Service Concessions (DSP)	72	27	22	23	262	336
Commitments on MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Total	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the roll-out of the FTTH within the Moderately Densely Populated Areas (MDPA).

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

Contractual commitments related to licenses as of December 31, 2013

SFR has the following list of commitments linked to telecommunication licenses:

Commitments given	Amount	Maturity
(a) UMTS license on French territory	1% of revenues generated	2021 - 2030
(a) GSM license on French territory	1% of revenues generated	2021
(a) LTE license on French territory	1% of revenues generated	2031 - 2032
(b) 3G network coverage	Not costed	2013
(c) 4G network coverage	Not costed	2023 - 2027

Commitments received	Amount	Maturity
(a) Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) SFR is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE); and
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(b) On November 30, 2009, ARCEP called on SFR to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the French metropolitan population of 99.3%.

As of December 31, 2013, the Group believes it has fulfilled its coverage obligations, subject to verification by ARCEP.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, SFR undertook to respect the roll-out obligations for very high-speed mobile in accordance with the below timeline:

- 25% of the metropolitan population by October 11, 2015;
- 60% of the metropolitan population by October 11, 2019; and
- 75% of the metropolitan population by October 11, 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by SFR.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, SFR was allocated 2*10 MHz in the 800 MHz band for the sum of € 1,065 million. The commitments linked to this allocation are as follows:

- SFR undertook to fulfilL the following obligations for roll-out of very high-speed mobile:
  - coverage of 98% of the French metropolitan population by January 17, 2024 and 99.6% of the French metropolitan population by January 17, 2027;
  - coverage in the priority roll-out area (around 18% of the French metropolitan population and 63% of the territory): SFR must cover 40% of the population of this priority roll-out area by January 17, 2017 and 90% of the population of this same area by January 17, 2022; and
  - departmental coverage: SFR must cover 90% of the population of each French department by January 17, 2024 and 95% of the population of each department by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority roll-out area.
- SFR has an obligation to host Free Mobile roaming in the priority roll-out area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- SFR must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the “white areas” program (above 98% of the population) within a maximum period of 15 years.

Commitments linked to operating lease agreements as of December 31, 2014

The amount of the minimum future rents for operating lease agreements is detailed in the following table:

	2013					
		Schedule				
	Minimum future rents	Under one year	Two to five years	Over five years	2012	2011
			€ in millions			
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	566	61	206	299	521	585
technical premises	1,273	226	692	356	1,181	952
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical premises	(216)	(40)	(101)	(75)	(109)	(41)
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of optical fiber. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

Future finance leasing rent amounts are presented in Note 10 “Tangible assets” of the SFR 2011, 2012 and 2013 Combined Financial Statements.

SFR’s commitments on long-term contracts as of September 30, 2014

SFR’s contractual commitments on long-term contracts concern mainly telecommunications network maintenance contracts and have the following payment schedule:

	2013					
		Schedule				
	Minimum future payments 2014	Less than one year	2 - 5 years	More than 5 years	2012	2011
			€ in millions			
Commitments given	178	62	79	37	172	63
Commitments received	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

SFR’s other contractual commitments as of December 31, 2013

SFR’s other contractual commitments as of December 31, 2013, are as follows:

	2013	Maturity	2012	2011
		€ in millions		
(a) GSM-R bank guarantees, joint and several bank guarantee	105	According to construction	92	66
Other bank deposits and guarantees	65	2026	64	90
(b) Share purchase commitments	16	2026	16	18
Pledges	84	2017	51	46
Commitments made	**269**		**223**	**219**
Other bank deposits and guarantees	(1)		(1)	(1)
Commitments received	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (“PPP”) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (“RFF”) (see note 11 “Equity-Accounted Affiliates” in the SFR 2011, 2012 and 2013 Combined Financial Statements.

(b) SFR has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the SFR Group do not respect the contractual commitments made upon entering into the shareholders’ agreements.

Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at the end of 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

Contingent Assets and Liabilities

Following the successful takeover bid in June 2008 which enabled SFR to acquire a 96.41% stake in Neuf Cegetel, SFR initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure (June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Changes to off-balance sheet commitments and contractual obligations during the nine months ended September 30, 2014

The new significant contractual commitments made and/or received by the SFR Group during the nine months ended September 30, 2014, are summarized below:

Commitments related to the network sharing agreement with Bouygues Telecom

On January 31, 2014, SFR and Bouygues Telecom entered into a strategic network sharing agreement. They will roll out a new shared network in an area covering 57% of the French population. This agreement will enable both operators to improve their mobile coverage and generate significant savings over time.

The agreement is based on two principles:

- first, the creation of a joint venture to manage shared radio site assets, in particular passive infrastructure and geographical locations in which the infrastructure and telecom equipment are deployed, SFR and Bouygues Telecom will retain full ownership of their telecom equipment assets and their frequencies; and

- second, the provision of RAN sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN sharing service.

This network-sharing agreement is similar to numerous arrangements already existing in other European countries. Each operator will retain its own innovative capacity as well as complete commercial and pricing independence. The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

Taking into account the adaption of the agreement, SFR estimates that it has off-balance sheet operating commitments consisting of given commitments totaling approximately €1,830 million and received commitments totalling approximately €2,210 million, representing a net commitment received by SFR of approximately €380 million, which applies over the entire duration of the long-term agreement.

Commitments related to the signing of the Oise THD contract on March 27, 2014

As part of the public service delegation (DSP) in the Oise area, the SFR Group has launched a new "Oise Very High Speed Internet" project for the operation and marketing of 280,000 FTTH plugs. The related investment commitment amounts to €125 million over 15 years.

Commitments related to the signing of the Eure-et-Loir Digital contract on May 27, 2014

As part of the public service delegation (DSP) in the Eure-et-Loire area, the SFR Group has launched a new "Eure-et-Loire Very High Speed Internet" project for the operation and marketing of 90,000 FTTH plugs by 2020. The related commitment amounts to €28 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE PT PORTUGAL GROUP

The discussion and analysis below provides information that we believe is relevant to an assessment and understanding of the PT Portugal Group's historical consolidated financial condition and results of operations. You should read this discussion in conjunction with PTC's audited standalone annual financial statements for the years ended December 31, 2013 and 2012 and related notes prepared in accordance with Portuguese GAAP therein (the "PTC Audited Financial Statements"), Meo, S.A.'s audited standalone annual financial statements for the years ended December 31, 2013 and 2012 and related notes prepared in accordance with Portuguese GAAP therein (the "Meo Audited Financial Statements" and, together with the PTC Audited Financial Statements, the "Audited Financial Statements"), the unaudited condensed financial information of PTC and Meo, S.A. for the nine-month periods ended September 30, 2014 and 2013 (the "Interim Financial Information"), the PT Portugal Unaudited Combined Adjusted Financial Information and the PT Portugal Pre-Closing Combined Pro Forma Balance Sheet (together the "PT Portugal Unaudited Combined Adjusted Financial Information"). The Pro Forma Financial Information and the other financial information included elsewhere in these Listing Particulars. In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers only to PT Portugal and its subsidiaries.

Basis of Presentation

On December 9, 2014, we entered into an agreement to acquire from Oi 100% of the issued share capital of PT Portugal, and accordingly, the PT Portugal Group and its assets. The PT Portugal Group represents the existing business of Portugal Telecom outside of Africa and Asia and excludes African entities (other than Open Ideia (Angola), Open Ideia (Morocco) and Contact Cabo Verde), and PT Portugal's Rio Forte debt securities, Oi treasury shares and the PT Portugal financing vehicles.

These Listing Particulars includes, and unless otherwise stated the discussion below is based solely on, the audited stand alone financial statements of PTC and Meo, S.A., prepared in accordance with Portuguese GAAP which are the most material subsidiaries of the PT Portugal Group, as of and for the years ended December 31, 2013 and 2012 (including unaudited comparative information as of and for the year ended December 31, 2011) and the unaudited condensed financial statements of PTC and Meo, S.A. as of and for the nine months ended September 30, 2013 and 2014 prepared in accordance with Portuguese GAAP (the "PT Historical Financial Information"). The PT Historical Financial Information does not consolidate the results of operations of the entire business undertaking of the PT Portugal Group as it existed as of December 31, 2011, 2012 or 2013 or September 30, 2013 or 2014 for all of the periods presented. As a result, these Listing Particulars also includes the PT Portugal Combined Selected Financial Information, which has been compiled by aggregating selected financial information with appropriate adjustments and eliminations made for intra-group transfers extracted from (i) the audited historical financial statements of PTC and Meo, S.A. for each of the years ended December 31, 2012 and 2013 and the unaudited historical condensed financial statements of PTC and Meo, S.A. for each of the nine months ended September 30, 2013 and 2014 and (ii) the unaudited historical condensed financial information of the other subsidiaries in the PT Portugal Group derived from the internal financial reporting systems of the PT Portugal Group. For further details, see "*PT Portugal Combined Selected Financial Information—Basis of Presentation*".

Except as otherwise stated, the PT Portugal Combined Selected Financial Information have not been discussed below. For the nine months ended September 30, 2014, PTC and Meo, S.A. collectively represented over 97% and 95% of the PT Portugal Group's revenues and EBITDA as derived from the PT Portugal Combined Selected Financial Information. For further details, please refer to "*Presentation of Financial and Other Information—PT Portugal Financial Information*" and "*PT Portugal Combined Selected Financial Information*".

The discussion below is based on the PT Historical Financial Information, which comprises stand-alone financial information of PTC and Meo, S.A., and therefore does not give effect to any intercompany eliminations that would customarily be included in consolidated financial statements or that have been given effect to in the PT Portugal Combined Selected Financial Information included elsewhere in these Listing Particulars. As a result, although we believe that the discussion below reflects the key factors and trends that have had an impact on the results of operations of the PT Portugal Group in the periods discussed, you should not rely on the PTC and Meo, S.A. financial information presented below or the discussion of such financial information (or any aggregation thereof) as a substitute for an analysis of the results of operations of the PT Portugal Group. Among other things, the financial information and discussion included below does not eliminate intercompany revenues or costs between PTC and Meo, S.A. or among the other entities that will form a part of the PT Portugal Group after giving effect to the PT Portugal Acquisition, includes equity from earnings of affiliated companies (including the subsidiaries of PTC and Meo, S.A., as applicable) and includes cash flows from dividends, loan repayments or other distributions from subsidiaries, each of which would be eliminated in a consolidation of financial information. In addition, given PTC and Meo, S.A. operate within the broader PT Portugal Group, which provides integrated telecommunication services, the allocation of costs and revenues presented in the standalone financial information of PTC and Meo, S.A. is only indicative and may not reflect the actual revenues and costs of such entities had they operated as separate businesses, especially in relation to the allocation of revenues from and costs of certain multiple-play packages provided by the PT Portugal Group. PT Portugal has effected a merger between PTC and Meo, S.A. on December 29, 2014, with PTC as the surviving entity, which was renamed MEO—Serviços de Comunicações e Multimédia, S.A. See "*General Description of our Business and the Offering—Recent Developments*". For the financial information of the PT Portugal Group, please refer to the PT Portugal Combined Selected Financial Information included in these Listing Particulars.

Prior to the merger between PTC and Meo, S.A., PTC was the primary operating company through which the PT Portugal Group provided its fixed line services, including residential services (Pay-TV, broadband internet and fixed-line telephony services to residential customers), enterprise services and wholesale and other services. Meo, S.A. was the primary operating company through which the PT Portugal Group provided its mobile services, including personal services and, to a lesser extent, enterprise services and wholesale and other services. Therefore, references to PTC in the discussion below primarily reflect the results of the fixed line business of the PT Portugal Group and references to Meo, S.A. below primarily reflect the results of the mobile business of the PT Portugal Group.

Significant Factors Affecting Results of Operations

The Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. In addition to the regulatory and macroeconomic environment, and significant industry trends in the global telecommunications sector, the key factors affecting the ordinary course of our Group's business and our results of operations include: (i) increasing competitive pressures, (ii) macro-economic developments, (iii) traffic trends, (iv) changes in revenue mix, (v) decreasing fixed line calling prices and greater focus on pricing plans, (vi) decreasing interconnection charges, (vii) continuing introduction of new products, (viii) continuing investments in our network, (ix) decreases in wholesale and enterprise revenues, (x) our redundancy programs and (xi) derecognition of deferred tax assets. Each of these factors is discussed in more detail below.

- *Increasing Competitive Pressure.* Our businesses face increasingly strong competition from fixed line operators (including VoIP providers) as well as from mobile players. We face aggressive competition from NOS (formerly named ZON Optimus), Vodafone and other corporate solutions operators in the Portuguese telecommunications sector. Our major competitors compete through their respective multiple-play offers, which include traditional voice services as well as Pay-TV and broadband internet services and, on the corporate side, complex telecom and IT/IS solutions. The competitive landscape changed significantly in Portugal in recent years with the merger of ZON and Optimus to create NOS and the construction of a FTTH network by Vodafone, which resulted in two new integrated telecommunications operators. These events have further increased the focus on bundled offers and the evolution of triple-play to quadruple-play services as a way to satisfy perceived consumer appetite for bundles that provide them with simplicity, convenience and good value.

- *Macro-economic developments.* Our operations are subject to macro- economic risks that are outside of our control. Our results of operations in the period under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. High levels of sovereign debt, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition.

- *Traffic Trends.* In recent years, we have experienced a decrease in traffic on our fixed line network, primarily as a result of the trend among consumers to use mobile phones rather than fixed line service and increasing competition from mobile operators, other fixed line operators and, more recently, cable and VoIP providers. This decrease in traffic has negatively affected both our residential and wholesale revenues.

- *Changes in Revenue Mix.* Our Pay-TV customers have increased since we introduced Pay-TV service in 2008. In addition, our ADSL residential accesses increased by 3.3% in 2013 due to our marketing of service packages that include Pay-TV and ADSL broadband services. The mix of the revenues of our residential business has shifted significantly in recent years, with Pay-TV related revenues partially offsetting the continued pressure on the traditional fixed voice business. In each of the last three years, for example, we achieved positive net additions of fixed lines, primarily due to strong performance of *Meo* double-play and triple-play offers, as well as the launch of *M_4O*, our quadruple play offer. We expect that Pay-TV and broadband services offered through our multiple- play package will continue to be an important driver of our fixed line business, and the architecture and regulation of the developing fiber optic network in Portugal will be an important factor affecting our business and revenues.

- *Decreasing Fixed Line Calling Prices and Greater Focus on Pricing Plans.* Retail calling prices, particularly for regional, national and international calls, have been decreasing steadily in recent years, which have negatively affected our residential and personal revenues (which includes revenues from telecommunications and mobile data services for a variety of personal devices, including cell phones). One of our strategies in response to this trend has been to aggressively market a variety of pricing plans to promote customer loyalty in our competitive market. Our pricing plans tend to increase our revenues from fixed charges but contribute to a decrease in our traffic revenues and therefore lower ARPU, particularly with respect to the growing percentage of pricing plans that offer calls at a flat rate. We aggressively use pricing plans for both our residential and personal services.

- *Decreasing Mobile Interconnection Charges.* In 2005, ANACOM declared all mobile operators, including *Meo*, to have significant market power in call termination in the mobile networks market. As a result, ANACOM imposed price controls on interconnection charges that have caused both fixed- to-mobile and mobile-to-mobile interconnection rates to decrease steadily. ANACOM has issued successive decisions that have reduced mobile termination rates over time. These reductions have had, and will continue to have, a significant adverse impact on revenues and results of operations from our mobile operations which are partially offset by the lower interconnection costs we incur for calls made or received by our customers.

- *Continuing Introduction of New Products.* The fast development and availability of new access devices are leading to significant growth in internet users and more frequent usage, leading to increased bandwidth consumption. Examples of this trend are smartphones, tablet PCs and internet tablets. In January 2013, we announced the launch of a quadruple-play offer of converged fixed-mobile services by *Meo*, which includes pay-TV, internet, fixed telephone and mobile telephone services. The launch of our quadruple play offer enabled us to reach a household penetration of 1.7 million RGUs and helped promote customer migration from prepaid to post-paid (by approximately 190,000 customers).

- *Continuing Investments in our Network.* Remaining competitive requires continuing investments to build out our third- and fourth-generation mobile network and develop new services, and our capital expenditures on our mobile network have increased in recent years. In 2011, we acquired a fourth- generation mobile license, under which *Meo* provides services using LTE technology, which represents an evolution from the GSM and UMTS technologies and allows for higher levels of bandwidth and speed. In July 2014, we entered into an agreement with Vodafone Portugal to deploy, swap capacity on and share FTTH networks, for an initial term of 25 years. This agreement provides us with an enhanced ability to distribute broadband and television offers with high speeds and quality. See "*Description of PT Portugal's Business—Material Contracts—Fiber Sharing Agreement with Vodafone Portugal*". We expect the sharing of FTTH networks with Vodafone Portugal to reduce the need to further build out our FTTH networks and to reduce our capital expenditures on such networks in the future. The recent investments in our FTTH network have reduced operating costs relating to customer support and network maintenance costs.

- *Decreases in Wholesale Revenues.* In our wholesale business, the decrease in regulated fixed-to-mobile interconnection charges has also affected our revenues. This is because our wholesale unit records revenue from international incoming calls through our network that terminate on the networks of mobile operators. Decreases in transit traffic (calls that use our network but neither originate nor terminate on our network) also have affected our wholesale revenues.

- *Decreases in Enterprise Revenues.* Enterprise revenues, which relate to services provided to corporate and medium and small business customers, including data and business solutions services, have been decreasing over the past few years reflecting both the adverse economic conditions in Portugal and more intense competition.

- *Redundancy programs.* The redundancy programs undertaken in the past few years have led to a reduction in wages and salaries payable to the employees who became either pre-retired or suspended. The net present value of those salaries payable up to retirement is recorded as an actuarial obligation and are not recognized under wages and salaries, thereby having a positive impact on our operating expenditures. Nevertheless, we remain obligated to pay salaries to such pre-retired or suspended employees up to their retirement age, although salaries payable to pre-retired or suspended employees are lower than the salaries paid previously to those same employees, translating into a cash flow saving.

- *Derecognition of deferred tax assets.* The change in the statutory tax rate applicable to PTC as from January 2014, from 25% to 23%, has led to PTC remeasuring its deferred tax assets and derecognizing certain deferred tax assets. In accordance with public statements of the Portuguese Tax Authorities, we expect that the statutory tax rate will decrease further in future years, resulting in further derecognizing of certain deferred tax assets.

Key Performance Indicators

Overview

Our management uses a number of key performance indicators to track the performance of our businesses and to guide management. We use these indicators in addition to our Portuguese GAAP financial measures in order to evaluate, monitor and manage our business. These metrics allow us to review our core operating activities, enabling us to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) measures that are calculated in accordance with Portuguese GAAP. None of these metrics are measures of financial performance under Portuguese GAAP, nor have these measures been audited or reviewed by an auditor, consultant or expert. As defined by our managers, these terms may not be directly comparable to similar key terms used by competitors.

The following table sets forth the total number of retail lines (or accesses) and net retail additions for PTC and the total number of mobile customers, net retail additions and data as a percentage of mobile service revenues for Meo, as of the dates indicated below.

	As of December 31,			As of September 30,	
	2011	2012	2013	2013	2014
	in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated				
PTC					
Fixed retail accesses (residential and enterprise):					
PSTN/ISDN(1)	2,648	2,604	2,549	2,564	2,503
Broadband customers	1,105	1,225	1,294	1,280	1,354
Pay-TV customers	1,042	1,223	1,315	1,294	1,387
Total fixed retail accesses	4,795	5,052	5,158	5,137	5,224
Triple or Quadruple Play customers	679	833	952	921	1,065
Unique customers	2,851	2,814	2,745	2,766	2,670
Total fixed retail accesses/unique customer	1.68	1.80	1.88	1.86	1.96
Non-voice revenues as % of revenues	46.2	51.2	53.2	53.0	55.2
Net additions:(2)					
PSTN/ISDN	(48)	(43)	(55)	(40)	(46)
Broadband customers	104	119	69	55	60
Pay-TV customers	212	181	91	70	73
Total fixed retail accesses net additions	268	257	105	85	87
Residential(3)					
Fixed retail accesses (residential only)					
PSTN/ISDN	1,674	1,692	1,646	1,652	1,631
Broadband customers	911	1,015	1,027	1,019	1,075
Pay-TV customers	972	1,135	1,157	1,146	1,209
Total fixed retail accesses	3,557	3,841	3,830	3,817	3,915
Triple or Quadruple Play customers	623	769	824	803	912
Unique customers	1,881	1,881	1,818	1,830	1,779
Total fixed retail accesses/unique customer	1.89	2.04	2.11	2.09	2.20
ARPU (€/month)	30.8	31.6	31.6	31.7	31.9
Non-voice revenues as % of revenues	58.5	63.4	65.7	65.4	68.2
Net additions(2)					
PSTN/ISDN	1	18	(22)	(16)	(15)
Broadband customers	102	104	29	22	48
Pay-TV customers	198	162	43	31	52
Total fixed retail accesses net additions	300	284	50	36	85
Enterprise(7)					
Fixed retail accesses (enterprise only)					
PSTN/ISDN	826	725	720	727	695
Broadband customers	193	207	264	258	276
Pay-TV customers	68	86	155	146	176
Total fixed retail accesses net additions	(30)	(68)	60	51	8
Unique customers	846	745	724	730	724
Total fixed retail accesses/unique customer	1.28	1.37	1.57	1.55	1.58
Non-voice revenues as % of revenues	46.4	50.3	55.0	53.9	58.4
Meo, S.A.					
Total mobile customers (personal and enterprise)	7,444	7,598	7,896	7,807	7,881

Post-paid	2,378	2,469	2,925	2,782	3,554
Prepaid	5,066	5,129	4,971	5,025	4,327
Data as percentage of mobile services revenues	27.7	32.6	36.5	36.2	39.2
Net additions:(2)					
Total mobile customers	24	154	298	209	(15)
Post-paid	87	91	456	313	629
Prepaid	(63)	63	(158)	(104)	(644)
Personal(4)					
Total mobile customers (personal only)	5,932	6,024	6,390	6,320	6,336
Post-paid	1,064	1,093	1,570	1,457	2,132
Prepaid	4,868	4,931	4,820	4,863	4,205
Minutes of Usage (MOU) (m)(5)	89	93	98	96	106
ARPU (€/month)	9.7	8.7	7.6	7.7	7.3
Customer	8.7	8.0	7.1	7.2	6.7
Interconnection	1.0	0.7	0.5	0.5	0.6
SARC(6) (€)	27.8	27.9	24.6	24.7	23.4
Data as % of mobile service revenues	30.9	33.2	35.8	35.6	38.2
Net Additions(2)					
Total Mobile Customers (Personal only)	(31)	92	312	243	(53)
Post-paid	42	30	441	328	562
Prepaid	(73)	62	(129)	(85)	(615)
Enterprise(7)					
Total mobile customers (enterprise only)	1,445	1,514	1,457	1,433	1,503
Net Additions(2)					
Total mobile customers net additions	55.6	68.7	(3.8)	(28.2)	45.7

(1) The public switched telephone network, or PSTN, is the traditional telephone system that runs through copper lines. The integrated digital services network, or ISDN, is the digital telecommunications network that allows simultaneous voice and data transmission over an access line.

(2) The net additions figures for the nine months ended September 30, 2013 and 2014 are calculated on a nine-month basis from December 31, 2012 and 2013, respectively.

(3) The PT Portugal Group's residential customer category provides fixed line telephone and broadband services, pay-TV services (IPTV over ADSL and fiber and DTH satellite TV) services and internet access services to residential customers. PTC is the primary operating company through which the PT Portugal Group provides such residential services.

(4) The PT Portugal Group's personal customer category provides telecommunications and mobile data services for a variety of personal devices, including tradtional cell phones, smartphones, tablets and laptops through our mobile business. Meo, S.A. is the primary operating company through which the PT Portugal Group provides its mobile services.

(5) Minutes of Usage represents the monthly average of outgoing traffic in minutes divided by the average number of users in the period.

(6) Subscriber Acquisition and Retention Cost, or SARC, equals the sum of 70% of marketing and publicity costs *plus* commissions *plus* subsidies, divided by gross additions *plus* upgrades over the reference periods as presented.

(7) The PT Portugal Group's enterprise customer category provides enterprise services (including integrated voice, data and image solutions, virtual private networks, convergence solutions, consultancy and outsourcing) to corporate, SMEs and SoHo customers that need diversified telecommunications solutions and integration with IT services through service packages. PTC and, to a lesser extent, Meo, S.A., are the primary operating companies through which the PT Portugal Group provides its enterprise services.

Nine Months Ended September 30, 2014 Compared to Year Ended December 31, 2013

For the nine months ended September 30, 2014, PTC's business continued to show stable customer growth, with fixed retail customers increasing by 1.3% to 5.22 million as of September 30, 2014 (with net additions of 66,000 in the nine months ended September 30, 2014) as compared to 5.16 million as of December 31, 2013. Mobile customers decreased slightly by 0.2% to 7.88 million as of September 30, 2014 (with net deductions of 15,000 in the nine months ended September 30, 2014) as compared to 7.90 million as of December 31, 2013, primarily as a result of a decrease in prepaid customers which was partially offset by an increase in post-paid customers (with net additions of 629,000 post-paid customers in the nine months ended September 30, 2014), reflecting the success of our quadruple-play offering, namely *M_4O*, having surpassed 3 million RGUs in October 2014.

The growth of fixed retail customers was underpinned by a solid performance of *Meo,* with pay-TV customers increasing by 5.5% to 1.39 million (with net additions of 72,000 in the nine months ended September 30, 2014) as of September 30, 2014 as compared to 1.32 million as of December 31, 2013. This increase was due to the continued success and the attractiveness of *Meo* in the Portuguese market, even against a backdrop of difficult economic environment. Our triple and quadruple-play customers (voice, broadband and pay-TV) accounted for 87,000 of net additions in the nine months ended September 30, 2014, reaching 1.1 million customers as of September 30, 2014 (up by 11.9% as compared to 1.0 million customers as of December 31, 2013). This increase was partially offset by the decrease in the number of PSTN/ISDN retail lines to 2.50 million as of September 30, 2014 from 2.55 million as of December 31, 2013, reflecting a trend among consumers to use mobile phones rather than fixed line services and increasing competition from mobile operators, fixed line operators, cable and VoIP operators.

Meo, S.A.'s mobile customers increased primarily as a result of the growth of post-paid customers, which increased by 21.5% to 3.6 million as of September 30, 2014 (with net additions of 629,000 in the nine months ended September 30, 2014) as compared to 2.9 million as of December 31, 2013. This increase in post-paid customers was due to the continued success of *M_4O*, which led to a migration from pre-paid to post- paid mobile customers (resulting in net deductions of 644,000 in our pre- paid customers in the nine months ended September 30, 2014). As of September 30, 2014, 45.1% of our mobile subscriber base was on post-paid contracts as compared to 37.0% as of December 31, 2013. We believe the trend of migration from prepaid to post-paid mobile contracts is positive for our business.

As of September 30, 2014, 39.9% of the PT Portugal Group's unique subscribers had subscribed to either a triple-play or quadruple-play offer, as compared to 34.7% as of December 31, 2013. We believe the trend to higher penetration of multi-play subscriptions will benefit our business through reduced churn.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

In 2013, overall, PTC's business continued to show stable customer growth, with fixed retail customers increasing by 2.1% to 5.2 million in 2013 (with net additions of 105,000 in 2013) as compared to 5.1 million in 2012. Mobile customers also increased by 3.9% to 7.9 million in 2013 (with net additions of 298,000) as compared to 7.6 million in 2012, primarily as a result of an increase in post-paid customers (with net additions of 456,000 post-paid customers in 2013), reflecting the success of our quadruple-play offering, namely *M_4O*, having reached 1.5 million RGUs as of December 31, 2013.

The growth of fixed retail customers was underpinned by a solid performance of *Meo,* with pay-TV customers increasing by 7.5% to 1.3 million (with net additions of 91,000 in 2013) in 2013 as compared to 1.2 million in 2012. This increase was due to the continued success and the attractiveness of *Meo* in the Portuguese market, even against a backdrop of difficult economic environment and already high penetration of pay-TV. Our triple- play customers (voice, broadband and pay-TV) accounted for 119,000 of net additions in 2013, reaching 952,000 customers (up by 14.3% as compared to 833,000 customers in 2012). This increase was partially offset by the decrease in the number of PSTN/ISDN retail lines to 2.5 million in 2013 from 2.6 million in 2012, reflecting a trend among consumers to use mobile phones rather than fixed line services and increasing competition from mobile operators, fixed line operators, cable and VoIP operators.

In 2013, Meo, S.A.'s mobile customers increased primarily as a result of the growth of post-paid customers, which increased by 18.5% to 2.9 million (with net additions of 456,000 in 2013) in 2013 as compared to 2.5 million in 2012. This increase in post-paid customers was due to the launch of the convergent offer, *M_4O*, which led to a migration from pre-paid to post-paid mobile customers (resulting in net deductions of 158,000 in our pre-paid customers), and from the growth of the "Unlimited" tariff plans (an increase of 11.8% to 298,000 in 2013 as compared to 267,000 in 2012). The "Moche" tariff plans also continued to show solid growth trends (an increase of 18.0% in 2013 to 1.9 million, as compared to 1.6 million in 2012). As of December 31, 2013, 37.0% of our mobile subscriber base was on post-paid contracts as compared to 32.5% as of December 31, 2012.

As of December 31, 2013, 34.7% of the PT Portugal Group's unique subscribers had subscribed to either a triple-play or quadruple-play offer, as compared to 29.6% as of December 31, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

In 2012, PTC's business continued to show steady customer growth, with fixed retail customers increasing by 5.4% to 5.1 million in 2012 (with net additions of 257,000 in 2012) as compared to 4.8 million in 2011. Mobile customers also increased by 2.1% to 7.6 million in 2012 (with net additions of 154,000) as compared to 7.4 million in 2011, with net additions of 91,000 post-paid customers and 63,000 prepaid customers in 2012.

The growth of fixed retail customers was underpinned by a solid performance of *Meo*, with pay-TV customers increasing by 17.4% to 1.2 million (with net additions of 181,000 in 2012) in 2012 as compared to 1.0 million in 2011. This increase was due to the continued success and the attractiveness of *Meo* in the Portuguese market, even against a backdrop of difficult economic environment and already high penetration of pay-TV. This performance of pay-TV underpinned a solid growth of fixed broadband customers, increasing by 10.9% to 1.2 million in 2012 (with net additions of 119,000 in 2012) as compared to 1.1 million in 2011. Our triple-play customers (voice, broadband and pay-TV) increased by 22.7% to 833,000 in 2012 (with 154,000 of net additions in 2012) as compared to 679,000 in 2011. The success of *Meo* is anchored on the back of a distinguished and convergent value proposition, which leverages on a non- linear pay-TV service offering, a seamless multiscreen experience with live TV channels, video on demand and games and music on demand on multiple devices.

In 2012, Meo, S.A.'s mobile customers increased primarily as a result of the growth of post-paid customers which increased by 3.8% to 2.5 million in 2012 (with net additions of 91,000 in 2012) as compared to 2.4 million in 2011, reflecting an improved performance in our enterprise business.

Prepaid customers increased by 1.2% to 5.13 million (with net additions of 63,000 in 2012) in 2012 as compared to 5.07 million in 2011. This increase in prepaid customers was due to the growth of the "Moche" and "e" tariff plans. The "e nunca mais acaba" tariff plans, which reached 933,000 customers in 2012, as well as the new "Moche" tariff plans, which reached 1,593,000 customers in 2012, continued to show solid growth trends. As of December 31, 2012, 32.5% of our mobile subscriber base was on post-paid contracts as compared to 31.9% as of December 31, 2011.

As of December 31, 2012, 29.6% of the PT Portugal Group's unique subscribers had subscribed to either a triple-play or quadruple-play offer, as compared to 23.8% as of December 31, 2011.

Key Income Statement Items

Below is a summary description of certain income statement line items used by PTC and Meo, S.A. for the purpose of the discussion of their results of operations. For the purpose of the discussion below, we have regrouped certain income statement line items.

Operating Revenues

Revenues consist of income generated from services rendered and sales. Revenue is measured at fair value of the amount received or receivable. Revenue recognition is deducted from the estimated amount of returns, discounts and other rebates and does not include the Value Added Tax (VAT) and other taxes paid related to the sale.

For PTC, revenues from services rendered and sales include revenues which are generated from: (1) our residential services, which includes (i) service revenues, generated from providing fixed telephone services, pay-TV services, and generally consist of fixed charges, including network access charges based on a monthly line rental and an initial installation fee, as well as, in most cases, a monthly fee from pricing packages, which can include broadband and Pay-TV services, and traffic, including charges for the use of our fixed line network based on rates dependent on the amount and type of usage, (ii) sales revenues from the sale of telephone and broadband equipments; (2) our enterprise services, which includes traffic charges for voice and data services, outsourcing or management services and fees for business process outsourcing (BPO), and consultancy fees; and (3) our wholesale and other services, which includes primarily providing public pay telephone services and advertising on www.sapo.pt, our internet portal. For a description of revenue recognition principles, see Note 3.21 to the Audited Financial Statements of PTC.

For Meo, S.A., revenues from services rendered and sales include revenues which are generated from (i) service revenues generated from providing mobile voice telecommunication services, mobile broadband access and other mobile services, and comprise (1) customer revenues, which we receive directly from our personal and to a lesser extent, enterprise customers, consisting primarily of traffic charges, subscription and usage charges, and (2) interconnection revenues, which we receive from other telecommunication providers when their customers make calls or otherwise connect to our network from fixed lines or mobile devices; and (ii) sales revenues, which relate primarily to the sale of mobile phone and related equipment to personal and enterprise customers. For a description of revenue recognition principles, see Note 3.16 to the Audited Financial Statements of Meo, S.A.

The invoices for multiple-play packages, namely *M_4O*, are issued by PTC and a portion of the total revenue is allocated to Meo, S.A. based on the ARPU for equivalent mobile post-paid services adjusted for a certain discount included in the bundle package as compared to the total standalone services. In addition, certain additional revenues not included in the base price of the package are allocated to each company based on their nature, for example, the rental of additional set-top-boxes or video on demand are allocated to PTC, while additional mobile SIM cards and roaming revenues are allocated to Meo, S.A. Direct costs are allocated to Meo, S.A. and PTC based on the criteria set out under "—*Direct costs*" below. Other costs relating to multiple-play packages are allocated in the standalone financial information of PTC and Meo, S.A. based on internal management estimates.

Equity in earnings of affiliated companies

Equity in earnings of affiliated companies includes the gains and losses in affiliated companies through the equity method of accounting and the gains and losses on the disposal of affiliated companies.

Costs of products sold and impairment of inventories

Costs of products sold include the costs attributable to the acquisition of the equipments sold by PTC and Meo, S.A, including the cost of the mobile handsets and certain fixed line equipments sold.

Impairment losses on inventories include the value of materials for which there is no intended use due to obsolescence and/or low rotation, as well as the difference between prices of materials that have a fair value lower than the average acquisition costs, when the difference is higher than the discount granted in current market conditions.

Direct costs

For PTC, direct costs include telecommunication costs, programming costs, directories, internet contents costs and other costs.

For Meo, S.A. direct costs include rental costs for capacity, interconnection costs, leasing of sites, contents of internet and mobile service costs and other costs.

Marketing and publicity

For PTC and Meo, S.A., marketing and publicity costs include expenses related to their services and brands, advertising and sale promotion, and other expenses related to marketing and publicity efforts.

Supplies and external services

Supplies and external services include expenses for maintenance and repair, commissions, support services, electricity, rentals, specialized work, communications, fuel, water and other fluids, transportation and other third- party costs.

Wages and salaries

Wages and salaries include salaries, social security, health care benefits, training and other costs relating to active personnel.

Post retirement benefits

PTC sponsors defined benefit plans, under which it grants pension supplements to retired and active employees, healthcare services to retired employees and eligible relatives and pays salaries to suspended and pre-retired employees until retirement age, the latter of which is also applicable to certain other entities of the PT Portugal Group, including Meo, S.A. Post retirement benefit costs include the pension supplements service cost related to active employees and the net interest cost on unfunded obligations in relation to the post retirement benefits obligations. For Meo, S.A., the post retirement benefit costs, which correspond to the net interest cost on salaries due to suspended and pre-retired employees until retirement age, is accounted for under the line item other expenses and losses. For more details, see "—*Post Retirement Benefits*" below.

Curtailment and settlement costs

Curtailment and settlement costs include (1) costs from redundancy programs, reflecting mainly the present value of salaries payable up to retirement age, as well as the components of pension supplements and healthcare obligations that would otherwise be recognized up to retirement age, (2) termination payments and (3) plan settlement costs or gains.

Indirect taxes

Indirect taxes include ANACOM taxes, direct taxes (which primarily include municipal property taxes), value added tax, and other non-income taxes.

Provisions and adjustments

Provisions and adjustments include impairments of accounts receivables and provisions for contingencies and other risks. Impairment of accounts receivables refers to impairments on financial assets, which are impaired when there is clear evidence that as a result of one or more events occurring after its initial recognition, their future estimated cash flows will be negatively affected (with determinative factors being the age of the accounts receivables, the risk profile of the clients and their financial situations). Impairment losses and related reversals are recorded in earnings. PTC and Meo, S.A. are party to a variety of ongoing judicial and tax proceedings for which, based on the opinion of their lawyers, they determine whether they should recognize any provisions in respect of these contingencies.

Net other income and gains/(expenses and losses)

For PTC, net other income and gains (expenses and losses) primarily include supplemental income, income and gains in non-financial investments, investment subsidies, interest due, recovery of accounts receivable, gains and losses on exchange rate differences, income from investment properties, write-off of tangible fixed assets, donations made, contractual penalties incurred, losses in inventories and other gains and losses.

For Meo, S.A. net other income and gains (expenses and losses) primarily include supplemental income, interest due, recovery of accounts receivable, gains and losses on exchange rate differences, gains in inventories, write- off of tangible fixed assets, losses in inventories, discounts granted, direct write-off of accounts receivable curtailment costs, the net interest cost on salaries due to suspended and pre-retired employees until retirement age and other gains and losses.

Depreciation and amortization

Depreciation and amortization principally includes the depreciation and amortization of tangible fixed assets, intangible assets, and investment properties. Goodwill is not amortized but tested on an annual basis for impairment losses.

Net financial expenses

Net financial expenses primarily include interest expenses related to interest paid on loans, net of interest income related to cash and cash equivalents, net foreign currency exchange losses and net other financial losses from banking services, commissions, financial discounts and other financing costs.

Income taxes

Income taxes correspond to the sum of current and deferred taxes, which are recorded in the income statement except when they relate to items recorded directly in shareholders' equity (in which case they are likewise recorded in shareholders' equity). Income taxes are estimated based on the estimate of the corporate tax base under the *Imposto sobre o Rendimento das Pessoas Coletivas*. For further details, see Note 3.11 to the Audited Financial Statements of PTC for the year ended December 31, 2013 and Note 3.8 to the Audited Financial Statements of Meo, S.A. for the year ended December 31, 2013.

Results of Operations

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

The table below sets out PTC's and Meo, S.A.'s results of operations for the nine months ended September 30, 2013 and 2014.(1)

	PTC		Meo, S.A.	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
	€ in millions			
Services rendered	1,265.7	1,251.6	727.0	678.6
Sales	13.3	18.0	71.8	60.3
Subsidies to operation	0.04	0.2	0.004	0.003
Production variation	1.6	0.8	—	—
Equity in earnings of affiliated companies, net	161.3	(1,021.3)	123.1	(1,034.7)
Own work capitalized	36.2	33.9	3.3	3.5
Costs of products sold	(15.2)	(17.6)	(79.9)	(65.4)
Direct costs	(368.1)	(372.2)	(152.1)	(151.6)
Marketing and publicity	(18.9)	(14.5)	(13.6)	(10.2)
Supplies and external services	(314.2)	(318.9)	(197.5)	(184.3)
Wages and salaries	(174.3)	(176.2)	(35.5)	(35.1)
Post retirement benefit costs(2)	(31.7)	(31.2)	—	—
Curtailment and settlement costs(2)	(102.3)	21.9	—	—
Indirect taxes	(11.5)	(12.0)	(12.0)	(13.5)
Impairment of inventories ((losses)/reversals)	0.2	2.0	(1.3)	3.7
Impairment of accounts receivable ((losses)/reversals)	(11.7)	(12.2)	(10.2)	(4.5)

Provisions (increases/reductions)	5.2	(0.6)	(1.9)	5.5
Other income and gains	80.2	68.6	10.3	16.1
Other expenses and losses(2)	(26.3)	(17.9)	(16.9)	(8.3)
Income before depreciation and amortization, financing expenses and taxes	489.5	(597.6)	414.7	(739.9)
Depreciation and amortization ((losses)/reversals)	(360.3)	(329.5)	(125.2)	(122.8)
Operating income (before financing expenses and taxes)	129.2	(927.1)	289.5	(862.8)
Interest and related income	4.7	2.7	0.3	0.02
Interest and related expenses	(275.6)	(285.3)	(14.3)	(7.2)
Income before taxes	(141.7)	(1,209.7)	275.5	(870.0)
Income taxes	2.5	(46.7)	(46.5)	(51.4)
Net (Loss) / Income	(139.1)	(1,256.5)	229.0	(921.3)

(1) Reflects stand-alone financial information prepared in accordance with Portuguese GAAP of PTC and Meo, S.A. and does not give effect to intercompany eliminations that would be eliminated in a consolidation of financial information. For the nine-month periods ended September 30, 2014 and 2013, the impact of intercompany eliminations between PTC and Meo, S.A. (but not including any other intercompany eliminations) on PTC's revenues would have been to reduce revenues by € 94.5 million and €113.7 million, respectively, and on MEO's revenues would have been to reduce revenues by €94.2 million and €80.1 million, respectively. The net impact of intercompany eliminations between PTC and Meo, S.A. on income before depreciation and amortization and net income reflects primarily the equity in losses/earnings of Meo, S.A. recorded by PTC through the equity method of accounting, amounting to a loss of €921.3 million and a gain of € 229.0 million in the nine months ended September 30, 2014 and 2013, respectively, as the other eliminations offset each other in the operating and financial results. For further details, see "*PT Portugal Combined Selected Financial Information—Basis of Presentation*".

(2) Meo S.A. recorded post retirement benefit costs of €0.08 million and €0.03 million in the nine months ended September 30, 2014 and 2013, respectively, and curtailment costs of €3.7 million in the nine months ended September 30, 2013, both of which are included under the caption "*Other expenses and losses*" in Meo, S.A.'s standalone profit and loss statement.

Operating Revenues

For the nine months ended September 30, 2014, PTC's revenues from services rendered and sales decreased by 0.7% to €1,269.6 million from €1,279.0 million for the nine months ended September 30, 2013, reflecting primarily lower revenues in the enterprise customer category amid challenging economic conditions in Portugal.

For the nine months ended September 30, 2014, Meo, S.A.'s revenues from services rendered and sales decreased by 7.5% to €738.9 million from €798.8 million for the nine months ended September 30, 2013. This decrease was primarily due to revenue declines in the personal customer category, reflecting lower and more volatile pre-paid recharges by customers as a result of the challenging economic conditions, price competition and a migration to lower tariff plans. Data revenues accounted for 39.2% of service revenues, an increase of 3.0% over the nine months ended September 30, 2014, reflecting the solid performance of our "*internetnotelemovel*" data packages.

Costs and Expenses

Costs of products sold and impairment of inventories. PTC's costs of products sold increased by 15.8% to €17.6 million for the nine months ended September 30, 2014 from €15.2 million for the nine months ended September 30, 2013. This increase was primarily due to an increase in equipment sales. PTC's impairment reversals of inventories increased to €2.0 million for the nine months ended September 30, 2014 from €0.2 million for the nine months ended September 30, 2013. Meo, S.A.'s costs of products sold decreased by 18.1% to €65.4 million for the nine months ended September 30, 2014 from €79.9 million for the nine months ended September 30, 2013. This decrease was primarily due to our cost cutting efforts coupled with a strong focus on profitability and also lower handset subsidies on sales of handsets to our mobile customers. Meo, S.A.'s impairment reversals of inventories amounted to €3.7 million for the nine months ended September 30, 2014, as compared to impairment losses of €1.3 million for the nine months ended September 30, 2013.

Direct costs. PTC's direct costs increased by 1.1% to €372.2 million for the nine months ended September 30, 2014 from €368.1 million for the nine months ended September 30, 2013. This increase is primarily due to higher traffic costs that were partially offset by lower costs associated with our directories business. Meo, S.A.'s direct costs remained broadly stable at €151.6 million for the nine months ended September 30, 2014 as compared to €152.1 million for the nine months ended September 30, 2013.

Marketing and publicity. PTC's marketing and publicity costs decreased by 23.3% to €14.5 million for the nine months ended September 30, 2014 from €18.9 million for the nine months ended September 30, 2013. Meo, S.A.'s marketing and publicity costs decreased by 25% to €10.2 million for the nine months ended September 30, 2014 from €13.6 million for the nine months ended September 30, 2013. The decrease in marketing and publicity costs for PTC and Meo, S.A. is primarily due to the marketing campaigns for the *M_4O* launch in the first quarter of 2013, the marketing efforts made in 2013 and in previous years that allowed for lower marketing investments to be made in 2014 and our strict cost control policies. These were partially offset by the marketing campaigns supporting the rebranding of Meo, S.A.'s mobile business from *TMN* to *Meo* in the first quarter of 2014.

Supplies and external services. For the nine months ended September 30, 2014, PTC's supplies and external services increased by 1.5% to €318.9 million from €314.2 million for the nine months ended September 30, 2013. This increase was primarily due to higher IT/IS support services, which were internalized in 2013 and as from 2014 were externalized to PT Cloud and Data Centers. This was partially offset by lower maintenance costs, which benefitted from the roll-out of our FTTH network, lower electricity expenses, lower billing expenses and lower consultancy and legal fees, reflecting our cost control efforts. For the nine months ended September 30, 2014, Meo, S.A.'s supplies and external services decreased by 6.7% to €184.3 million from €197.5 million for the nine months ended September 30, 2013, reflecting primarily our focus on cost cutting and profitability that translated into lower maintenance and repair expenses and other third party services expenses.

Wages and salaries. PTC's wages and salaries, including employee benefits and social charges, increased by 1.1% to €176.2 million for the nine months ended September 30, 2014 from €174.3 million for the nine months ended September 30, 2013. This increase is primarily due to an increase in variable remunerations and training expenses. Meo, S.A.'s wages and salaries, including employee benefits and social charges, remained broadly stable at €35.1 million for the nine months ended September 30, 2014, as compared to €35.5 million for the nine months ended September 30, 2013.

Post retirement benefit costs. PTC's post retirement benefit costs remained broadly flat at €31.2 million for the nine months ended September 30, 2014 as compared to €31.7 million for the nine months ended September 30, 2013. This cost item does not include early termination costs related to our workforce reduction program, which are discussed under "*—Curtailment and settlement costs*" below.

Curtailment and settlement costs. PTC's curtailment and settlement costs amounted to a gain of €21.9 million for the nine months ended September 30, 2014 as compared to a cost of €102.3 million for the nine months ended September 30, 2013, reflecting primarily the reduction in our healthcare benefits which was put in place in 2014 and the redundancy programs relating to approximately 70 and 400 employees that were implemented in the third quarter of 2014 and the second quarter of 2013, respectively.

Indirect taxes. PTC's indirect taxes remained broadly flat at €12.0 million for the nine months ended September 30, 2014 as compared to €11.5 million for the nine months ended September 30, 2013. Meo, S.A.'s indirect taxes increased by 12.5% to €13.5 million for the nine months ended September 30, 2014 from €12.0 million for the nine months ended September 30, 2013, primarily due to an increase in fees paid to ANACOM, which reflects primarily an increase in the unitary spectrum fee per customer and the increased number of mobile customers, mainly *M_4O* customers.

Provisions and adjustments (including impairment of accounts receivable and provisions for contingencies and other risks). For PTC, provisions and adjustments increased by 96.9% to €12.8 million for the nine months ended September 30, 2014 from €6.5 million for the nine months ended September 30, 2013, primarily due to higher provisions for bad debt and certain reversals of provisions for legal actions recorded in the nine months ended September 30, 2013. For Meo, S.A., provisions and adjustments decreased to a net gain of €0.9 million for the nine months ended September 30, 2014 from a net cost of €12.1 million for the nine months ended September 30, 2013, reflecting primarily lower provisions for bad debt and reversals of provisions for other risks recorded in the nine months ended September 30, 2014.

Net other income and gains/(expenses and losses). PTC's net other income and gains decreased by 5.9% to €50.7 million for the nine months ended September 30, 2014 from €53.9 million for the nine months ended September 30, 2013. This was primarily due to a net gain of €26.0 million recorded by PTC in the first quarter of 2013, which corresponds to the compensation receivable from the Portuguese State relating to the termination of the wireline concession agreement for its universal service obligations. This compensation was received in the third quarter of 2014. Meo, S.A.'s net other income and gains increased to €7.8 million for the nine months ended September 30, 2014 from €6.6 million of net other expenses and losses for the nine months ended September 30, 2013. This increase was primarily due to higher gains on the disposal of tangible fixed assets, lower costs relating to uncollectible receivables that were not adjusted for previously and work force redundancy costs recorded in the nine months ended September 30, 2013, which for Meo, S.A. are included under this caption. See "*—Key Income Statement Items*".

Equity in earnings of affiliated companies, net. For the nine months ended September 30, 2014, PTC's equity in earnings of affiliated companies decreased to a loss of €1,021.3 million from a gain of €161.3 million for the nine months ended September 30, 2013, reflecting primarily lower earnings from the equity investment in Meo, S.A. Meo, S.A.'s equity in earnings of affiliated companies decreased to a loss of €1,034.7 million for the nine months ended September 30, 2014 from a gain of €123.1 million for the nine months ended September 30, 2013. Equity in earnings of affiliated companies relate primarily to Meo, S.A.'s equity investment in PT Móveis, a wholly-owned subsidiary of Meo, S.A. The loss recorded in the nine months ended September 30, 2014 reflects primarily a net loss of €950 million that was recognized by PT Móveis, relating to the disposal to Portugal Telecom of its 100% interest in Bratel BV, the entity that held the investment in Oi.

Income before depreciation and amortization, financing expenses and taxes. PTC's income before depreciation and amortization, financing expenses and taxes decreased to a loss of €597.6 million for the nine months ended September 30, 2014 compared to an income of €489.5 million for the nine months ended September 30, 2013. Meo, S.A.'s income before depreciation and amortization, financing expenses and taxes decreased to a loss of €739.9 million for the nine months ended September 30, 2014 from an income of €414.7 million for the nine months ended September 30, 2013. The decrease in PTC and Meo, S.A.'s incomes before depreciation and amortization, financing expenses and taxes is primarily due to lower services rendered and sales and the equity in losses of affiliated companies recorded in the nine months ended September 30, 2014, reflecting primarily a loss of €950 million recorded by PT Móveis in connection with the disposal of Bratel BV, as compared to equity in earnings recorded in the nine months ended September 30, 2013. For PTC, these effects were partially offset by lower curtailment costs, following the redundancy program undertaken in 2013. For Meo, S.A., the effects mentioned above were partially offset by lower costs of goods sold and supplies and external services reflecting lower sales and Meo, S.A.'s cost cutting efforts.

Based on the PT Portugal Combined Selected Financial Information, PTC and Meo, S.A. represented over 95.2% and 97.9% of the PT Portugal Group's EBITDA for the nine months ended September 30, 2014 and 2013, respectively. See "PT Portugal Combined Selected Financial Information". For a reconciliation between income before depreciation and amortization, financing expenses and taxes as reported by PTC and Meo, S.A. under Portuguese GAAP and EBITDA as reported by Portugal Telecom SGPS, S.A., which publishes its financial information under IFRS (the "International Format"), see "*—Summary of Significant Differences between Portuguese GAAP and IFRS*".

Depreciation and amortization. PTC's depreciation and amortization costs decreased by 8.5% to €329.5 million for the nine months ended September 30, 2014 from €360.3 million for the nine months ended September 30, 2013. Meo, S.A.'s depreciation and amortization costs decreased by 1.9% to €122.8 million for the nine months ended September 30, 2014 from €125.2 million for the nine months ended September 30, 2013. The decrease in PTC's and Meo, S.A.'s depreciation and amortization costs was primarily due to the decline in capital expenditures incurred by PTC and Meo, S.A. in recent periods against the backdrop of the investments in certain technologies and networks that were undertaken in previous years, namely in FTTH and 4G-LTE.

Net interest and related income (expenses). PTC's net interest and related expenses increased by 4.3% to €282.7 million for the nine months ended September 30, 2014 from €270.9 million for the nine months ended September 30, 2013. This was due to higher interest expenses reflecting an increase in the average gross debt of PTC and higher commission expenses (such as banking fees) relating to the business combination between Portugal Telecom and Oi. Meo, S.A.'s net interest and related expenses decreased by 48.6% to €7.2 million for the nine months ended September 30, 2014 from €14.0 million for the nine months ended September 30, 2013. This was due to lower interest expenses reflecting primarily the reduction in outstanding commercial papers issued by Meo, S.A.

Income taxes. For the nine months ended September 30, 2014, PTC's income taxes amounted to €46.7 million compared to an income tax gain of €2.5 million for the nine months ended September 30, 2013, reflecting primarily lower taxable losses in the nine months ended September 30, 2014 mainly due to the curtailment costs recorded in the same period of last year. For Meo, S.A., income taxes increased to €51.4 million for the nine months ended September 30, 2014 from €46.5 million for the nine months ended September 30, 2013, reflecting higher taxable profits in 2014.

Net (Loss)/Income. For PTC, net loss increased to €1,256.5 million for the nine months ended September 30, 2014, compared to € 139.1 million for the nine months ended September 30, 2013, as a result of the factors described above. For Meo, S.A., net loss amounted to €921.3 million for the nine months ended September 30, 2014 as compared to a net income of €229.0 million for the nine months ended September 30, 2013, as a result of the factors described above.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The table below sets out PTC's and Meo, S.A.'s results of operations for the years ended December 31, 2012 and 2013.(1) During the year ended December 31, 2013, PTC adopted the revised version of IAS 19 *Employee Benefits*. As a result of the adoption of the amendments to IAS 19, certain adjustments were made to the previously reported statements of financial position of PTC for the year ended December 31, 2012. The table below sets out PTC's restated results of operations for the year ended December 31, 2012 and may differ from that shown in the Audited Financial Statements of PTC for the year ended December 31, 2012. See Note 5 to the Audited Financial Statements of PTC for the year ended December 31, 2013.

	PTC		Meo, S.A.	
	Year Ended December 31,		Year Ended December 31,	
	2012	2013	2012	2013
	€ in millions			
Services rendered	1,749.2	1,686.3	1,064.6	952.0
Sales	25.1	22.0	88.7	102.5
Subsidies to operation	0.1	0.1	0.03	0.01
Production variation	(1.5)	1.1	—	—
Equity in earnings of affiliated companies, net	120.5	234.4	68.6	194.7
Own work capitalized	42.1	49.6	3.9	4.5
Costs of products sold	(31.6)	(24.9)	(107.4)	(113.0)
Direct costs	(484.0)	(492.2)	(225.3)	(198.6)
Marketing and publicity	(20.7)	(26.2)	(23.6)	(18.8)
Supplies and external services	(445.4)	(431.0)	(261.9)	(266.3)
Wages and salaries	(235.5)	(231.9)	(44.9)	(47.1)
Post retirement benefit costs(2)	(57.3)	(40.3)	—	—
Curtailment and settlement costs(2)	(1.2)	(112.8)	—	—
Indirect taxes	(15.4)	(14.2)	(15.8)	(14.6)
Impairment of inventories ((losses)/reversals)	3.6	0.8	4.1	(1.6)
Impairment of accounts receivable ((losses)/reversals)	(25.3)	(23.0)	(11.2)	(9.8)
Provisions (increases/reductions)	(8.2)	6.1	(0.4)	(1.6)
Other income and gains	123.8	99.4	16.0	14.9
Other expenses and losses(2)	(28.5)	(56.5)	(22.1)	(14.5)
Income before depreciation and amortization, financing expenses and taxes	**709.7**	**646.7**	**533.5**	**582.7**
Depreciation and amortization ((losses)/reversals)	(497.7)	(480.9)	(180.8)	(168.2)
Operating income (before financing expenses and taxes)	**212.1**	**165.8**	**352.7**	**414.5**
Interest and related income	15.3	6.9	1.4	0.4
Interest and related expenses	(321.0)	(373.0)	(22.5)	(18.8)
Income before taxes	**(93.7)**	**(200.3)**	331.7	396.1
Income taxes	2.3	(9.9)	**(80.1)**	**(59.9)**
Net (Loss)/Income	**(91.3)**	**(210.2)**	**251.6**	**336.1**

(1) Reflects stand-alone financial information of PTC and Meo, S.A. and does not give effect to intercompany eliminations that would be eliminated in a consolidation of financial information. For the years ended December 31, 2013 and 2012, the net impact of intercompany eliminations between PTC and Meo, S.A. (but not including any other intercompany eliminations) on PTC's revenues would have been to reduce revenues by €147.0 million and €160.2 million, respectively, and on MEO's revenues would have been to reduce revenues by €104.5 million and €107.8 million, respectively. The net impact of intercompany eliminations between PTC and Meo, S.A. on income before depreciation and amortization and net income reflects primarily the equity in earnings of Meo, S.A. recorded by PTC through the equity method of accounting, amounting to €336.1 million and €251.6 million for the years ended December 31, 2013 and 2012, respectively, as the other eliminations offset each other in the operating and financial results. For further details, see "*PT Portugal Combined Selected Financial Information—Basis of Presentation*".

(2) Meo, S.A. recorded post retirement benefit costs of €0.04 million and €0.08 million in the years ended December 31, 2013 and 2012, respectively, and curtailment costs of €4.1 million in the year ended December 31, 2013, both of which are included under the caption "*Other expenses and losses*" in Meo, S.A.'s standalone profit and loss statement.

Operating Revenues

PTC's revenues from services rendered and sales decreased by 3.7% to €1,708.3 million in 2013 from €1,774.3 million in 2012. This decrease was primarily due to (i) lower revenues in the enterprise customer category, where we experienced pricing and demand pressure as a result of strong cost-cutting initiatives by government agency clients and a significant reduction in investments in new projects by government agency clients, cost reduction initiatives by large corporations, particularly in banking, other financial services and pharmaceuticals, and economic challenges faced by small and medium businesses, which continued to be driven by macro-economic and financial conditions in Portugal and (ii) lower revenues from wholesale and other businesses, as a result of a decline in the directories business, leased lines and accesses, including lower prices resulting from adverse regulatory decisions and lower volumes as operators continue to build networks, and declines in revenues from public pay phones and the termination of national and international traffic. These decreases in revenues were partially offset by an increase in revenues from the residential customer category, mainly related to Pay-TV and fixed broadband revenues, which was driven by the success of the *Meo* double- and triple-play offers.

Meo, S.A.'s revenues from services rendered and sales decreased by 8.6% to €1,054.5 million in 2013 from €1,153.3 million in 2012. This decrease was primarily due to (i) revenue declines in the personal customer category, primarily due to lower mobile interconnection revenues (partially as a result of the negative impact of lower mobile termination rates), lower customer revenues (reflecting the effects of challenging economic conditions that have made customers more price-sensitive, greater competitive pressures, increased popularity of "tribal plans" yielding lower revenues per user, as well as the negative effect of lower revenues from mobile broadband due to the higher popularity of fixed broadband), and price pressures from competitors and migrations to lower tariff plans and (ii) lower revenues in the enterprise customer category, where we experienced pricing and demand pressure, due to the reasons mentioned above. Data revenues accounted for 36.5% and 32.6% of service revenues for the years ended December 2013 and 2012, respectively, an increase of 3.9%, reflecting the continued success of Meo, S.A.'s mobile data offers which are based on a high quality network offering and a high capacity to meet customer demands for increasingly higher bandwidth.

Costs and Expenses

Costs of products sold and impairment of inventories. PTC's costs of products sold decreased by 21.2% to €24.9 million in 2013 from €31.6 million in 2012. This decrease was primarily due to lower costs related to the sale of set-top boxes, which were higher in 2012 following the switch-off of the analog television network in Portugal and the switch to DTT. PTC's reversal on inventory impairment provisions decreased by 77.8% to €0.8 million in 2013 from €3.6 million in 2012. Meo, S.A.'s costs of products sold increased by 5.2% to €113.0 million in 2013 from €107.4 million in 2012. This increase was primarily due to an increase in sales of mobile phones, which was partially offset by a decrease in the average cost of handsets as a result of favourable contracts signed with key suppliers. Meo, S.A.'s impairment losses of inventories increased to €1.6 million in 2013 from a reversal of €4.1 million in 2012.

Direct costs. PTC's direct costs increased by 1.7% to €492.2 million in 2013 from €484.0 million in 2012. This increase is primarily due to an increase in programming costs, driven by customer growth and investment in content for our *Meo* offering, and higher costs associated with the provision of IT/IS solutions and outsourcing services as a result of the increased contribution of these services to our revenues. The increase in direct costs was partially offset by lower costs associated with our directories business. Meo, S.A.'s direct costs decreased by 11.9% from €225.3 million in 2012 to €198.6 million in 2013, primarily due to lower mobile traffic costs as a result of a reduction in services rendered and the impact of the regulatory mobile termination rate cuts.

Marketing and publicity. PTC's marketing and publicity costs increased by 26.6% to €26.2 million in 2013 from €20.7 million in 2012. This increase was primarily due to the costs incurred in the launch and rollout of our new *M_4O* offer which more than offset our strict cost control policies and marketing investments already made in previous years. Meo, S.A.'s marketing and publicity costs decreased by 20.3% to €18.8 million in 2013 from €23.6 million in 2012, reflecting the abovementioned strict cost control policies.

Supplies and external services. PTC's supplies and external services expenses decreased by 3.2% to €431.0 million in 2013 from €445.4 million in 2012. This decrease was primarily due to lower maintenance and repairs expenses and other third-party services, which benefited from the roll-out of our FTTH network and an extensive field force transformation program. Meo, S.A.'s supplies and external services expenses increased by 1.7% to €266.3 million in 2013 from €261.9 million in 2012. This increase reflects higher commissions and support services, partially offset by lower legal and consultancy fees.

Wages and salaries. PTC's wages and salaries, including employee benefits and social charges, decreased to €231.9 million in 2013 from €235.5 million in 2012, a decrease of 1.5%. The decreases in wages and salaries for PTC was primarily due to lower variable and overtime compensation, higher efficiency levels in certain internal processes and lower personnel costs as a result of a restructuring plan implemented in the second quarter of 2013. Meo, S.A.'s wages and salaries, including employee benefits and social charges, increased to €47.1 million in 2013 from €44.9 million in 2012, an increase of 4.9%. The increase in wages and salaries for Meo, S.A. was primarily due to higher variable compensation.

Post retirement benefit costs. PTC's post retirement benefit costs decreased by 29.7% to €40.3 million in 2013 from €57.3 million in 2012, primarily reflecting the reduction in discount rates undertaken at the end of 2012, leading to a lower net interest cost in 2013. The post retirement benefits costs in 2012 were restated in order to reflect the impact of the adoption of the amendments to IAS 19. This cost item does not include early termination costs related to our workforce reduction program, which are discussed under "—*Curtailment and settlement costs*" below.

Curtailment and settlement costs. PTC's curtailment and settlement costs increased to €112.8 million in 2013 from €1.2 million in 2012, reflecting the implementation of a redundancy program relating to approximately 400 employees in the second quarter of 2013. Curtailment and settlement costs in 2012 were also restated in order to reflect the impact of the adoption of the amendments to IAS 19.

Indirect taxes. PTC's indirect taxes decreased by 7.8% to €14.2 million in 2013 from €15.4 million in 2012. Meo, S.A.'s indirect taxes decreased by 7.6% to €14.6 million in 2013 from €15.8 million in 2012. The decrease in PTC and Meo, S.A.'s indirect taxes was primarily due to lower fees paid to ANACOM.

Provisions and adjustments. For PTC, provisions and adjustments decreased by 49.6% to €16.9 million in 2013 from €33.5 million in 2012, primarily due to a decrease in provisions for legal actions that benefited from a favorable outcome in a pending action and lower provisions for bad debt. For Meo, S.A., provisions and adjustments decreased by 1.7% to €11.4 million in 2013 from €11.6 million in 2012, primarily due to a decrease in provisions for bad debt. This was partially offset by an increase in provisions for legal actions.

Net other income and gains/(expenses and losses). PTC's net other income and gains decreased by 55.0% to €42.9 million in 2013 from €95.3 million in 2012. This was primarily due to a €60.0 million one-off gain recorded in 2012 relating to compensation received by PTC in connection with its universal service obligations under its concession agreement, which was partially offset by a €26.0 million one-off gain recorded in 2013 relating to the early settlement of the concession agreement. Meo, S.A.'s net other income and gains amounted to €0.4 million in 2013 as compared to €6.1 million of net other expenses and losses in 2012. This was primarily due to lower non-recurring adjustments for accounts receivables.

Equity in earnings of affiliated companies, net. PTC's equity in earnings of affiliated companies increased by 94.5% to €234.4 million in 2013 from €120.5 million in 2012, reflecting an increase in the earnings of Meo, S.A., a wholly-owned subsidiary of PTC. Meo, S.A.'s equity in earnings of affiliated companies increased by 183.8% to €194.7 million in 2013 from €68.6 million in 2012. This increase was predominantly due to a non-recurring gain of €134.5 million recorded by Bratel Brasil (which is a subsidiary of Bratel BV) relating to the settlement of certain liabilities in connection with the acquisition of the investment in Oi. This gain was reflected in Meo, S.A.'s equity in earnings of affiliated companies through its share in the earnings of PT Móveis, an entity that held an investment in Bratel BV which in turn held the investments in Oi and its controlling shareholders.

Income before depreciation and amortization, financing expenses and taxes. PTC's income before depreciation and amortization, financing expenses and taxes decreased by 8.9% to €646.7 million in 2013 from €709.7 million in 2012, primarily due to (i) lower revenues reflecting, as explained above, lower margins in new services provided by the enterprise segment and a continuous decline in the directories business, (ii) higher curtailment costs, reflecting the redundancy program undertaken in 2013 and (iii) lower other income and gains, reflecting primarily the gains recorded in both periods relating to the wireline concession agreement, as explained above. These effects were partially offset by higher equity in the earnings of affiliated companies, reflecting higher earnings at Meo, S.A.

Meo, S.A.'s income before depreciation and amortization, financing expenses and taxes increased by 9.2% to €582.7 million in 2013 from €533.5 million in 2012, primarily due to higher equity in the earnings of affiliated companies, reflecting higher earnings at PT Móveis which, through its subsidiary Bratel BV held the investment in Oi. This was partially offset by lower services rendered due to the factors explained above.

Based on the PT Portugal Combined Selected Financial Information, PTC and Meo, S.A. represented over 93.9% and 97.4% of the PT Portugal Group's EBITDA for the years ended December 31, 2013 and 2012, respectively. See "PT Portugal Combined Selected Financial Information". For a reconciliation between income before depreciation and amortization, financing expenses and taxes as reported by PTC and Meo, S.A. under Portuguese GAAP and EBITDA as reported by Portugal Telecom SGPS, S.A., see "*—Summary of Significant Differences between Portuguese GAAP and IFRS*".

Depreciation and amortization. PTC's depreciation and amortization costs decreased by 3.4% to €480.9 million in 2013 from €497.7 million in 2012. This decrease was primarily due to a decline in capital expenditures following the investments in its FTTH network and an extensive field force transformation program in previous years. Meo, S.A.'s depreciation and amortization costs decreased by 7.0% to €168.2 million in 2013 from €180.8 million in 2012, primarily due to a decline in capital expenditures in 2013 and late 2012 following the investments in certain technologies and networks undertaken in previous years, particularly in 4G coverage.

Net interest and related income (expenses). PTC's net interest and related expenses increased by 19.8% to €366.1 million in 2013 from €305.7 million in 2012. This was primarily due to a significant increase in the average net debt of PTC during the year ended December 31, 2013, reflecting the increased issuance of commercial papers by PTC and subscribed by PT Finance. Meo, S.A.'s net interest expenses decreased 12.8% to €18.4 million in 2013 from €21.1 million in 2012, reflecting lower outstanding debt, namely the intercompany loan of €340.0 million due to PTC that was repaid in 2013. This was partially offset by the €250.0 million of commercial papers that were issued in 2013.

Income taxes. For the year ended December 31, 2013, PTC's income taxes amounted to €9.9 million compared to an income tax gain of €2.3 million for the year ended December 31, 2012. This was primarily due to the change in the statutory tax rate applicable to PTC as from January 2014 from 25% to 23%, as a result of which PTC remeasured its deferred tax assets as of December 31, 2013 and accordingly recorded a deferred tax loss amounting to €13.5 million in 2013. For Meo, S.A., income taxes decreased from €80.1 million in 2012 to €59.9 million in 2013. This decrease was due to lower taxable earnings, primarily reflecting the decline in revenues.

Net (Loss)/Income. For PTC, net loss increased by 130.2% to €210.2 million in 2013, compared to €91.3 million in 2012, as a result of the factors described above. For Meo, S.A. net income increased by 33.6% to €336.1 million in 2013, compared to €251.6 million in 2012, as a result of the factors described above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011 (Unaudited)

The table below sets out PTC's and Meo, S.A.'s results of operations for the years ended December 31, 2011 and 2012.[1]

	PTC		Meo, S.A.	
	Year Ended December 31,		Year Ended December 31,	
	2011	2012	2011	2012
	€ in millions			
Services rendered	1,765.1	1,749.2	1,151.1	1,064.6
Sales	31.7	25.1	92.9	88.7
Subsidies to operation	0.1	0.1	—	0.03
Production variation	(0.7)	(1.5)	—	—
Equity in earnings of affiliated companies, net	153.3	120.5	50.3	68.6
Own work capitalized	40.5	42.1	2.9	3.9
Costs of products sold	(38.8)	(31.6)	(109.3)	(107.4)
Direct costs	(413.4)	(484.0)	(226.3)	(225.3)
Marketing and publicity	(26.2)	(20.7)	(29.6)	(23.6)
Supplies and external services	(474.0)	(445.4)	(279.6)	(261.9)
Wages and salaries	(240.1)	(235.5)	(48.0)	(44.9)
Post retirement benefit costs[2]	(53.9)	(51.7)	—	—
Curtailment and settlement costs[2]	(32.9)	(0.9)	—	—
Indirect taxes	(13.8)	(15.4)	(15.4)	(15.8)
Impairment of inventories ((losses)/reversals)	6.7	3.6	1.4	4.1
Impairment of accounts receivable ((losses)/reversals)	(13.7)	(25.3)	(5.0)	(11.2)
Provisions (increases/reductions)	(8.5)	(8.2)	2.6	(0.4)
Other income and gains	51.1	123.8	18.4	16.0
Other expenses and losses[2]	(22.8)	(28.5)	(19.4)	(22.1)
Income before depreciation and amortization, financing expenses and taxes	**709.7**	**715.6**	**587.1**	**533.5**
Depreciation and amortization ((losses)/reversals)	(518.0)	(497.7)	(194.4)	(180.8)
Operating income (before financing expenses and taxes)	**191.8**	**218.0**	**392.6**	**352.7**
Interest and related income	24.5	15.3	5.6	1.4
Interest and related expenses	(323.5)	(321.0)	(22.9)	(22.5)
Income before taxes	**(107.2)**	**(87.8)**	**375.3**	**331.7**
Income taxes	(262.1)	0.9	(89.5)	(80.1)
Net (Loss) / Income	**(369.4)**	**(86.9)**	**285.8**	**251.6**

(1) Reflects stand-alone financial information of PTC and Meo, S.A. and does not give effect to intercompany eliminations that would be eliminated in a consolidation of financial information. For the years ended December 31, 2012 and 2011, the net impact of intercompany eliminations between PTC and Meo, S.A. (but not including any other intercompany eliminations) on PTC's revenues would have been to reduce revenues by €160.2 million and €134.2 million, respectively, and on MEO's revenues would have been to reduce revenues by €107.8 million and €45.1 million, respectively. The net impact of intercompany eliminations between PTC and Meo, S.A. on income before depreciation and amortization and net income reflects primarily the equity in earnings of Meo, S.A. recorded by PTC through the equity method of accounting, amounting to €251.6 million and €285.8 million in the year ended December 31, 2012 and 2011, respectively, as the other eliminations offset each other in the operating and financial results. For further details, see "*PT Portugal Combined Selected Financial Information—Basis of Presentation*".

(2) Meo, S.A. recorded post retirement benefit costs of € 0.08 million and €0.04 million in the years ended December 31, 2012 and 2011, respectively, and curtailment costs of €1.1 million in the year ended December 31, 2011, both of which are included under the caption "*Other expenses and losses*" in Meo, S.A.'s standalone profit and loss statement.

Operating Revenues

PTC's revenues from services rendered and sales decreased by 1.3% to € 1,774.3 million in 2012 from €1,796.8 million in 2011. This decrease was primarily due to (i) lower revenues in the enterprise customer category, where we experienced pricing and demand pressure as a result of strong cost-cutting initiatives by government agency clients and a significant reduction in investments in new projects by government agency clients, cost reduction initiatives by large corporations and economic challenges faced by small and medium businesses, which showed some resilience in 2011 but became more negatively affected by the economic and financing conditions in Portugal in 2012 and (ii) lower revenues from wholesale and other businesses, as a result of a decline in the directories business, leased lines and accesses, including lower prices resulting from adverse regulatory decisions and lower volumes as operators continue to build networks, and declines in revenues from public pay phones and the termination of national and international traffic. These decreases in revenues were partially offset by an increase in revenues from the residential customer category, which were driven by the success of the *Meo* double- and triple-play offers. Additionally, PTC's subsidies to operation remained stable at €0.1 million for the years ended December 31, 2011 and 2012, respectively.

Meo, S.A.'s revenues from services rendered and sales decreased by 7.3% to €1,153.3 million in 2012 from €1,244.0 million in 2011. This decrease was primarily due to (i) lower revenues in the Enterprise customer category, where we experienced pricing and demand pressure due to the reasons mentioned above and (ii) revenue declines in the personal customer category, primarily due to lower mobile interconnection revenues (partially as a result of the negative impact of lower mobile termination rates), lower customer revenues (reflecting the effects of challenging economic conditions that have made customers more price-sensitive, greater competitive pressures, increased popularity of "tribal plans" yielding lower revenues per user, as well as the negative effect of lower revenues from mobile broadband due to the higher popularity of fixed broadband) and lower equipment sales. Notwithstanding the economic environment and significant growth in fixed broadband due to triple-play bundled offers, data revenues accounted for 33.2% of service revenues, an increase of 2.4% over 2011, as a result of the solid performance of "*internetnotelemóvel*" (internet on the cell phone) data packages, which continued to show strong growth, the commercial success of our "*e nunca mais acaba*" plan and increased penetration of smartphones, which partially offset the pressure on mobile broadband revenues. Additionally, Meo, S.A.'s subsidies to operation increased to €0.03 million in 2012 from no subsidies to operation in 2011.

Costs and Expenses

Costs of products sold and impairment of inventories. PTC's costs of products sold decreased by 18.6% to €31.6 million in 2012 from €38.8 million in 2011. This decrease was primarily due to our strict cost control policies. PTC's impairment reversals of inventories decreased to €3.6 million in 2012 from €6.7 million in 2011. Meo, S.A.'s costs of products sold decreased by 1.7% to €107.4 million in 2012 from €109.3 million in 2011. This decrease was primarily due to lower sales, lower handset subsidies offered to our mobile customers and a lower average cost of handsets as a result of favorable contracts entered into with key suppliers. Meo, S.A.'s impairment reversals of inventories increased to €4.1 million in 2012 from € 1.4 million in 2011

Direct costs. PTC's direct costs increased by 17.1% to €484.0 million in 2012 from €413.4 million in 2011. This increase is primarily due to an increase in programming costs, driven by customer growth and investment in content for our *Meo* offering, and higher costs associated with international traffic. The increase in direct costs was partially offset by lower costs associated with our directories business. Meo, S.A.'s direct costs decreased by 0.4% to €225.3 million in 2012 from €226.3 million in 2011. This decrease is primarily due to lower mobile traffic costs due to the impact of the regulatory mobile termination rate cuts and lower roaming interconnection costs and lower costs for contents of internet and mobile services. The decrease in direct costs was partially offset by an increase in lease capacity costs to €117.0 million in 2012 from €91.2 million in 2011.

Marketing and publicity. PTC's marketing and publicity costs decreased by 21.0% to €20.7 million in 2012 from €26.2 million in 2011. Meo, S.A.'s marketing and publicity costs decreased by 20.3% to € 23.6 million in 2012 from €29.6 million in 2011. The decrease in PTC's and Meo, S.A.'s marketing and publicity costs was primarily due to our strict cost control policies and marketing investments already made in previous years. In 2010, PTC and Meo, S.A. began to market their services under one brand, *Meo*, rather than marketing their services under several brands as was the case prior to 2010. This led to the simplification of marketing campaigns and thus the continual reduction in marketing costs as the *Meo* brand became more well known.

Supplies and external services. PTC's supplies and external services decreased by 6.0% to €445.4 million in 2012 from €474.0 million for the year ended December 31, 2011. This decrease was primarily due to lower maintenance and repair expenses, support services and other third-party services, which benefited from the roll-out of our FTTH network and an extensive field force transformation program. Meo, S.A.'s supplies and external services decreased by 6.3% to €261.9 million in 2012 from €279.6 million for the year ended December 31, 2011. This decrease was primarily due to lower commissions, which was achieved against a backdrop of continued customer growth (thus reflecting lower churn).

Wages and salaries. PTC's wages and salaries, including employee benefits and social charges, decreased to €235.5 million in 2012 from €240.1 million in 2011, a decrease of 1.9%. Meo, S.A.'s wages and salaries, including employee benefits and social charges, decreased to € 44.9 million in 2012 from €48.0 million in 2011, a decrease of 6.5%. The decreases in wages and salaries for PTC and Meo, S.A. are primarily due to lower variable and overtime compensation, higher efficiency levels in certain internal processes and lower personnel costs as a result of a restructuring plan implemented in the fourth quarter of 2011.

Post retirement benefit costs. PTC's post retirement benefit costs decreased by 4.1% to €51.7 million in 2012 from €53.9 million in 2011. This decrease was primarily due to a decrease in costs related to the annual service of active and suspended employees that were entitled to pension benefits under PTC's pension plans, which were transferred to the Portuguese State in December 2010. This cost item does not include early termination costs related to our workforce reduction program, which are discussed under "—*Curtailment and settlement costs*" below.

Curtailment and settlement costs. PTC's curtailment and settlement costs decreased by 97.3% to €0.9 million in 2012 from €32.9 million in 2011, reflecting mainly the reorganization undertaken at the end of 2011 that led to a number of employees becoming pre-retired or suspended and a decrease in the net present value of the salaries payable to such pre-retired or suspended employees.

Indirect taxes. PTC's indirect taxes increased by 11.6% to € 15.4 million in 2012 from €13.8 million in 2011. Meo, S.A.'s indirect taxes increased by 2.6% to €15.8 million in 2012 from € 15.4 million in 2011. The increase in PTC and Meo, S.A.'s indirect taxes was primarily due to an increase in VAT-related expenses.

Provisions and adjustments. For PTC, provisions and adjustments increased by 50.9% to €33.5 million in 2012 from €22.2 million in 2011, primarily due to an increase in provisions for legal actions and higher provisions for bad debt. For Meo, S.A., provisions and adjustments increased by 195.8% to €11.6 million in 2012 from € 2.4 million in 2011, reflecting higher provisions for both bad debt and legal actions.

Net other income and gains/(expenses and losses). PTC's net other income and gains increased to €95.3 million in 2012 from € 28.3 million in 2011. This was primarily due to a €60.0 million one-off gain recorded in 2012 relating to compensation received by PTC in connection with its universal service obligations under its concession agreement. Meo, S.A.'s net other expenses and losses increased to € 6.1 million in 2012 from €1.0 million in 2011. This was primarily due to certain non-recurring adjustments for accounts receivables recognized in 2012.

Equity in earnings of affiliated companies, net. PTC's equity in earnings of affiliated companies decreased by 21.4% to €120.5 million in 2012 from €153.3 million in 2011, reflecting primarily lower earnings from PTC's equity investment in Meo, S.A. Meo, S.A.'s equity in earnings of affiliated companies increased by 36.4% to €68.6 million in 2012 from €50.3 million in 2011. This increase was predominantly due to higher earnings from Meo, S.A.'s equity investment in PT Móveis, which at that time held the investment in Bratel BV which held the investment in Oi.

Income before depreciation and amortization, financing expenses and taxes. PTC's income before depreciation and amortization, financing expenses and taxes increased by 0.8% to €715.6 million in 2012 from €709.7 million in 2011, primarily due to the non-recurring gain recorded in 2012 relating to the wireline concession agreement included under the caption "*Other income and gains*", as explained above, which was partially offset by lower services rendered due to the factors detailed above and lower equity in earnings of affiliated companies, reflecting Meo, S.A.'s lower net income. Meo, S.A.'s income before depreciation and amortization, financing expenses and taxes decreased by 9.1% to € 533.5 million in 2012 from €587.1 million in 2011, primarily due to a decline in service revenues due to the factors described above, which was partially offset by higher equity in earnings of affiliated companies, reflecting higher earnings at PT Móveis.

Based on the PT Portugal Combined Selected Financial Information, PTC and Meo, S.A. represented over 97.4% and 94.6% of the PT Portugal Group's EBITDA for the years ended December 31, 2012 and 2011, respectively. See "PT Portugal Combined Selected Financial Information". For a reconciliation between income before depreciation and amortization, financing expenses and taxes as reported by PTC and Meo, S.A. under Portuguese GAAP and EBITDA as reported by Portugal Telecom SGPS, S.A., see "*—Summary of Significant Differences between Portuguese GAAP and IFRS*".

Depreciation and amortization. PTC's depreciation and amortization costs decreased by 3.9% to €497.7 million in 2012 from €518.0 million in 2011. This decrease was primarily due to the ending of the useful life of several real estate assets in December 2011, which also led to lower amortization expenses in 2012. Meo, S.A.'s depreciation and amortization costs decreased by 7.0% to €180.8 million in 2012 from €194.4 million in 2011. This was primarily due to the swap of Meo, S.A.'s 2G equipment for 4G-enabled equipment, which led to the accelerated depreciation of 2G equipment through June 30, 2011.

Net interest and related income (expenses). PTC's net interest and related expenses increased by 2.2% to €305.7 million in 2012 from €299.0 million in 2011. Meo, S.A.'s net interest and related expenses increased by 22.0% to €21.1 million in 2012 from € 17.3 million in 2011. The incease in PTC's and Meo, S.A.'s net interest and related expenses primarily reflects higher interests expenses related to intercompany loans, following the increase in outstanding average debt.

Income taxes. For the year ended December 31, 2012, PTC's income tax gain amounted to €0.9 million compared to income taxes of € 262.1 million for the year ended December 31, 2011. This was due to the derecognition of deferred tax assets totalling €227.2 million in 2011. For Meo, S.A., income taxes decreased from €89.5 million in 2011 to €80.1 million in 2012, reflecting lower taxable earnings mainly due to the decline in revenues.

Net (Loss)/Income. For PTC, net loss decreased by 75.3% to € 86.9 million in 2012, compared to €369.4 million in 2011, as a result of the factors described above. For Meo, S.A., net income decreased by 12.0% to €251.6 million in 2012, compared to €285.8 million in 2011, as a result of the factors described above.

Liquidity and Capital Resources

Our principal capital requirements relate to:

- funding our operations;
- capital expenditures on our network infrastructure, information systems and other investments (see "*—Capital Expenditures*" and *"—Contractual Obligations and Off-Balance Sheet Arrangements*" below);
- funding interest payments with respect to our indebtedness and repayments and refinancing of our indebtedness (see "*—Indebtedness*" below);
- in prior periods, shareholder remuneration in the form of dividend payments; and
- funding of post retirement benefits (see "*—Post Retirement Benefits*" below).

Our principal sources of funding for these capital requirements were cash generated from our operations and from the Group and equity and debt financing. We believe that our cash balances, together with the cash that we expect to generate from our operations and available liquidity under our credit facilities and lines of credit, are currently sufficient to meet our present funding needs. Following the New Transactions, liquidity will be provided by the Existing Altice Financing Revolving Credit Facilities and the New Revolving Credit Facilities and other resources within the Altice International Group. For the liquidity and capital resources of the Altice International Group, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Altice International Group—Liquidity and Capital Resources*".

Cash Flows

The table below sets forth a breakdown of PTC's and Meo, S.A.'s cash flows for the years ended December 31, 2011, 2012 and 2013 and the nine-month periods ended September 30, 2013 and 2014.(1)

	PTC					Meo, S.A.				
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2011	2012	2013	2013	2014	2011	2012	2013	2013	2014
	€ in millions									
Cash and cash equivalents at the beginning of the period	2.9	55.2	21.2	21.2	21.7	11.4	52.8	7.8	7.8	10.3
Merger of PT Prime	7.8	—	—	—	—	—	—	—	—	—
Cash flow from operating activities	578.7	543.8	488.8	396.6	484.2	476.0	432.6	259.8	194.0	189.2
Cash flow from (used in) investing activities	(403.5)	(296.9)	(33.4)	62.2	(218.6)	(153.0)	(281.5)	(78.1)	(34.9)	131.7
Cash flow from (used in) financing activities	(131.2)	(280.8)	(453.0)	(429.5)	(233.2)	(281.7)	(196.1)	(179.2)	(127.3)	(252.5)
Effect of exchange differences	0.5	(0.03)	(1.9)	—	0.7	—	—	—	—	—
Cash and cash equivalents at end of year	**55.2**	**21.2**	**21.7**	**49.5**	**54.9**	**52.8**	**7.8**	**10.3**	**39.6**	**78.6**

(1) Reflects stand-alone financial information of PTC and Meo, S.A. and does not give effect to intercompany eliminations that would be eliminated in a consolidation of financial information. The relevant intercompany eliminations between PTC and Meo, S.A. relating to operating activities result from: (1) PTC's net cash receipts from Meo, S.A. relating to operating activities amounting to €94.4 million and € 78.9 million for the nine months ended September 30, 2013 and 2014, respectively, and €134.5 million, €105.3 million and € 138.2 million for the years ended December 31, 2011, 2012 and 2013, respectively, and (2) Meo, S.A.'s net cash payments to PTC relating to operating activities amounted to the same amounts referred to above. The relevant intercompany eliminations between PTC and Meo, S.A. relating to investing activities and financing activities result from: (1) PTC's cash inflow from the repayment by Meo, S.A. of intercompany loans that had been granted by PTC in previous years, amounting to €340.0 million for the nine months ended September 30, 2013 and €160.0 million

for the year ended December 31, 2011, and interest received by PTC in connection with these loans amounting to €30.0 million for the year ended December 31, 2013, and (2) MEO's net cash payments to PTC relating to these same loans, which are included under financing activities and amounted to the same amounts referred to above. For further details, see "*PT Portugal Combined Selected Financial Information—Basis of Presentation*".

Cash Flow from Operating Activities

Cash flows from operating activities include collections from customers, payments to suppliers, payments to employees, payments relating to income taxes, payments related to post retirement benefits and other cash payments made with respect to operating activities.

PTC's net cash flow from operating activities increased by 22.1% to € 484.2 million for the nine months ended September 30, 2014 from € 396.6 million for the nine months ended September 30, 2013, primarily due to lower payments to suppliers, which was partially offset by lower cash receipts from customers, both reflecting the decreased commercial activity at PTC.

Meo, S.A.'s net cash flow from operating activities decreased by 2.5% to €189.2 million for the nine months ended September 30, 2014 from €194.0 million for the nine months ended September 30, 2013, primarily due to lower cash receipts from customers which was partially offset by lower payments to suppliers and lower payments of income taxes.

PTC's net cash flow from operating activities decreased by 10.1% to € 488.8 million in 2013 from €543.8 million in 2012, primarily due to lower collections from customers (with a decrease of €170.6 million), reflecting the decline in revenues, and higher income taxes paid by PTC for the year ended December 31, 2013 as compared to the year ended December 31, 2012 from a cash receipt of €35.9 million in 2012 to a payment of €6.3 million in 2013. These effects were partially offset by lower payments relating to post retirement benefits (with a decrease of €7.5 million), lower payments to suppliers (with a decrease of €144.2 million) due to lower operating costs in line with the decline in revenues and lower payments to employees (with a decrease of €13.3 million).

Meo, S.A.'s net cash flow from operating activities decreased by 39.9% to €259.8 million in 2013 from €432.6 million in 2012, primarily due to lower collections from customers (with a decrease of € 200.2 million), reflecting the decline in revenues, and an increase in payments relating to other operating activities, reflecting mainly spectrum fees and other payments, including the payments of certain indirect taxes and payments relating to legal actions. These were partially offset by lower payments to suppliers (with a decrease of €18.6 million) and employees (with a decrease of €2.4 million) and a decrease in income tax payments to €69.9 million in 2013 from €92.1 million in 2012.

PTC's net cash flow from operating activities decreased by 6.0% to € 543.8 million in 2012 from €578.7 million in 2011, primarily due to higher payments to suppliers (with an increase of €91.8 million), reflecting higher direct costs, and an increase in other cash payments made to €94.3 million in 2012 from €47.5 million in 2011. These were partially offset by a decrease in income tax paid for the year ended December 31, 2012 as compared to the year ended December 31, 2011 from a cash payment of €52.2 million in 2011 to a cash receipt of € 35.9 million in 2012.

Meo, S.A.'s net cash flow from operating activities decreased by 9.1% to €432.6 million in 2012 from €476.0 million in 2011, primarily due to lower collections from customers (with a decrease of € 32.6 million), reflecting the decline in revenues, an increase in income tax payments to €92.1 million in 2012 from €83.6 million in 2011 and an increase in payments to suppliers to €765.6 million in 2012 from €762.0 million in 2011, partially offset by a decrease in payments to employees to €48.7 million in 2012 from €48.9 million in 2011 and a decrease in VAT payments and spectrum fees paid to ANACOM to €85.8 million in 2012 from €87.0 million in 2011.

Cash Flow from (Used in) Investing Activities

Cash flows from investing activities include proceeds from disposals of investments in affiliated companies and property, plant and equipment, loans granted, dividends, as well as interest and related income on cash equivalents and short-term investments. Cash flows used in investing activities primarily include capital expenditures on tangible and intangible assets, investments in other companies and expenditures on loans granted.

PTC's net cash flow used in investing activities increased to € 218.6 million for the nine months ended September 30, 2014 from a net cash receipt of €62.2 million for the nine months ended September 30, 2013, primarily due to the repayment in 2013 by Meo, S.A. to PTC of an intercompany loan that had been granted by PTC in previous years, amounting to €340.0 million. This was partially offset by lower payments to fixed asset suppliers, reflecting the decline in capital expenditures.

Meo, S.A.'s net cash flow from investing activities increased to € 131.7 million for the nine months ended September 30, 2014 from net cash flow used in investing activities of €34.9 million for the nine months ended September 30, 2013, primarily due to higher dividends received from PT Móveis (which amounted to €194.0 million for the nine months ended September 30, 2014 as compared to €67.9 million for the nine months ended September 30, 2013) and lower payments to fixed asset suppliers (€33.9 million), reflecting the decline in capital expenditures. There was a cash payment of €6.0 million in each of January 2013 and January 2014, representing the second and third instalments (out of a total of six instalments) for the 4G license which Meo, S.A. acquired in 2011.

PTC's net cash flow used in investing activities decreased by 88.8% to €33.4 million in 2013 from €296.9 million in 2012, primarily due to a decrease in cash payments for the acquisition of tangible assets to €399.1 million in 2013 from €531.2 million in 2012 (primarily due to lower capital expenditures as a result of investments in its FTTH network in prior years), an increase in cash receipts from the disposals of financial investments (primarily resulting from the disposal of the investment in Companhia de Telecomunicações de Macau, S.A.R.L. for € 36.0 million in 2013) and the cash receipt relating to loans granted in prior years to Meo, S.A. (€340 million). These were partially offset by the dividend of €235.5 million received from Meo, S.A. in 2012 and an increase in payments resulting from financial investments, primarily due to the acquisition of Sportinveste Multimédia in 2013 (€ 32.6 million).

Meo, S.A.'s net cash flow used in investing activities decreased by 72.3% to €78.1 million in 2013 from €281.5 million in 2012, primarily due to an increase in dividends received from PT Móveis for the year ended December 31, 2013 as compared to the year ended December 31, 2012 to €67.9 million in 2013 from €5.0 million in 2012 and a decrease in cash payments for the acquisition of tangible and intangible assets to €149.2 million in 2013 from €292.6 million in 2012, primarily as a result of the payment in January 2012 of the first instalment of €83.0 million for the 4G license (as compared to a payment of €6.0 million in January 2013 of the secondment instalment for the 4G license) and lower capital expenditures.

PTC's net cash flow used in investing activities decreased by 26.4% to €296.9 million in 2012 from €403.5 million in 2011. This decrease can primarily be attributed to the dividend in an amount of € 235.5 million received from Meo, S.A. in 2012 and a decrease in cash payments for the acquisition of tangible assets to €531.2 million in 2012 from €559.7 million in 2011. These were partially offset by the cash receipts in 2011 from loans repaid by Meo, S.A. to PTC in an amount of €160.0 million, which had been granted in previous years.

Meo, S.A.'s net cash flow used in investing activities increased by 84.0% to €281.5 million in 2012 from €153.0 million in 2011, primarily due to an increase in cash payments for the acquisition of tangible and intangible assets to €292.6 million in 2012 from €167.7 million in 2011 mainly as a result of the payment in January 2012 of the first instalment of €83.0 million for the 4G license, which Meo, S.A. acquired in 2011 and the investments in 4G coverage undertaken throughout 2012. This was partially offset by the dividend of €5.0 million received from PT Móveis in 2012.

Cash Flows from (Used In) Financing Activities

Cash flows used in financing activities include repayments of debt and payments of interest on debt. Cash flows from financing activities primarily consist of borrowings and subsidies.

PTC's net cash flow used in financing activities decreased 45.7% to € 233.2 million for the nine months ended September 30, 2014 from € 429.5 million for the nine months ended September 30, 2013, primarily due to net cash receipts from loans obtained of €82.1 million for the nine months ended September 30, 2014, as compared to net payments resulting from loans repaid of €226.7 million for the nine months ended September 30, 2013. This was partially offset by an increase of €111.6 million in interest payments, reflecting the increase in the total debt of PTC.

Meo, S.A.'s net cash flow used in financing activities increased by 98.4% to €252.5 million for the nine months ended September 30, 2014 from €127.3 million for the nine months ended September 30, 2013, primarily due to higher net payments from loans repaid, totaling € 243.9 million and €116.1 million for the nine months ended September 30, 2014 and 2013, respectively.

PTC's net cash flow used in financing activities increased by 61.3% to €453.0 million in 2013 from €280.8 million in 2012, primarily due to an increase in cash payments under the commercial paper programs to €592.0 million in 2013 from a cash receipt of €1,092.0 million in 2012. This was partially offset by an increase in cash receipts obtained under loans granted by PT Portugal and intercompany loans amounting to €476.4 million in 2013 compared to a payment of €472.2 million under intercompany loans in 2012, a payment in 2012 to the Portuguese Social Security System relating to the transfer of unfunded regulatory pension obligations to the Portuguese State amounting to €454.3 million and a decrease in interest payments and related expenses to € 321.0 million in 2013 from €426.2 million in 2012.

Meo, S.A.'s net cash flow used in financing activities decreased by 8.6% to €179.2 million in 2013 from €196.1 million in 2012. This decrease can primarily be attributed to the dividend payments of € 235.5 million made to PTC in 2012 and the cash receipt of €250.0 million from loans obtained in 2013, primarily due to receipts obtained under the commercial paper programs. These were partially offset by the repayment in 2013 of loans owing to PTC (€340.0 million), the increase in payments relating to intercompany loans to €46.2 million in 2013 from a cash receipt of €47.0 million in 2012 and the increase in interest payments and related expenses to €42.9 million in 2013 from € 5.2 million in 2012.

PTC's net cash flow used in financing activities increased by 114.0% to €280.8 million in 2012 from €131.2 million in 2011, primarily due to an increase in payments relating to leases and other loans obtained to €21.4 million in 2012 from €12.9 million in 2011, an increase in payments relating to intercompany loans to €472.2 million in 2012 from a cash receipt of €4.8 million in 2011, a decrease in cash receipts from loans granted by PT Portugal to no cash receipts in 2012 from €727.0 million in 2011 and an increase in interest payments and related expenses to €426.2 million in 2012 from €155.8 million in 2011. These were partially offset by an increase in cash receipts obtained under the commercial paper programs to €1,092.0 million in 2012 from a payment of €227.0 million in 2011 and a decrease in payments to the Portuguese Social Security System relating to the transfer of unfunded regulatory pension obligations to the Portuguese State for the year ended December 31, 2012 as compared to the year ended December 31, 2011 to €454.3 million in 2012 from €467.4 million in 2011.

Meo, S.A.'s net cash flow used in financing activities decreased by 30.4% to €196.1 million in 2012 from €281.7 million in 2011, primarily due to a decrease in payments related to loans obtained to a receipt of €44.6 million in 2012 from a payment of €268.2 million in 2011. This decrease can primarily be attributed to a decrease in payments relating to financing under the centralized treasury system, to a cash receipt of €47.0 million in 2012 from a payment of €52.8 million in 2011, a decrease in repayments of financing obtained under the commercial paper program and shareholders' loans to no repayments in 2012 from €209.9 million in 2011 and a decrease in payments under finance lease contracts and other financing to €2.5 million in 2012 from €5.5 million in 2011. These were partially offset by the dividends of €235.5 million which was paid to PTC in 2012.

Working Capital

The working capital requirements of PTC correspond principally to the value of the stocks (composed mainly of end user equipment), the increase in trade accounts receivable and other receivables and decrease in trade accounts payable and other payables. The working capital requirements of Meo, S.A. correspond principally to the value of the stocks (composed mainly of mobile handsets, boxes, decoders and accessories), the increase in trade accounts receivable and other receivables and decrease in trade accounts payable and other payables.

With respect to the B2C market PTC and Meo, S.A. generate working capital in connection with the shorter client payment periods (generally 30 days) than those of the suppliers (generally between 60 and 90 days), while with respect to the enterprise and wholesale market, PTC and Meo, S.A. are higher since clients in these markets benefit from longer payment periods.

The change in working capital requirements of PTC can be broken down as follows:

	Year ended December,		**Nine Months ended September 30,**	
	2012	**2013**	**2013**	**2014**
	€ in millions			
Accounts receivable	(114.2)	3.4	6.9	6.2
Accounts payable	162.2	(65.1)	(25.1)	(73.5)
Inventories	(5.2)	(18.2)	(6.2)	1.1
Tax Receivable/(Payable)	(8.0)	12.3	(12.5)	(21.9)
Accrued Expenses	57.9	11.5	(58.7)	(10.4)
Defered Income	(7.8)	(17.7)	(10.4)	(1.5)
Prepaid expenses	0.3	0.5	3.5	2.9
Change in working capital requirements	**85.3**	**(74.4)**	**(102.6)**	**(97.1)**

The change in working capital requirements of Meo, S.A. can be broken down as follows:

	Year ended December,		**Nine Months ended September 30,**	
	2012	**2013**	**2013**	**2014**
	€ in millions			
Accounts receivable	(22.7)	17.4	31.5	141.9
Accounts payable	101.9	103.5	63.1	(7.0)
Inventories	(5.5)	3.8	15.5	(5.8)
Tax Receivable/(Payable)	1.4	(15.6)	(7.0)	3.6
Accrued Expenses	14.4	(33.5)	(27.8)	(8.5)

Defered Income	2.5	10.8	8.8	3.2
Prepaid expenses	2.9	(2.1)	0.9	4.8
Change in working capital requirements	**94.9**	**84.4**	**85.1**	**132.1**

For the nine months ended September 30, 2014, the divestment in working capital of PTC resulted in a cash contribution of €97.1 million. This change is principally due to an increase in trade payables, including primarily an increase in payables to Meo, S.A., and the Christmas subsidy that is accrued through the year and paid in the fourth quarter of each year. For the nine months ended September 30, 2014, the investment in working capital of Meo, S.A. generated a cash requirement of of €132.1 million. This change is principally due to higher trade receivables, including intercompany receivables, namely from PTC.

For the year ended December 31, 2013, the divestment in working capital of PTC resulted in a cash contribution of €74.4 million. This change is principally due to an increase in trade payables, including intercompany payables to other entities of PT Portugal group. For the year ended December 31, 2013, the investment in working capital requirements of Meo, S.A. generated a cash requirement of €84.4 million. This change is principally due lower accounts payables.

We expect our operating cash flows and, if required, available borrowings under the Altice Group's revolving credit facilities will be sufficient to meet our working capital requirements during the next twelve months.

Capital Expenditures

The following tables set forth the accrued capital expenditures of the PT Portugal Group by entity and by segment based on the PT Portugal Combined Selected Financial Information:

	Year ended December 31,			Nine months ended September 30,	
	2011	**2012**	**2013**	**2013**	**2014**
	€ in millions				
PTC	515.3	392.8	341.1	229.3	170.7
Meo, S.A.	280.1	140.8	107.5	70.2	42.3
Sub-total	**795.4**	**533.6**	**448.6**	**299.5**	**213.0**
Other entities included in the transaction perimeter	3.2	38.1	71.7	56.8	18.0
Total combined capex	**798.6**	**571.7**	**520.3**	**356.3**	**231.0**

	Year ended December 31,		Nine months ended September 30,	
	2012	**2013**	**2013**	**2014**
	€ in millions			
Customer	**180.2**	**158.7**	**119.7**	**98.5**
B2C	123.4	98.9	73.2	67.7
B2B	55.0	57.6	45.1	29.4
Other	1.8	2.1	1.4	1.4
Infrastructure	266.1	199.3	121.7	75.7
IT/IS	90.5	110.8	88.6	40.7
Other	18.6	21.2	6.6	6.2
Telecommunications business	**555.5**	**490.0**	**336.7**	**221.1**
Support companies and other entities	16.2	30.3	19.6	9.9
Total combined capex	**571.7**	**520.3**	**356.3**	**231.0**

For the nine months ended September 30, 2014, total capital expenditures of PTC and Meo, S.A. decreased by 28.9% to €213.0 million from €299.5 million for the nine months ended September 30, 2013, as a result of signficant investments made in the past years, both in FTTH and 4G-LTE. For the nine months ended September 30, 2014 and 2013, PT Portugal Group's combined capital expenditures, as derived from the PT Portugal Combined Selected Financial Information, amounted to €231.0 million and €356.3 million, respectively, and PTC and Meo, S.A. accounted for 92.2% and 84.1% of the combined capital expenditures, respectively.

The decrease in total capital expenditures of PTC and Meo, S.A. to €448.6 million in 2013 from €533.6 million in 2012 reflects declines in both customer and infrastructure capital expenditures. The decline in customer capital expenditures was primarily explained by (1) lower unitary equipment costs, (2) lower net additions of customers and (3) lower churn across our pay-TV and broadband services. In 2013, the decline in infrastructure capital expenditures was primarily explained by our expenditures in previous years to (i) deploy the FTTH network, (2) modernize the 4G- enabled 2G network and (3) reinforce our 3G and 3.5G networks in terms of coverage and capacity. This led to an overall decrease in technology capital expenditures in 2013, notwithstanding our investments in deploying the 4G network. For the years ended December 31, 2013 and 2012, PT Portugal Group's combined capital expenditures, as derived from the PT Portugal Combined Selected Financial Information, amounted to €520.3 million and €571.7 million, respectively, and PTC and Meo, S.A. accounted for 86.2% and 93.3% of the combined capital expenditures, respectively.

The table below sets forth the cash capital expenditures of the PT Portugal Group by entity based on the PT Portugal Combined Selected Financial Information:

	For the year ended December 31,			For the nine months ended September 30,	
	2011	**2012**	**2013**	**2013**	**2014**
	€ in millions				
PTC					
Capex for Tangible Assets	559.7	531.2	399.1	307.4	258.2
Capex for Intangible Assets	10.3	7.8	8.8	7.5	4.7
Gross Capex	**570.0**	**539.0**	**407.9**	**314.9**	**262.9**
Cash Receipts from Tangible and Intangible Assets	(3.2)	(3.7)	(6.1)	(5.2)	(49.6)
Net Cash Capex	**566.8**	**535.3**	**401.8**	**309.7**	**213.3**
Meo, S.A.					
Capex for Tangible Assets	115.2	163.2	126.4	90.0	54.8
Capex for Intangible Assets	52.5	129.4	22.8	15.1	16.4
Gross Capex	**167.7**	**292.6**	**149.2**	**105.1**	**71.2**
Cash Receipts from Tangible and Intangible Assets	(6.9)	(2.7)	(1.1)	(0.8)	(7.6)
Net Cash Capex	**160.8**	**289.9**	**148.1**	**104.3**	**63.6**
Other entities included in the transaction perimeter					
Capex for Tangible Assets	7.4	18.9	58.3	51.0	14.8
Capex for Intangible Assets	2.1	1.0	1.7	0.8	4.4
Gross Capex	**9.5**	**19.9**	**60.0**	**51.8**	**19.2**
Cash Receipts from Tangible and Intangible Assets	(0.3)	(0.2)	(0.6)	(0.5)	(0.7)
Net Cash Capex	**9.2**	**19.7**	**59.4**	**51.3**	**18.5**
Eliminations					
Capex for Tangible Assets	(77.1)	(87.8)	(57.0)	(43.6)	(36.8)
Capex for Intangible Assets					
Gross Capex	**(77.1)**	**(87.8)**	**(57.0)**	**(43.6)**	**(36.8)**
Cash Receipts from Tangible & Intangible Assets	—	—	—	—	52.3
Net Cash Capex	**(77.1)**	**(87.8)**	**(57.0)**	**(43.6)**	**15.5**
Total					
Capex for Tangible Assets	605.2	625.5	526.7	404.8	291.0
Capex for Intangible Assets	64.9	138.1	33.3	23.3	25.4
Consolidated Gross Cash Capex	**670.1**	**763.6**	**560.0**	**428.1**	**316.4**
Cash Receipts from Tangible & Intangible Assets	(10.3)	(6.5)	(7.7)	(6.4)	(5.6)
Consolidated Net Cash Capex	**659.8**	**757.1**	**552.3**	**421.7**	**310.8**

The difference between the cash capital expenditures and accrued capital expenditures of the PT Portugal Group is primarily due to the trend of declining accrued capital expenditures over such periods and the timing of when capital expenditures are paid. For example (and based on the general assumption of a 90-day payment period): (i) consolidated gross cash capital expenditures of the PT Portugal Group for the nine months ended September 30, 2014 are €85.4 million greater than the accrued capital expenditures of the PT Portugal Group, reflecting higher accrued capital expenditures in the fourth quarter of 2013 of €164 million, which was paid in the first quarter of 2014, as compared to accrued capital expenditures of €67 million in the third quarter of 2014, which was paid in the fourth quarter of 2014, (ii) consolidated gross cash capital expenditures of the PT Portugal Group for the nine months ended September 2013 are €71.8 million greater than the accrued capital expenditures of the PT Portugal Group, reflecting higher accrued capital expenditures in the fourth quarter of 2012 of €195 million, which was paid in the first quarter of 2012, as compared to accrued capital expenditures of €117 million in the third quarter of 2013, which was paid in the fourth quarter of 2013, (iii) consolidated gross cash capital expenditures of the PT Portugal Group for the year ended December 31, 2012 are €191.9 million greater than the accrued capital expenditures of the PT Portugal Group, reflecting higher accrued capital expenditures in the fourth quarter of 2011 of €387 million, which was paid in the first quarter of 2012 (including a €83 million instalment payment for the 4G license which cost a total of €106 million, which Meo, S.A. acquired in 2011), as compared to accrued capital expenditures of €195 million in the fourth quarter of 2012, which was paid in the first quarter of 2013 and (iv) consolidated gross cash capital expenditures of the PT Portugal Group for the year ended December 31, 2011 are €128.5 million less than the accrued capital expenditures of the PT Portugal Group, reflecting the increase of capital expenditures from 2010 to 2011.

Indebtedness

PTC's indebtedness amounted to €7,318.0 million as of September 30, 2014, compared to €7,240.3 million as of December 31, 2013. PTC's cash and cash equivalents increased to € 54.9 million as of September 30, 2014 from €21.7 million as of December 31, 2013. Meo, S.A.'s indebtedness amounted to € 3.1 million as of September 30, 2014, compared to €254.7 million as of December 31, 2013. Meo, S.A.'s cash and cash equivalents increased to €78.6 million as of September 30, 2014 from €10.3 million as of December 31, 2013. PTC's and Meo, S.A.'s existing debt will be refinanced in connection with the Transactions. As part of the Transactions, the Senior Notes Issuer has issued the New Senior Notes, the Senior Secured Notes Issuer has issued the New Senior Secured Notes, enter into the New Altice Financing Term Loan and enter into the New Revolving Credit Facilities and Altice S.A. issued the New ASA Senior Notes. The Senior Secured Notes Issuer will use amounts borrowed under the New Senior Notes Proceeds Loan, the proceeds of the offering of the New Senior Secured Notes, the amounts borrowed under the New Altice Financing Term Loan and any amounts borrowed under the New Altice Financing Revolving Credit Facility to make a proceeds loan (the "New AH Proceeds Loan") to Altice Holdings. Altice Holdings will use the proceeds under the New AH Proceeds Loan and the ASA Notes Proceeds Contribution to make the AWE Proceeds Loan to Altice West Europe which in turn will make the AP Proceeds Loan to Altice Portugal to consummate the PT Portugal Acquisition. Furthermore, Altice Portugal, PT Portugal, PT OpCo, PT Móveis and SIRESP intend to enter into the PT Group Loans as part of the PT Portugal Acquisition. Following the completion of the Transactions, PT OpCo will have €969.6 million of debt comprising intercompany loans from PT Portugal.

In addition, as of September 30, 2014, PTC had €27.2 million of debt under finance leases of which €15.9 million is due within one year, €5.4 million is due between one and three years, €4.2 million is due between three and five years and €1.7 million is due in more than five years.

As of September 30, 2014, Meo, S.A. had €3.1 million of debt under finance leases of which €1.4 million is due within one year, €0.8 million is due between one and three years, €0.5 million is due between three and five years and €0.3 million is due in more than five years. In addition, the other subsidiaries in the PT Portugal Group (excluding PTC and Meo, S.A.) had €13.3 million of debt under finance leases, as derived from the PT Portugal Combined Selected Financial Information, as of September 30, 2014.

Post Retirement Benefits

As of December 31, 2013, the projected benefits obligations, or PBO, of PTC's post retirement benefits, including pension supplements, healthcare benefits and salaries payable to pre-retired and suspended employees amounted to €1,328.3 million (€116.4 million for pension supplements, €375.7 million for healthcare benefits and €836.3 million for salaries payable to pre-retired and suspended employees). As of September 30, 2014, the projected benefits obligations, or PBO, of PTC's post retirement benefits, including pension supplements, healthcare benefits and salaries payable to pre-retired and suspended employees amounted to €1,316.4 million (€112.9 million for pension supplements, €402.0 million for healthcare benefits and €801.5 million for salaries payable to pre-retired and suspended employees). The decrease in the PBO of PTC's post retirement benefits was primarily due to the decrease in salaries payable to pre-retired and suspended employees, which was partially offset by the increase in healthcare benefits obligations due to net acturial losses recorded as a result of the reduction in discount rates that was partially offset by a gain recorded as a result of the reduction in benefits granted under these plans. As of September 30, 2014 and December 31, 2013, these projected benefits obligations were computed based on discount rates of 2.00% and 3.00% for pension supplements, respectively, 2.5% and 4.00% for healthcare benefits, respectively, and 0.75% and 2.00% for obligations related to the payment of salaries to pre-retired and suspended employees, respectively, and assuming an annual salary increase of 1.75% for pension supplements and healthcare benefits and an annual salary increase ranging between 0% and 1% for salaries due to pre-retired and suspended employees, depending on the amount of the salary and the year of payment, as explained in more detail in Note 11.1 to the Audited Financial Statements of PTC for the year ended December 31, 2013. As of December 31, 2013, PTC's post retirement benefits plans which are closed to new participants, covered approximately 19,763 employees in the case of pensions (approximately 36% still in service), approximately 23,402 beneficiaries in the case of healthcare obligations (approximately 23% still in service) and approximately 5,304 suspended and pre-retired employees in the case of salaries obligations. As of December 31, 2013 and September 30, 2014, the PBO of Meo, S.A.'s post retirement benefits, consisting of salaries payable to pre-retired and suspended employees amounted to €5.8 million and €5.2 million, respectively.

According to the rules of the Portuguese Insurance Institute (*Instituto de Seguros de Portugal, or ISPortugal*), the Portuguese insurance regulator, the liability related to retired employees under the pension supplement plans must be fully funded. Under current rules, funding of pension funds for pre- retired employees and employees still in service can be completed up to the retirement age. The estimated average working life of employees still in service is 14 years. As of September 30, 2014, PTC's pension obligations for retired employees, computed based on ISPortugal rules, are fully funded.

In Portugal, there is no legislation on the establishment of funds to cover the healthcare obligations and the salaries for pre-retired and suspended employees. PTC is required to pay for these benefits only when the salaries are paid to pre-retired and suspended employees, or when healthcare expenses are incurred. Accordingly, there is no requirement to fund these benefits obligations at present. However, the Group has set up a fund managed by our subsidiary, PT Prestações, to finance its healthcare post- retirement liabilities. In previous years, the Group contributed €602 million to this fund, which is being managed in accordance with the same guidelines as the Group's pension funds. Since 2010, PTC has not made additional contributions to this fund.

The market value of the pension supplement funds amounted to €94.7 million as of December 31, 2013, a decrease from €99.5 million as of December 31, 2012, reflecting payments of pension supplements made by the funds (€9.0 million). This was partially offset by the positive performance of assets under management (€3.7 million). See Note 14.1 to the Audited Financial Statements of PTC for the year ended December 31, 2013 for additional information. The asset allocation of our pension supplement funds as of December 31, 2013 was 20.4% equity, 60.5% bonds, 2.4% property and 16.6% cash and others. The effective return of the funds in 2013 was approximately 3.7%. As of September 30, 2014, the market value of the pension supplement funds remained broadly stable at €94.2 million, as compared to €94.7 million as of December 31, 2013. The asset allocation of our pension supplement funds as of September 30, 2014 was 23.3% equity, 65.1% bonds, 2.5% property and 9.1% cash and others. The effective return of the funds for the nine months ended September 30, 2014 was approximately 2%.

The market value of the healthcare benefits fund amounted to €291.7 million as of December 31, 2013, a decrease from €299.9 million as of December 31, 2012, reflecting net refunds of healthcare expenses paid on account by PTC (€22.0 million). This was partially offset by the positive performance of assets under management (€13.8 million). See Note 14.2 to the Audited Financial Statements of PTC for the year ended December 31, 2013 for additional information. The asset allocation of our healthcare benefits fund as of December 31, 2013 was 30.0% equity, 19.7% bonds and 50.3% cash and others. The effective return of the funds in 2013 was approximately 4.7%. As of September 30, 2014, the market value of the healthcare benefit funds amounted to €158.5 million, a decrease of €133.2 million from €291.7 million as of December 31, 2013, reflecting primarily the depreciation of the investment in shares of Banco Espírito Santo Bank ("BES"), following the corporate restructuring of this bank, through which the former shareholders of BES became shareholders of an entity that include assets unrelated to the bank's activities and with no market quote. The asset allocation of our healthcare benefit funds as of September 30, 2014 was 100% cash and others. The effective return of the funds for the nine months ended September 30, 2014 was negative by approximately 40% reflecting the abovementioned depreciation in the investment of BES.

Liabilities stated in PTC's balance sheet correspond to the difference between the PBO related to pensions deducted from the fair value of pension fund assets. The accrued liability related to PTC's total post-retirement benefits amounted to €942.0 million as of December 31, 2013. In 2013, the accrued liabilities increased by €112.9 million, reflecting primarily total post retirement benefits and curtailment costs (€128.5 million) and net actuarial losses (€138.8 million) recognized in the period, effects that were partially offset by salary payments to suspended and pre-retired employees up to retirement age made during the year (€156.4 million). The accrued liability related to PTC's total post-retirement benefits amounted to €1,063.7 million as of September 30, 2014, an increase of €121.7 million from December 31, 2013, reflecting primarily net actuarial losses of €248.5 million due to the reduction in discount rates and negative return on plan assets, which was partially offset by payments, contributions and refunds of €121.2 million, related primarily to salaries paid to pre-retired and suspended employees. The accrued liability related to Meo, S.A.'s salary payments obligations to suspended and pre-retired employees amounted to €5.8 million and €5.2 million as of December 31, 2013 and September 30, 2014.

The table below shows the evolution of PTC's total net responsibilities for post retirement benefits during the years ended December 31, 2011, 2012 and 2013 and for the nine months ended September 30, 2014.

	Year Ended December 31,			September 30, 2014
	2011	2012	2013	
	€ in millions			
Responsibilities for post retirement benefits, net (initial balance)	**945.6**	**908.2**	**829.1**	**942.0**
PT Prime merger	0.3	—	—	—
Net periodic pension cost/(gain)	35.7	35.0	18.5	16.5
Workforce reduction costs	31.2	(0.3)	110.0	(22.0)
Payments, contributions and refunds	(171.0)	(159.4)	(154.4)	(121.2)
Net actuarial losses (gains)	66.4	45.6	138.8	248.5
Responsibilities for post retirement benefits, net (final balance)	**908.2**	**829.1**	**942.0**	**1,063.7**

The table below sets forth the components of PTC's cash flows associated with post retirement benefits in 2011, 2012 and 2013 and for the nine months ended September 30, 2014.

	Year Ended December 31,			Nine months ended September 30,
	2011	2012	2013	2014
	€ in millions			
Pensions				
Contributions to the funds	1.7	1.1	0.5	1.1
Payments of pension supplements	1.1	1.0	0.8	0.7
Subtotal	**2.8**	**2.1**	**1.3**	**1.8**
Healthcare				
Refunds	(23.3)	(20.8)	(22.0)	(11.5)
Payments of health care expenses	18.0	19.0	18.8	15.1
Subtotal	**(5.3)**	**(1.8)**	**(3.2)**	**3.6**
Other payments				
Payments of salaries to pre-retired and suspended employees	173.5	159.2	156.4	115.8
Termination payments	1.7	1.5	2.8	0.1
Service cost related to liabilities transferred to the Portuguese State[(1)]	21.8	25.5	21.8	14.8
Subtotal	**197.0**	**186.1**	**180.9**	**130.7**
	194.5	**186.4**	**178.9**	**136.1**

(1) This caption is accounted for below EBITDA and corresponds to a fixed contribution paid by PTC to the Portuguese Social Security System relating to the annual service of active and suspended employees that were entitled to pension benefits under PTC's post-retirement benefit plans that were transferred to the Portuguese State in December 2010. These contributions are payable so long as the employee who was part of the plans transferred in question remains employed by PTC.

The table below sets forth the estimate of future undiscounted payments as of December 30, 2013, to be made by PTC related to salaries due to pre- retired and suspended employees and to expected contributions to the funds:[(1)]

	€ in millions
2014 (Full year)	155.2
2015 and 2016	268.5
2017 and 2018	216.6
More than 5 years	394.5
Total	**1,034.8**

(1) The figures shown do not take into account payments of salaries to pre-retired and suspended employees that left the company after December 31, 2013, in connection with a redundancy program. During the nine months ended September 30, 2014, we undertook a redundancy program that increased the number of suspended and pre-retired employees by approximately 70.

As of September 30, 2014, the accrued liability related to the PT Portugal Group's total post-retirement benefits amounted to €1,071.8 million, as compared to €1,063.7 million for PTC and €5.2 million for Meo, S.A. This difference is due to salary payments obligations to suspended and pre-retired employees up to retirement age recorded at the other Portuguese subsidiaries in the PT Portugal Group, which amounted to €2.9 million as of September 30, 2014.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations and Commercial Commitments

The following table presents PTC's and Meo, S.A.'s contractual obligations and commercial commitments as of September 30, 2014 (other than debt obligations, finance leases and post-retirement benefits discussed above):

	Payments due by period				
PTC:	Less than 1 year	1 - 3years	3 - 5years	More than 5 years	Total
	€ in millions				
Contractual obligations:					
Purchase commitments[(2)]	38.4	—	—	—	38.4
Operating lease obligations[(3)]	21.5	6.9	4.0	3.2	35.6
Total contractual cash obligations	59.9	6.9	4.0	3.2	74.0
Meo, S.A.					

Contractual obligations:					
Licenses and concessions[(1)]	6.0	5.9	10.1	—	22.0
Purchase commitments[(2)]	20.3	—	—	—	20.3
Operating lease obligations[(3)]	21.7	22.6	17.6	19.2	81.1
Total contractual cash obligations	48.0	28.5	27.7	19.2	101.4

(1) Licenses and concessions refer to outstanding instalments due to ANACOM in connection with the acquisition of the 4G license.

(2) Purchase commitments refer to orders placed and not rendered, primarily for the acquisition of materials of infrastructure, telecommunications equipment and mobile handsets in the normal course of operations.

(3) Operating leases relate to the contractual rental agreements entered into by our businesses and include obligations related to leased lines and the rental of buildings. Rents are recognized on a straight-line basis during the period of the lease.

Off-Balance Sheet Arrangements

In connection with PTC and Meo, S.A.'s operations, they provide certain bank guarantees to third parties, including the Portuguese Ministry of Justice and ANACOM, and, in the case of PTC, highway construction entities. These guarantees are given to ensure the proper performance of contractual obligations by PTC or Meo, S.A., as applicable, in the normal course of their business. Bank guarantees presented to the tax authorities by PTC relate primarily to additional income tax assessments for which PTC submitted a claim or an appeal. As of September 30, 2014, PTC has granted €24.6 million of bank guarantees in favour of third parties and Meo, S.A. has granted €20.3 million of bank guarantees in favour of third parties, including bank guarantees of €18.0 million relating to the three €6.0 million instalments due to ANACOM for the acquisition of the 4G license. For further details regarding such bank guarantees and other financial commitments, see note 37 to the unaudited condensed financial statements of PTC and note 34 to the unaudited condensed financial statements of PTC and Meo, S.A.

Critical Accounting Policies, Judgments and Estimates

Our discussion and analysis of PTC's and Meo, S.A.'s financial condition and results of operations are based on the Audited Financial Statements and Interim Financial Information, which have been prepared in accordance with Portuguese GAAP. The significant accounting policies, judgments and estimates are summarized in Note 3 to the Audited Financial Statements of PTC and Meo, S.A. for the year ended December 31, 2013. PTC's and Meo, S.A.'s reported financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie preparation of the consolidated financial statements. PTC and Meo, S.A. base their estimates on historical experience and on various other assumptions, the results of which form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of PTC's and Meo, S.A.'s audited financial statements.

PTC

Post-employment benefits

The present value of liabilities for post-employment benefits is calculated based on actuarial methodologies, which use certain actuarial assumptions that are reviewed annually by PTC. Any change in these assumptions will impact the carrying value of liabilities. The main assumptions used are described in Note 11 to the Audited Financial Statements of PTC for the year ended December 31, 2013.

The fair value of certain investments made by our healthcare benefits funds is computed by third parties based on their judgments and information on the businesses and do not result from information verified in active markets.

Analysis of goodwill impairment

PTC tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating assets are determined based on value-in- use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating asset, the choice of a growth rate to extrapolate cash flow projections and the estimate of a suitable discount rate for each cash generating asset. The main assumptions used in the goodwill analysis are disclosed in Note 8 to the Audited Financial Statements of PTC for the year ended December 31, 2013.

Useful life of tangible fixed assets

PTC uses estimates in order to determine to the useful life of tangible fixed assets.

Provisions recognition

PTC is party to several legal proceedings in progress for which, based on the opinion of its lawyers, judgments are made to determine the recognition of any necessary provisions to meet these contingencies.

Impairment recognition

Impairment on accounts receivable are calculated mainly based on receivables seniority, the client's risk profile and their financial situation.

Determining the fair value of assets measured by revaluation model

PTC uses the revaluation model to measure the book value of the asset classes "Land and natural resources", "Buildings and other constructions" and the "Telecommunication infrastructure" included under the caption "Basic equipment" under tangible fixed assets. In order to assess the fair value of real estate properties included under the assets classes "Land and natural resources" and "Buildings and other constructions", PTC uses external appraisers to determine their value based on certain specific indicators related to the real estate market. In order to assess the revalued amount of the asset class "Telecommunication infrastructure", PTC applied the cost replacement method based on current and observable prices of materials and construction work related to the installation underground of the telecommunication infrastructure.

Estimates used are based on the best information available during the preparation of financial statements, although future events, neither controlled nor foreseeable by PTC, could occur and have an impact on those estimates. In accordance with "NCRF 4 Accounting Policies, Changes in Estimates and Errors" ("NCRF 4"), changes to these estimates that occur after the date of the financial statements are recognized in net income, using a prospective methodology. For this reason and given the degree of uncertainty, real results of the transactions in question may differ from the corresponding estimates.

Meo, S.A.

Useful lives of tangible fixed assets and intangible assets

Meo, S.A. uses estimates to calculate the useful lives of tangible fixed assets and intangible assets.

Recognition of provisions and impairments

Meo, S.A. is party to a variety of ongoing judicial proceedings for which, based on the opinion of its lawyers, it used judgment to determine if it should recognize any provision in respect of these contingencies. Impairments for accounts receivable are calculated essentially based on the age of the accounts receivable, the risk profile of the clients and their financial situation.

The estimates were determined based on the best information available at the date the financial statements were prepared. As such, there may be events in subsequent periods that, not having been foreseeable at the time, were not considered in these estimates. In accordance with NCRF 4, changes to these estimates that occur after the date of the financial statements are corrected in the income statement prospectively. For this reason and given the associated degree of uncertainty, actual results for the transactions in question may differ from the corresponding estimates.

Summary of Significant Differences between Portuguese GAAP and IFRS

The primary difference between Portuguese GAAP and IFRS impacting total shareholders' equity relates to grants and subsidies for the acquisitions of assets, which under IFRS are deducted from the carrying amount of the related assets, while in accordance with Portuguese GAAP they are recorded as increases in shareholders' equity. In addition, there are also certain format differences between Portuguese GAAP and IFRS, the most important of which relates to equity in earnings and losses of affiliated companies, which is included within income before depreciation and amortization, financing expenses and taxes under Portuguese GAAP and presented below EBITDA under IFRS.

The table below sets out the unaudited reconciliation between income before depreciation and amortization, financing expenses and taxes as reported by PTC and Meo, S.A. under Portuguese GAAP and EBITDA as prepared by PT Portugal SGPS, S.A. in the International Format:

	PTC					Meo, S.A.				
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2011	2012[3]	2013	2013	2014	2011	2012	2013	2013	2014
	€ in millions									
Income before depreciation and amortization, financing expenses and taxes under Portuguese GAAP	709.8	709.7	646.7	489.5	(597.6)	587.1	533.5	582.7	414.7	(739.9)
Minus[1]:										
Equity in losses (earnings) of affiliated companies	(153.3)	(120.5)	(234.4)	(161.3)	1,021.3	(50.3)	(68.6)	(194.7)	(123.1)	1,034.7
Depreciation related mainly to investment subsidies.......	(3.5)	9.5	(3.2)	(2.7)	(1.5)	(0.0)	(0.0)	0.0	0.0	(0.0)
Post retirement benefits costs	53.9	57.3	40.3	31.7	31.2	—	—	0.0	0.0	0.1
Work force reduction program costs (gains)....................	32.9	1.2	112.8	102.3	(21.9)	—	—	4.1	3.7	—
Losses (gains) on disposal of fixed assets	0.0	(1.3)	(3.4)	(2.9)	(23.5)	(0.1)	(2.2)	(0.1)	(0.1)	(3.5)
Non-recurring items	12.1	(42.0)	1.4	(1.3)	14.1	4.5	18.5	17.7	13.1	0.0
Provisions for income tax contingencies..................	8.0	7.2	(4.1)	(2.6)	0.4	0.5	1.0	0.2	(0.3)	0.2
Net financial results not directly related to net debt	(2.0)	(4.1)	(0.9)	(0.4)	(2.5)	(0.7)	(1.4)	(1.4)	(1.0)	(1.1)
EBITDA under the International Format[2]..........................	658.1	617.0	555.1	452.2	420.0	541.0	480.8	408.5	307.1	290.4

(1) Items included in income before depreciation and amortization, financing expenses and taxes under Portuguese GAAP but excluded under the International Format.

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

(3) During the year ended December 31, 2013, PTC adopted the revised version of IAS 19 Employee Benefits as permitted by Portuguese GAAP. As a result of the adoption of the amendments to IAS 19, certain adjustments were made to the previously reported statements of financial position of PTC for the year ended December 31, 2012. The table above sets out PTC's restated results of operations for the year ended December 31, 2012 and may differ from that shown in the Audited Financial Statements of PTC for the year ended December 31, 2012. See Note 5 to the Audited Financial Statements of PTC for the year ended December 31, 2013.

Recent Portuguese GAAP Accounting Pronouncements

Portuguese GAAP was approved by the Decree Law No. 158/2009, dated 13 July, and in accordance with the Conceptual Structure, Accounting and Financial Reporting Standards ("NCRF") and Interpretative Standards, as approved by Notices nº 15652/2009, 15653/2009 and 15655/2009 of the General- Secretary of the Ministry of Finance, dated 27 August, which make up the New Portuguese accounting system, named "*Sistema de Normalização Contabilística*" ("SNC"). SNC came into force in 2010, with the transition date being January 1, 2009 for the purposes of presentation of the financial statements of PTC and Meo. NCRFs were formulated based on IFRS that prevailed in June 2007 and no modifications have been introduced in Portuguese GAAP since. In order to fill gaps or omissions in the SNC regarding specific transactions, PTC and Meo, S.A. apply IAS/IFRS and related interpretations issued by IASB.

Seasonality

Although our revenues and costs fluctuate from quarter to quarter, we do not experience large fluctuations due to seasonality. We tend to have higher revenues (but lower EBITDA) in the fourth quarter due to promotional campaigns centered on the Christmas holiday. To a lesser degree, promotional campaigns at the time of the Easter and Mother's Day holidays also tend to increase our revenues in the second quarter. In addition, our revenues from our operations tend to be lower during the Portuguese summer holidays during the third quarter.

Qualitative and Quantitative Analysis of Market Risk

Our most significant market risk exposures are interest rate risk and exchange rate risk and, to a lesser extent, commodity risk. Once the PT Portugal Group forms a part of the Altice International Group following the PT Portugal Acquisition, our market risk profile will change and we will manage such risks through the Altice International Group. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Altice International Group—Quantitative and Qualitative Disclosures about Market Risk*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO

The following discussion and analysis of the results of operations and financial condition of ODO is based on its audited standalone financial statements as of and for the twelve months ended December 31, 2012 and 2013, in each case, prepared in accordance with IFRS as issued by the IASB. For a discussion and analysis of the results of operations and financial condition of ODO as of and for the nine months ended September 30, 2013 and 2014, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Altice International Group".

Except as the context otherwise indicates, when discussing historical results of operations in this section, "Company," "we," "our" and other similar terms are generally used to refer to the business of ODO.

You should read the discussion below in conjunction with the standalone financial statements of the Company and the accompanying notes in these Listing Particulars. A summary of the critical accounting estimates that have been applied to the Company's financial statements is set forth below in "—Critical Accounting Estimates". You should also review the information in the section "—Presentation of Financial Information". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk Factors".

Presentation of Financial Information

The standalone financial statements of the Company for the twelve months ended December 31, 2012 and 2013 have been prepared in accordance with IFRS as issued by the IASB. The preparation of the financial statements did not, therefore, require any material allocation of assets and liabilities and income and expense items between Orange S.A., as indirect owner of the Company prior to the ODO Acquisition, and the Company.

Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see "*Risk Factors*".

One of the key constituents of our revenue is network revenue, which contributed 87.7% and 86.7% of our total revenue for the twelve months ended December 31, 2012 and 2013, respectively. A major contributor to our network revenue is mobile subscriber revenue, which is principally driven by the number of mobile subscribers on our network (our mobile subscriber base), and the ARPU, or average revenue per user (see "*—Mobile ARPU*"), that they generate. Our subscriber base evolution is driven by market dynamics (including demographics, penetration rate, technical innovation and changing customer behavior), gross connections market share (our ability to capture new subscribers). A key recent factor that has impacted our mobile subscriber revenue is the increasing use of data services linked to the popularity of smartphones and mobile computing devices, and our ability to successfully address this increasing demand. Furthermore, our mobile revenues are affected by macroeconomic trends, such as competition-driven price evolution and general macro-economic conditions. Network revenue also includes revenues from incoming voice traffic of other domestic and international operators, as well as roaming charges, and non-voice.

Our mobile costs of sale include (i) mobile termination rates payable to other operators for calls made by our subscribers that are terminated on networks belonging to other operators, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and retaining existing subscribers (prolonging the contract of an existing mobile subscriber, mobile "renewal" for pre-paid residential subscribers, (iii) network and IT expenses and (iv) other commercial expenses relating to advertising, promotion and other selling fees.

Our primary subscriber acquisition and retention costs include agent commissions related to sales generated by dealers including franchises and wholesalers (together forming our indirect distribution channel) and the cost of handsets sold to our post-paid residential subscribers. Handsets are typically sold to our post-paid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commission paid varies depending on distribution channels (direct or indirect). Our distributor commissions are generally lower for pre-paid residential customers, due to lower ARPU and lower loyalty of pre-paid subscribers, compared to the distributors' commissions for post-paid business customers reflecting the higher lifetime value of these subscribers. Commissions, which are an operating expense, are paid for both, new and retained post-paid subscribers solicited through indirect distribution channels. In the direct distribution channel, incentives and bonuses are paid out to the sales force in relation to their subscriber acquisition and retention performance and such costs are expensed in labor costs. Our direct channels focus on high value customers and providing them with a high quality customer experience and services.

Mobile Subscriber Base

The table below sets forth selected mobile subscriber data for the periods indicated, including an analysis by subscriber segment. Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls) and non-voice services (including SMS, MMS and data services for handsets).

	Mobile subscriber base — For the twelve months ended December 31,	
	2012	**2013**
	(subscribers in thousands)	
Post-paid subscribers[(1)(2)(4)(5)]	589	624
Pre-paid residential subscribers[(1)(3)(4)]	2,504	2,647
Subscribers at end of period[(1)]	**3,093**	**3,271**

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

(2) All post-paid subscribers are considered as active

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

(4) Includes exclusively mobile subscribers. Mobile broadband internet subscribers excluded and analyzed separately in this section

(5) Includes both post-paid residential subscribers and post- paid business subscribers

We provide mobile services to pre-paid residential customers, post-paid residential customers and post-paid business customers, constituting 80.9%, 13.2% and 5.9%, respectively, as of December 31, 2013, of our mobile subscriber base. For the twelve months ended December 31, 2013, pre-paid residential subscribers formed the largest segment of our customer base, contributing 53.1%, as compared to 28.1% for post-paid residential subscribers and 9.1%, for post-paid business subscribers. Since contributions to revenue of subscribers in different segments are disproportionate (due to their different level of ARPU, see "—*Mobile ARPU*"), changes in the composition of our subscriber base in any financial period may have an impact on our revenue for such period.

Our mobile subscriber base increased by 5.8% for the twelve months ended December 31, 2013, as compared to the twelve months ended December 31, 2012. The key drivers of this sustained growth are: (i) favorable market dynamics; (ii) increased market share, due to the positive perception of the "Orange" brand and the quality of our service; (iii) on-going network improvements, with the continuous roll-out of 2G, 3G and 4G sites; (iv) competitive pre-paid and post-paid offers with the continuous expansion of our enterprise line; (v) anti-churn incentives geared at our pre-paid residential subscribers to reduce the number of inactive customers, including automated reminders prompting the subscriber to top-up, simplified SIM swaps for customers who have lost their SIM cards and an automated credit top-up by us where a "zero balance" has been reached; and (vi) the strategic plan by our management to develop the business lines for our post-paid business subscribers with a sales team dedicated to this customer base as well as targeted offers.

As a result of the aforementioned factors, for the twelve months ended December 31, 2013, our post-paid business subscribers increased by 4.1% and our pre-paid residential subscribers 5.7%. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 40% as of December 31, 2013.

Due in part to the improvement of our post-paid residential offer, our post-residential subscribers increased by 6.9% for the twelve months ended on December 31, 2013 compared to the same period last year. The revamped offer, which began in September 2013, introduced a more varied portfolio of price plans, allowing customers to add on additional services at their option while giving them the freedom of paying a low monthly fee on a post-paid basis. Because the difference between the monthly top-up and post-paid subscription fee is very small, we believe that users of pre-paid mobile phones will continue to migrate to a post-paid subscription. Furthermore, we offer substantial handset subsidies to our post-paid subscribers, which enable us to promote the usage of smartphones and with that voice and data usage. We aim to increase our market share in the post-paid residential segment in the future, especially in light of the increase in smartphone and data usage, and higher returns and retention rates in the long term.

Mobile ARPU

ARPU (average revenue per user), represents the overall revenue for a specific segment divided by the number of subscribers for a given period. Since there may be disconnections and connections over a defined period, the overall revenue is divided by the average subscriber base for that particular period.

ARPU is primarily driven by prices of our services, traffic volume, data services utilization and revenue from interconnection rates for incoming calls. Our monthly ARPU for the twelve months ended December 31, 2013 increased slightly to DOP 533.1, from ARPU of DOP 532.9 for the twelve months ended December 31, 2012 despite termination rates decreasing by 2% semi-annually. The table below sets out our ARPU for our pre-paid and post-paid mobile subscribers:

	Mobile ARPU For the twelve months ended December 31	
	2012	**2013**
	(in DOP per month/ percentages)	
Post-paid ARPU	1,126	1,146
Increase/(decrease) from prior equivalent period	(−7.6)%	1.7%
Pre-paid residential ARPU	393	394
Increase/(decrease) from prior equivalent period	0.5%	0.2%
Total ARPU(1)	**533**	**533**
Increase/(decrease) from prior equivalent period	(−0.4)%	0.1%

(1) We define total ARPU as the measure of the sum of our mobile revenues in the relevant period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

For the twelve months ended December 31, 2013, our post-paid ARPU increased by 1.7% to DOP 1,146 from DOP 1,126 for the twelve months ended December 31, 2012. This increase was predominantly driven by an increase of our post-paid residential subscriber ARPU by 5.0% (or DOP 62 per month) to DOP 1,312 for the twelve months ended December 31, 2013. This increase can be attributed to an increase in higher value plans.

As of December 31, 2013, we have been able to maintain our pre-paid residential subscriber ARPU at DOP 394, as compared to DOP 393 as of December 31, 2012.

Termination Rates

Mobile termination rates (MTR) contribute to our mobile revenues and costs. Fixed termination rates (FTR) contribute to our revenue and costs for our fixed line services. We receive revenues from other operators for calls terminated on our network and we are required to pay fees to other operators for calls terminated on their networks for both domestic and international calls.

Domestic MTR, local FTR and SMS termination rates result from negotiations between us and the three other main Dominican mobile operators. Indotel has the authority to challenge and/or validate these bilateral agreements. Domestic operators agreed to decrease national MTR and local FTR by 2% semiannually (in dollars), between 2010 to 2013. SMS termination rates remained unchanged between 2010 to 2013 at $0.018 per SMS.

	Year ended December 31,			
	2010	**2011**	**2012**	**2013**
	USD $			
MTR	0.069	0.066	0.064	0.062
FTR local	0.018	0.018	0.017	0.016
SMS	0.018	0.018	0.018	0.018

Internet

For the twelve months ended December 31, 2013, internet revenues increased by 27% to DOP 644 million compared to DOP 507 million for the twelve months ended December 31, 2012. We consider internet services used by our post-paid business subscribers as a commercial lever to cross-sell post-paid business mobile subscription.

Our total number of internet subscribers increased by 16% from 121,000 for the twelve months ended December 31, 2012, to 140,000 for the twelve months ended December 31, 2013. This was mainly driven by an increase in the number of our post-paid residential subscribers by 51% in 2013 due to (i) higher laptop penetration, and (ii) the expansion of internet services into new geographic regions. Although we had an increase in our total subscriber number, we saw a decrease in our post-paid business subscribers due to an internal adjustment made to the computation of this subscriber base in 2013.

The table below shows our internet subscriber base for the twelve months ended December 31, 2012 and 2013, respectively:

	Internet subscriber base	
	For the twelve months ended December 31,	
	2012	2013
	(in thousands subscribers)	
Post-paid residential subscribers[(1)]	62	86
Post-paid business subscribers[(1)]	59	54
Subscribers at end of period[(1)]	**121**	**140**

(1) All post-paid subscribers are considered as active

Mobile Network Upgrade

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network is key to the improvement of the services we offer to our customers. The perception of the network quality is an important factor in retaining our subscribers and is therefore a key element in preventing and reducing churn and attracting new customers.

The upgrade and maintenance of our network has a direct impact on the level of our expenses and the capital expenditures we incur each year. The 4G-LTE roll-out which began in the first quarter of 2012 has been focused on certain regions with higher number of medium and large businesses. We believe that our infrastructure will be able to cope with the expected increased data-led capacity requirements and that architecture is scalable to support future traffic growth.

Effects of Change of Control Transaction and Separation

On November 26, 2013, Altice Bahamas S.à r.l. (a wholly owned subsidiary of Altice International S.à r.l.) entered into agreements to acquire ODO in the Dominican Republic. The transaction has been completed on April 9, 2014. See "*Description of Our Business—History*".

The impact of the ODO Acquisition on our income statement and capital expenditures will depend on the synergies and measures undertaken. We may not realize any or all of the anticipated synergies of the ODO Acquisition that we currently anticipate. For a discussion of the risks relating to the integration of ODO into the Altice International Group, see "*Risk Factors—Risks Relating to the Integration of Tricom and ODO into Our Business*".

Key Income Statement Line Items

Revenue

Revenue from our activities includes:

- Mobile revenue, which consists of revenue from voice (including ingoing and outgoing calls) and non-voice (including SMS, MMS and data services for handsets);
- Internet revenue, which consists of mobile broadband internet facilities delivered to post-paid residential subscribers or business post-paid subscribers;
- Wholesale revenue, which consists of: (i) transit revenue consisting of fees charged to foreign competitors connecting to and using our telecommunication path and network to transit voice or data to another operators, and (ii) visitor roaming revenue representing revenue received from our roaming partners for their customers' use of

services on our network. Roaming rates charged by various operators are determined according to the inter-operator tariffs (IOT) agreements between operators;

- Other revenue primarily includes (i) the sale of non-subsidized handsets (ii) fixed-data revenue corresponding to calls realized through IPVPN technology, which are primarily fixed calls for business subscribers, and to a lesser extent, (iii) global services revenue (mainly machine-to-machine (M2M) solutions e.g. industrialized private access point names (APN)) as well as other minor components;

- Equipment revenue consists of the sale of subsidized handsets and, to a lesser extent, mobile accessories.

Operating costs

Our operating costs include:

- Cost of equipment sold primarily consists of the costs arising from equipment sold to terminals, the sale of SIM cards and accessories, and import duties and freight costs;

- Selling, distribution and traffic costs mainly consist of access backbone and termination fees corresponding to costs incurred for terminating a call on another operator's network. Cost is calculated based on the MTR or FTR tariffs which are agreed between operators;

- Advertising and sponsoring costs;

- Offices and technical sites costs;

- Labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;

- Corporate fees consist of (i) management fees, and (ii) brand fees based on the terms of the agreement with Orange S.A. regarding the rights to use the "Orange" brand;

- Maintenance costs;

- Other costs and income which include (i) purchase of services (ii) consulting fees (iii) network energy costs and (iv) bad debt expenses;

- Depreciation and amortization of fixed assets.

Non-operating income/expense

Non-operating income/expense mainly include financial items such as (i) foreign exchange gains and losses (mainly corresponding to unrealized translation gains on cash and cash equivalents) (ii) interest on net cash, and on the Orange group current account (decreasing in line with cash and cash equivalents) and (iii) other financial charges concerning the discounting effect of the Asset Retirement Obligation ("ARO") provision, whereby a discount is applied to the costs incurred in relation to the future dismantling of technical sites (the rate is calculated through applying intra-group measures and a discount set by the Dominican Central Bank).

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

	For the twelve months ended December 31,	
	2012	**2013**
	(in DOP million)	
Revenues	22,754	24,405
Cost of equipment sold	(3,000)	(3,259)
Selling, distribution and traffic costs	(5,861)	(6,263)
Advertising and sponsoring costs	(937)	(875)
Offices and technical sites costs	(564)	(623)
Labor expenses	(1,175)	(1,234)
Corporate fees	(583)	(628)
Maintenance costs	(332)	(329)
Other costs and income	(2,573)	(2,344)

Depreciation and amortization	(3,509)	(3,518)
Total costs and operating expenses	(18,533)	(19,073)
Operating income	4,221	5,332
Bank commissions	(71)	(76)
Interest income	37	18
Foreign currency exchange gains (losses)	70	26
Other	(20)	(13)
Non-operating income (expenses)	15	(45)
Profit before income tax	4,236	5,287
Income tax	(790)	(1,390)
Net income	3,446	3,897
Other comprehensive income	—	—
Total comprehensive income for the year	3,446	3,897

Twelve Months Ended December 31, 2013 as compared to Twelve Months Ended December 31, 2012

Our total revenue increased by DOP 1,651 million (+ 7.3%) from DOP 22,754 million for the twelve months ended December 31, 2012 to DOP 24,405 million for the twelve months ended December 31, 2013, driven by an increase in our pre-paid subscriber base together with the favorable effect of increased data usage.

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
	(in DOP million)					
Mobile	19,436	85.4%	20,503	84.0%	1,067	5.5%
Wholesale	1,662	7.3%	1,816	7.4%	154	9.3%
Internet	507	2.2%	644	2.6%	137	27.0%
Equipment	866	3.8%	1,151	4.7%	285	32.9%
Other	283	1.2%	291	1.2%	8	2.8%
Total revenue	22,754	100%	24,405	100.0%	1,651	7.3%

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
	(in DOP million)					
Post-paid residential subscribers	6,084	31.3%	6,372	31.1%	288	4.7%
Pre-paid residential subscribers	11,580	59.6%	12,350	60.2%	770	6.6%
Post-paid business subscribers	1,772	9.1%	1,781	8.7%	9	0.5%
Mobile revenue	19,436	100.0%	20,503	100.0%	1,067	5.5%

Mobile revenue

Mobile revenue was DOP 20,503 million for the twelve months ended December 31, 2013, an increase of DOP 1,067 million, or 5.5%, from DOP 19,436 million for the twelve months ended December 31, 2012.

Post-paid residential subscribers revenue increased by 4.7% in the twelve months ended December 31, 2013 to DOP 6,372 million primarily driven by flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers.

Pre-paid residential subscribers revenue increased by 6.6% in the twelve months ended December 31, 2013 to DOP 12,350 million primarily driven the “anti-churn” incentives.

Post-paid business subscribers revenue increased by 0.5% in the twelve months ended December 31, 2013 to DOP 1,781 million primarily driven by a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. We also benefited from an overhaul in and an increase of the portfolio of services and integrated solutions we were able to offer to a broad variety of businesses (SMEs as well as larger business).

Wholesale revenue

Wholesale revenue was DOP 1,816 million for in the twelve months ended December 31, 2013, an increase of DOP 154 million, or 9.3%, from DOP 1,662 million for the twelve months ended December 31 2012. This increase can be attributed to an increase in transit revenues by 37.1% to DOP 1,192 million for the twelve months ended December 31, 2013, as a result of increased traffic of international telephone calls on our network, resulting in higher terminations. This trend was offset by a decrease in visitor roaming revenue—of 21.4% to DOP 623 million for the twelve months ended December 31, 2013, as result of the increase in tariff competition thereby pushing down global inter-operator roaming rates, as well as international macro-economic conditions.

Internet revenue

Internet revenue increased by 27.0% to DOP 644 million in the twelve months ended December 31, 2013 mainly due to the increase in the average subscriber base driven by the expansion of internet services into new geographic regions, our 3G roll-out and the resulting increase in the higher quality offering over a larger service area, resulting from the speed of our network.

Equipment revenue

Equipment revenue was DOP 1,151 million for the twelve months ended December 31, 2013, an increase of DOP 285 million, or 32.9%, from DOP 866 million for the twelve months ended December 31, 2012, due to an increase in our post-paid subscribers retention rate, which resulted in higher amounts of handset subsidies.

Other revenue

Other revenue was DOP 291 million for the twelve months ended December 31, 2013, an increase of DOP 8 million, or 2.8%, from DOP 283 million for the twelve months ended December 31, 2012 as a result of an increase in our post-paid business segment, leading to an increase in M2M revenue of 123% and other operating revenue of 62%.

Operating costs

Cost of equipment sold

Cost of equipment sold were DOP 3,259 million for the twelve months ended December 31, 2013, an increase of DOP 259 million, or 8.6% from DOP 3,000 million for the twelve months ended December 31, 2012. The increase in cost of equipment sold was mainly due to an increase in smartphone penetration as part of our retention strategy relating to our post-paid residential subscribers.

Selling, distribution and traffic costs

Selling, distribution and traffic costs were DOP 6,263 million for the twelve months ended December 31, 2013, an increase of DOP 402 million, or 6.9%, from DOP 5,861 million for the twelve months ended December 31, 2012. The increase was mainly due to an increase in commissions paid to indirect distributors for high retention rates of post-paid subscribers.

Advertising and sponsoring costs

Advertising and sponsoring costs decreased DOP 62 million, or 6.6%, from DOP 937 million for the year ended December 31, 2012 to DOP 875 million for the year ended December 31, 2013 primarily due to measures implemented by management to optimize advertising costs and communication methods.

Offices and technical sites costs

Offices and technical sites costs were DOP 623 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 10.45%, from DOP 564 million for the twelve months ended December 31, 2012. The increase in technical expenses was primarily driven by network extension (site roll-out), partially offset by some savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

Labor expenses

Labor expenses were DOP 1,234 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 5.0%, from DOP 1,175 million for the twelve months ended December 31, 2012. The increase in labor expenses was primarily attributable to an increase in average total labor cost per employee driven annual salary increases and impacted by the recruitment of more experienced employees.

Corporate fees

Corporate fees were DOP 628 million for the twelve months ended December 31, 2013 increasing from DOP 583 million, or 7.7% for the twelve months ended December 30, 2012 due to revenue growth.

Maintenance costs

Maintenance costs were DOP 329 million for the twelve months ended December 31, 2013 a decrease of DOP 3.0 million, or 0.9%, from DOP 332 million for the twelve months ended December 31, 2012. The decrease is mainly attributable to volume discounts relating to network extension.

Other costs and income

Other costs and income decreased to DOP 2,344 million for the twelve months ended December 31, 2013, a decrease of DOP 229 million, or 8.9%, from DOP 2,573 million for the twelve months ended December 31, 2012. This decrease was mainly due to (i) a reduction in the provision for legal claims from DOP 165 million in the twelve months ended December 31, 2012 to DOP 115 million for the twelve months ended December 31, 2013, due to a judgment dismissing the payment of certain costs and (ii) a decrease in withholding taxes of DOP 51 million as a result of improved negotiations with our suppliers and the Group.

Depreciation and amortization

Depreciation and amortization were DOP 3,518 million for the twelve months ended December 31, 2013, a slight increase of DOP 9 million, or 0.3%, from DOP 3,509 million for the twelve months ended December 31, 2012. The increase in depreciation and amortization was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites. Furthermore, ODO performed an inventory of its fixed assets relating to its technical sites (which account for 83% of total fixed assets) between April 2013 and December 2013 which lead to an increase of DOP 23 million in depreciation.

Operating income

As a result of the foregoing factors, our operating income was DOP 5,332 million for the twelve months ended December 31, 2013 compared to DOP 4,221 million for the twelve months ended December 31, 2012, representing an increase in operating margins by 26.3% for the twelve months ended December 31, 2013 as compared to 2.5% for the twelve months ended December 31, 2012.

Non-operating income/expense

Non-operating expenses increased to DOP 45 million for the twelve months ended December 2013, compared to non-operating income of DOP 15 million for the twelve months ended December 31, 2012. The decrease in non-operating income/expense for the twelve months ended December 31, 2013 was due to (i) DOP 76 million of bank commissions as a result of a higher volume in connections for our post paid segment (compared to DOP 71 million for the twelve months ended December 31, 2012), (ii) DOP 18 million from the twelve months ended December 31, 2013 of interest income compared to DOP 37 million for the year ended December 31, 2012 as a result of the reduction of interest rates by the Dominican Central Bank in 2013 and (iii) an increase in foreign currency exchanges which led to a decrease in gains to DOP 26 million for the twelve months ended December 31, 2013, compared to DOP 70 million for the twelve months ended December 31, 2012.

Income Tax

The following table sets forth our income tax expense for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012:

	For the twelve months ended December 31,		**Variation**	
	2012	**2013**	**Amount**	**%**
	(in DOP million/percentages)			
Current tax expense in respect of the current year	(1,123)	(1,574)	(451)	40.2%
Deferred tax income/(expense)	333	184	(149)	(44.7)%
Total income tax	**(790)**	**(1,390)**	**(600)**	**75.9%**

Income tax increased by DOP 600 million from DOP 790 million for the twelve months ended December 31, 2012 to DOP 1,390 million for the twelve months ended December 31, 2013 primarily driven by a change in dividend credits. Dividend credits decreased from DOP 330 million for the twelve months ended December 31, 2012 to nil in the twelve months ended December 31, 2013. Such dividend credits relate mainly to the refund of dividend withholding tax which terminated with the change in certain tax regulations in the Dominican Republic in November 2012. Furthermore, the increase can be attributed to an increase in profit before tax for the twelve months ended December 31, 2013.

Liquidity and Capital Resources

Capital Resources

Our principal source of liquidity is cash flow generated from our operations and other resources within the Altice International Group. For the liquidity and capital resources of the Altice International Group, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Altice International Group—Liquidity and Capital Resources*".

Cash Flows

The table below sets out information related to our cash flows:

	For the twelve months ended December 31,	
	2012[(1)]	2013
	€ in millions	
Operating activities		
Net income	3,446	3,897
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortization	3,509	3,518
Gains (losses) on disposal	1	14
Change in provisions (Litigations)	68	(87)
Change in working capital		
Income tax	(333)	(184)
Decrease (increase) in inventories, net	105	(151)
Decrease (increase) in trade receivables,	(59)	105
Decrease (increase) in other receivables,	(3)	(2,343)
Decrease (increase) in trade payables	(483)	(239)
Other changes in working capital		
Decrease (increase) in pre-paid expenses	25	(58)
Decrease (increase) in other non-current assets	(2)	0
Decrease (increase) in other non-current liabilities	8	23
Decrease (increase) in other current	47	23
Deferred income	42	(118)
Income tax paid	625	533
Net cash provided by operating activities	6,997	4,933
Investing activities		
Purchase of PPE and intangible assets	(3,637)	(3,199)
Net cash used in investing activities	(3,637)	(3,199)
Financing activities		
Dividends paid	(3,345)	(1,855)
Net cash used in financing activities	**(3,345)**	**(1,855)**
Net increase (decrease) in cash and cash	15	(121)
Cash and cash equivalents—opening	1,145	1,160
Cash and cash equivalents—closing	**1,160**	**1,039**

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of netting between trade receivables and trade payables for an amount of DOP 633 million.

Twelve Months ended December 31, 2013 as compared to twelve months ended December 31, 2012

Net cash provided by operating activities

Net cash provided by operating activities for the twelve months ended December 31, 2013 was DOP 4,933 million. Our net cash provided by operating activities for the twelve months ended December 31, 2013 included net income of DOP 3,897 million and depreciation and amortization of DOP 3,518 million. Change in net working capital was negative DOP 2,628 million for this period, principally reflecting an increase in other accounts receivables of DOP 2,343 million. The account receivables significant increase is predominantly due to the cash pooling at the Orange Group's level (DOP 2,567 million in December, 2013 compared to DOP 136 million in December 2012). As per the internal accounting rules of the Orange Group, cash pooling is registered at ODO's account receivables with the group, subsequently impacting the total account receivables balance. ODO made dividend payments of USD 45 million (DOP 1,855 million with an exchange rate of DOP 41,23 = US$1.00 (as of May 24, 2013) during 2013, compared to USD 84 million (DOP 3,345 million with an exchange rate of DOP 39,82 = US$ 1.00 (at an average rate at the relevant payment dates (April, September, November 2012). We define net working capital as the sum of inventories, trade receivables, trade payables and other receivables.

Net cash used in investing activities

Net cash used in investing activities for the twelve months ended December 31, 2013 and 2012 was DOP 3,199 million and DOP 3,637 million, respectively. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

Net cash used in financing activities

Net cash used in financing activities for the twelve months ended December 31, 2013 and 2012 was DOP 1,855 million and DOP 3,345 million, respectively. This decrease was due to a decision by the Board of ODO to limit the dividends payment at USD 45 million (DOP 1,855 million with an exchange rate of DOP 41.23 = US$1.00 (at May, 2013) (reflecting the date of ODO's board meeting) in the second half of 2013).

Off balance sheet commitments

The following table summarizes our contractual commitments that we believe are likely to have a material effect on our current or future financial position as of December 31, 2013. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

	As of December 31, 2012		As of December 31, 2013	
	(in DOP million/ percentages)			
Rental commitments[(1)]	1,975	49%	2,374	55%
Orders related to handset purchase	632	16%	405	9%
Other Open commitments	459	11%	430	10%
Open commitments	3,065	76%	3,209	74%
Capex commitments	966	24%	1,127	26%
Total off-balance sheet commitments	**4,031**	**100.0%**	**4,336**	**100.0%**

(1) Rental commitments primarily relate to rental commitments in respect of sites, premises (headquarters), shops, franchises, parking spaces and houses

Capital Expenditures and Investments

The table below shows our capital expenditures defined as additions of network, customers, IT, shops and other items for the twelve months ended December 31, 2012 and 2013:

	For the twelve months ended December 31,			
	2012		2013	
	(in DOP million / % of weight)			
Network	2,521	69.3%	2,183	68.2%
Customers	404	11.1%	229	7.2%
IT	443	12.2%	586	18.3%
Shops	98	2.7%	61	1.9%
Other (incl. GSM licenses)	171	4.7%	140	4.4%
Total capital expenditure	**3,637**	**100.0%**	**3,199**	**100.0%**
CAPEX as % of Revenue	**16.0%**		**13.1%**	

For the twelve months ended December 31, 2013, our total capital expenditure amounted to DOP 3,199 million, of which DOP 2,183 million related to our network. Most 2G capital expenditure was related to the construction of new sites (civil works, towers, antennas and base transceiver stations) to complete 2G coverage and improve network quality, while 3G and 4G capital expenditure were done to increase transmission capacity, network coverage, support data traffic growth and create competitive advantage though innovation and 4G services (notably following the rise of the data revenue stream resulting from increasing penetration of smartphones). We have also invested in new platforms, international capacity, core upgrades, and generators.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

Foreign Exchange Rate Risk Management

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

We are a net buyer of foreign currencies (in particular USD and euro via brand fees paid to the Orange Group). Our local interconnection costs are considered in both revenue and operating expenses in USD which typically limits our exposure due to a netting effect. A significant proportion of capital expenditure is denominated in foreign currency, mainly euro.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We believe that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential, and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value. Our gross trade receivables amounted to DOP 2,294 million as of December 31, 2013 and DOP 2,425 million as of December 31, 2012. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 461 million as of December 31, 2013 and DOP 488 million as of December 31, 2012. We also have provisions for our post-paid subscribers, whereby we use certain statistics relating to the outstanding amount due and ageing analysis to establish the risk, with 210 days being the threshold for categorizing outstanding trade receivables as bad debt.

Prior to the ODO Acquisition, cash was historically centralized at the Orange Group level through cash pooling.

We seek to minimize credit risk through a preventative credit check process that aims to ensure that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Dominican Republic market.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate default payment, different measures may be implemented such as requiring deposits or advance payments of or limiting to prepaid offers;
- sending payment reminders to subscribers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and subscriber profiles (such as penalties, or reconnection letters with an option for a new contract); and
- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the ageing analysis of billed trade receivables as of December 31, 2013 and December 31, 2012, for both dealers and post-paid residential subscribers:

	Dealers and others			
	As of December 31, 2012[(1)]		**As of December 31, 2013**	
	(in DOP million/ percentages)			
Not due or less than 30 days	779	54%	614	50%
Between 31 and 60 days	533	37%	198	16%
Between 61 and 90 days	49	3%	80	7%
More than 91 days	87	6%	325	27%
Total gross trade receivables past due	**1,448**	**100%**	**1,216**	100
Provisions for bad debt	(299)	—	(284)	—
Net receivables	**1,149**	—	**932**	—

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of a netting between trade receivables and trade payables for an amount of DOP 633 million.

	Post-paid residential subscribers			
	As of December 31, 2012		**As of December 31, 2013**	
	(in DOP million/ percentages)			
Not due or less than 30 days	605	62%	825	77%
Between 31 and 60 days	116	12%	41	4%
Between 61 and 90 days	40	4%	27	2%
More than 91 days	216	22%	184	17%
Total gross trade receivables past due	**977**	**100%**	**1,078**	**100%**
Provisions for bad debt	(189)	—	(177)	—
Net receivables	**788**	—	**901**	—

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

Due to the diverse portfolio of products and services we provide, we believe concentration of credit risk is limited.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Our assessment of bad debt provision is performed based on an individual basis. A 100% provision is recorded in the case of litigation with a supplier. As of December 31, 2013, such provision amounted to DOP 284 million.

On the post-paid residential subscriber side, concentration of credit risk relating to accounts receivable from subscribers is limited due to our high volume of customers. Provision for post-paid residential subscribers' receivables is performed based on a statistical method, where a rate is applied according to the number of days overdue.

Credit risk relating to cash and cash equivalents, financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

We do not have any financial liabilities, derivatives, hedging instruments or finance leases. Liquidity risk arises mostly in connection with all of our payment obligations that result from our business activities.

In general, we manage our liquidity risk by monitoring our cash flow and using a rolling liquidity reserve forecast. Nevertheless, the prime objective of our policy is to minimize risks and not to create or maximize interest earned on cash held in bank accounts. Accordingly, we transfer cash to the current account held by Orange Group, without incurring any additional costs. We have a limited policy for investments with banks, and deposits must be made in the functional currency, with foreign currency deposits made to set up a natural hedge. We manage our cash forecasting to determine a currency split of total cash in each currency in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

In preparing the financial statements, we make estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information. Consequently, such estimates made as of December 31, 2013 and 2012, may subsequently be changed.

We also use our judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate	Nature of estimate
Revenue	(i) Identification of separable components of a bundled offer based on the individual components' relative fair value. (ii) Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship. (iii) Reporting of revenue on a net versus gross basis (depending on an analysis of ODO's involvement as either principal or agent).
Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments.
Income tax	(i) Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions (ii) Assumptions used for recognition of deferred tax assets arising.

INDUSTRY AND MARKET OVERVIEW

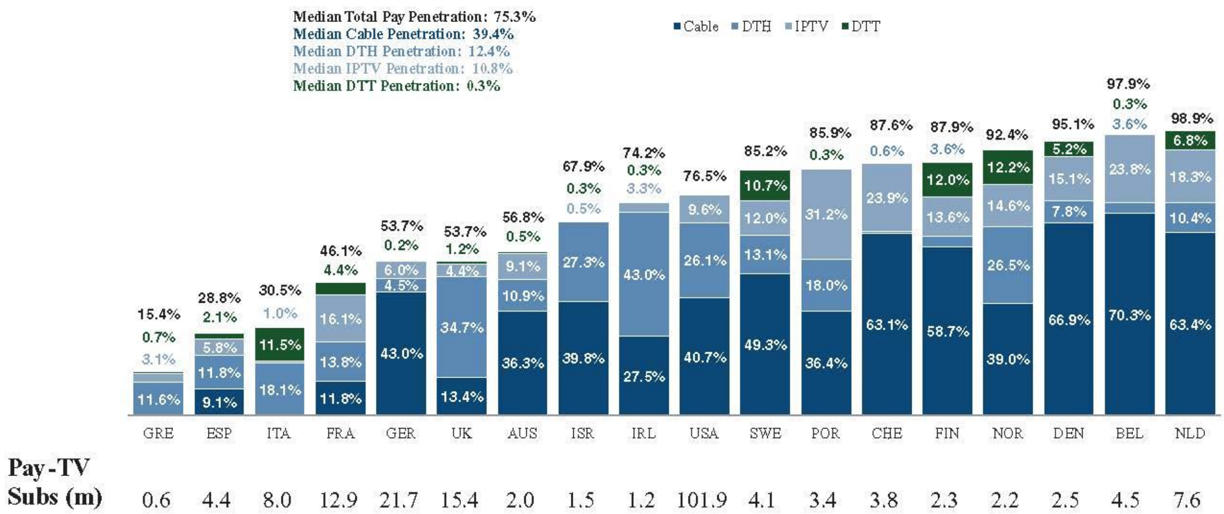
Introduction

We primarily provide cable and fiber-based services comprising high-quality pay television, high-speed broadband internet, fixed-line and mobile telephony to residential customers and, in certain countries, mobile and fixed-line enterprise telecom services to corporate and government customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the offering we can provide through our cable and fiber networks, of which we have significantly invested, as well as our advanced mobile networks. This has enabled us to (1) develop strong positions in multiple play segments as selling various services as part of bundles has become a growing trend in the markets in which we operate and (2) grow our market share in mobile telephony across our markets (France, Portugal, Israel, Dominican Republic and other geographies).48266730_3

Pay Television

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions, for example in France where IPTV represents approximately 34.9% (according to estimates for the year ending 2014 from Ovum Research) of the subscriber base or Italy where cable has not been introduced. Technologies that compete with cable include satellite, IPTV, "over the top" ("OTT") television and DTT. We believe that cable has certain advantages over these technologies, notably in terms of availability of interactive features, image quality and number of channels. Cable is only matched in quality by IPTV and OTT television when these technologies are delivered over fiber-to-the-home ("FTTH") networks. FTTH networks benefit from substantial bandwidth capabilities that are able to cope with the simultaneous provision of high-speed broadband and high-definition television services.

2014E Pay-TV Platforms—Western Europe and the US



Pay-TV Subs (m) 0.6 4.4 8.0 12.9 21.7 15.4 2.0 1.5 1.2 101.9 4.1 3.4 3.8 2.3 2.2 2.5 4.5 7.6

Source: Ovum Research

Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers require a satellite dish, a satellite receiver and a set top box. Pay television services provided via satellite typically require the viewers to use a conditional access smart card. Satellite providers of free to air satellite services typically do not have strong relationships with the viewers using their service as they do not receive subscription or other fees from them.

Satellite distribution has a number of competitive advantages over cable television services, including a broader range of programs available to a wider geographic area, especially rural areas. Given the lack of an integrated return path, however, satellite struggles to deliver easy to handle interactive television services, including VoD services, to subscribers who do not have a broadband internet connection. We believe that satellite has the following additional disadvantages compared to cable: (i) higher up front cost of procuring and installing a satellite dish, as compared to the "plug and play" convenience of cable television; (ii) absence of an on going maintenance service, which cable network operators can offer to their subscribers; and (iii) vulnerability of satellite reception to external interference, such as adverse weather conditions.

DTT based pay television packages benefit from the wide coverage of the terrestrial platform but suffer from the structurally limited number of channels available on DTT and the lack of interactive features. Consequently, the success of pay DTT has been limited, even in geographies where free DTT is the primary television platform.

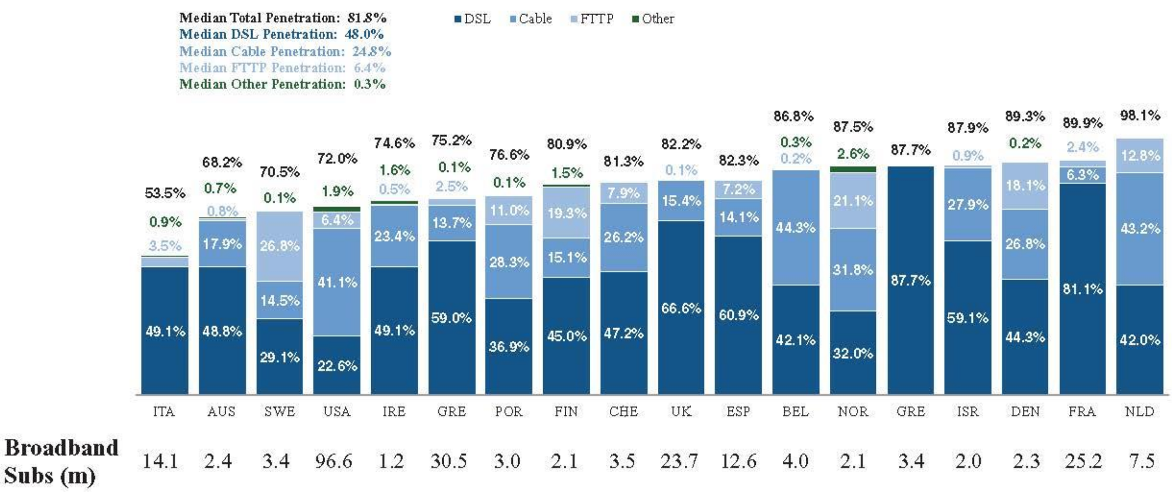
IPTV and OTT television are highly attractive ways of providing television content except when they rely on DSL networks. IPTV and OTT television that rely on DSL networks present a number of disadvantages compared to cable. For example, adding television services over a DSL network strains the network and decreases the amount of capacity available for other service offerings, particularly bandwidth intensive broadband internet. Under currently available technology, we believe that DSL based triple play providers will have difficulty providing the same level of services that can be provided over fiber networks (in particular, for HDTV, viewing of TV and VoD on multiple screens or TV and VoD simultaneous viewing and recording) without having to make significant investments in extending fiber closer to the subscriber's home. When such investments in fiber are made, notably through FTTH networks, IPTV and OTT television are able to offer high quality television to viewers.

Services provided via cable and FTTH networks are characterized by easy to use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of pay television distribution is expected to benefit from cable and fiber's ability to deliver triple play services with high bandwidth, high-speed and bi-directional capacity. On a standalone basis, namely without a broadband internet connection, the number of advantages of bi-directional capabilities of digital cable television over DTH are substantial for both the users and the cable operator. Digital cable subscribers can order VoD products and use interactive television while the cable operator is able to track usage patterns and enable their customers, the television channels, to target advertising to customers more efficiently.

Broadband Internet

The main broadband internet access technologies are DSL and cable, with DSL being the leading platform in a number of countries for historical reasons stemming from the fact that internet access was initially provided on telephony copper lines but is now increasingly provided on FTTH networks. We believe that increasing demand for very-high-speed broadband internet to cope with advanced applications (multi screen, multimedia) requiring higher bandwidth and greater download speeds offer a sizable growth opportunity for cable- and fiber- based technologies in the near term. We expect substantial growth in demand for very-high-speed internet and believe that we are well positioned to benefit from this trend, given that cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. According to IDC (IDC European Telecom Services Database Q3 2014, November 2014), total spending for VDSL, Docsis 3.0 (Cable) and FTTP (Fiber-to- the-premises), will increase 2.2 times between 2013 and 2016 in Western Europe. We believe our cable and fiber-based networks will be able to handle this increase in demand with limited additional upgrades. In contrast, many DSL based operators in some of our geographies of presence would need to make substantial investments in fiber to meet customer needs, although it is possible, in some areas coverage areas, to upgrade DSL networks to fiber for a limited cost. For instance, we have identified such areas in over 450,000 homes currently passed by our DSL networks in Portugal.

2014E Fixed Broadband Platforms—Western Europe and the US



Source: Ovum Research

The existing DSL infrastructure offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of up to approximately 300Mbps on U.S. Docsis 3.0, 360 Mbps on Euro Docsis 3.0 and up to 1 Gbps on FTTH networks. For most users, the actual speed provided by DSL is lower than the advertised maximum speed as the speed is dependent on the distance between the end-users' premises and DSL hubs. Furthermore, the maximum download speed of DSL networks has to be shared between broadband internet and competing simultaneous users of the line, such as IPTV. According to the "Quality of Broadband Services in the EU" report by the European Commission (published in October 2013), cable is estimated to achieve 89.5% of advertised download speed, while DSL based services achieved only 63.8% of advertised download speed.

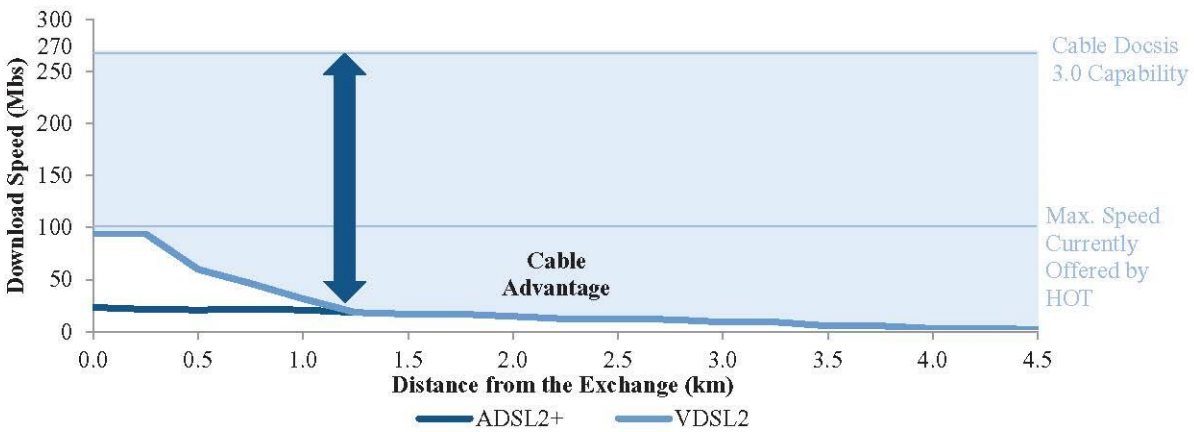
FTTH technology, which requires a direct fiber connection to the home of the user, currently offers consumers maximum speeds of 1 Gbps, with an estimated achievement of 82.7% of advertised download speeds according to the "Quality of Broadband Services in the EU" report by the European Commission (published in October 2013). A substantial challenge facing the expansion of FTTH or FTTB is that introducing such technology is capital and time intensive and requires significant digging and rewiring, with the exception of certain areas and buildings where upgrades can be performed at a limited cost. For example, in certain areas of our networks in Portugal where we are currently upgrading 450,000 DSL-based homes to FTTH (in addition to our current 1.7 million FTTH homes through an agreement with Vodafone to reduce the upgrade costs.

Cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. We are currently able to offer download speeds of at least 100 Mbps to all Docsis 3.0 and FTTH-enabled homes passed in our footprint.

The Docsis 3.1 standard, which is being developed by CableLabs, is a new Docsis specification enabling higher spectral efficiency support of up to 10 Gbps downstream and 1 Gbps upstream speeds. Docsis 3.1 is expected to work on existing hybrid fiber coaxial (HFC) plant and be backwardly compatible with previous Docsis standards. This double backward compatibility will allow a smooth migration strategy and no plant changes required to deploy Docsis 3.1 equipment. Furthermore, limited investment will be needed to further maximize the capacity in the future. Trials are planned for 2014 and commercially available products are expected in 2015.

VDSL2 is the latest and most advanced technology for DSL broadband internet wireline communications. It was originally designed to support the wide deployment of triple play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost efficiently upgrade existing xDSL infrastructure. VDSL2 allows the transmission of asymmetric and symmetric aggregate data rates of up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and further, allows for significantly lower signal deterioration caused by the distance between the cabinet and the customer's premises when compared to older DSL technologies. VDSL2 enabled networks could theoretically allow for up to 100 Mbps at 0.4 kilometers, 40 to 50 Mbps at 0.7 kilometers and approximately 30 Mbps at 1 kilometer.

Cable allows parallel usage of Broadcast TV and High Speed Broadband Internet



Fixed-line Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now bundled into multiple play packages. Accordingly, fixed-line services have become dependent on the quality of the broadband internet offering. Flat rate pricing for fixed-line telephony is now the market standard. Despite these changes, the decline in use of fixed-line telephony has been slow as most households still maintain a fixed-line at home.

Mobile Telephony and Mobile Broadband Internet

Consumption of mobile telephony and data services has continued to rise globally, driven by a growing penetration and a wider availability of smart phones. Mobile internet traffic is forecasted to grow at an average rate of 61% between 2013 and 2018 according to the Cisco VNI 2014 study, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile internet usage is mainly in the vicinity of home or office, we believe that operators' success in the mobile telephony services business will largely rely on their ability to access a high capacity backbone with compelling mobile tower backhaul offload solutions and a strong integration of their mobile telephony offers with residential broadband based offload capabilities to cope with increasing data consumption.

Despite this general trend, each mobile telephony market has a different structure and dynamic, depending on a variety of factors including, among other factors, the number of mobile network operators versus mobile virtual network operators, penetration of post paid versus pre paid subscription, regulation, available spectrum, commercial strategies of operators such as handset subsidies. The success of mobile operators in the various markets is largely dependent on the overall environment and its competitive advantages to its competitors.

In light of the various trends and the importance of the market structure for successful mobile operations, in order to reliably take advantage of the fixed mobile convergence, we have decided to implement a versatile mobile strategy. As part of this strategy, we own and operate a mobile network in Israel and we expect to benefit from synergies with our scalable cable networks in Israel. Additionally, we complement our fixed-line products with mobile offerings through a Mobile Virtual Network Operators ("MVNO") arrangement in Belgium.

Fixed-line Enterprise Telecom Services

We provide B2B telecom services, including voice and data to Enterprise customers, in a number of our geographies. We are increasingly migrating our Enterprise customers from voice-only products to integrated systems involving data connectivity, ICT applications and cloud-based solutions. We believe our network infrastructure and pooled experience across the Altice Group give us a competitive advantage in this segment.

1. France

The French telecommunications market is the third largest in Europe, with total retail revenues of approximately €36 billion in 2013 (Source: IDC European Telecom Services Database Q3 2014, November 2014). While we operate in all segments of the French telecommunications market, our core focus is on the most attractive sectors: very high speed fixed broadband, pay television, mobile and next generation B2B services. France is one of the largest fixed broadband internet access markets in Europe, with approximately 24.9 million fixed broadband subscriptions as of December 31, 2013, and 25.7 million as of September 30, 2014 (Source: ARCEP). Higher bandwidth is becoming more important to the B2C market. While only 8% of broadband lines in France were very-high-speed as of December 31, 2013, and 10% as of September 30, 2014 (Source: ARCEP), which is low compared to other European markets. The number of FTTP and Cable connections for the B2C market is expected to increase at an average annual rate of 35% between 2014 and 2018 and to reach 36% of internet access lines in France by 2018 (Source: IDC European Telecom Services Database Q3 2014, November 2014). In mobile, the total number of customers (excluding French Overseas Territories) has been continuously increasing, from 70 million as of December 31, 2012, to 74.1 million as of December 31, 2013, reaching 76.6 million as of September 30, 2014 (Source: ARCEP), supported by the dynamism of the market in France: increasing mobile, smartphone or tablet equipment penetration rate as well as growth in quadruple play offerings. However the mobile market has been slightly declining in value, with subscription prices under pressure, following the disruptive entrance of a fourth mobile operator at the beginning of 2012. Mobile subscription prices in France have now reached levels that are among the lowest in Europe for comparable offers. In the B2B telecommunications segment, data consumption has increased and data needs have become more complex, with the next generation services increasingly sought in the market requiring higher broadband speeds and bandwidth. B2B data consumption is expected to continue to grow.

1.1 B2C Market

In the B2C market, we operate in metropolitan France, which as of December 31, 2013, had a population of approximately 64 million inhabitants (Source: IMF) and approximately 29 million households (Source: IDC European Telecom Services Database Q3 2014, Nov 2014). As of December 31, 2013, Numericable Group's network passed approximately 9.9 million homes, or 35% of French homes, while SFR had a near nationwide DSL network covering approximately 23 million French households. As of September 30, 2014, Numericable Group's network passed approximately 10.0 million homes, while SFR's DSL network covered approximately 25 million French households.

The French B2C broadband market is a mature market, with 24.9 million broadband connections as of December 31, 2013 (Source: ARCEP), representing approximately 87% of French households, and 25.7 million broadband connections as of September 30, 2014, representing approximately 90% of households. In terms of access to very-high-speed broadband, defined by the ARCEP as broadband allowing for speeds above 30 Mbps, however, the French market is underpenetrated, with approximately 7% of households having access to very-high-speed broadband as of December 31, 2013, and only 9% as of September 30, 2014 (Source: ARCEP). This level of penetration is low compared to France's neighbors. As of December 31, 2013, the penetration rates of higher speed connections (VDSL, Docsis 3.0 (Cable) and FTTP) were 43% in Belgium, 45% in the Netherlands and 14% in Western Europe, respectively (Source: IDC European Telecom Services Database Q3 2014, November 2014). We believe that such under penetration presents an attractive growth opportunity as residential customers look increasingly for higher speed and greater bandwidth capacity in their internet consumption. This opportunity is more attractive given that the use of VDSL, Docsis 3.0 (Cable) and FTTP lines in France is estimated to grow 42% CAGR between 2014 and 2018 (Source: IDC European Telecom Services Database Q3 2014, November 2014).

The French fixed broadband market is one of the most competitive in Europe, with high unbundling and strong historic competitors. Orange's fixed-line network includes a local loop covering all of the French population, and unbundling provides competitors such as Bouygues Télécom and Iliad (Free) with access to it at a price regulated by a French regulatory agency. According to ARCEP, as of June 30, 2014, 90.3% of the French population was able to access competitive retail services due to unbundling, which makes France one of the European leaders in unbundling. All operators with significant market power must offer unbundled access to their local loop and associated facilities under non discriminatory conditions, which increases competitive pressure in the market. See "*Regulatory—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications*".

The French B2C mobile market is a mature one, although it has experienced significant changes with the entry of a fourth mobile operator in January 2012. Mobile telephony penetration in France has been increasing steadily, from a penetration rate for the total population of approximately 105% in 2011, to 112% in 2012, 117% in 2013 and 121% as of September 30, 2014 (Source: ARCEP). Data consumption on mobile devices has increased, with consumer mobile data revenues in France rising from approximately € 2.3 billion in 2011, to €2.9 billion in 2012 and to €3.1 billion in 2013 (including handset data, tablet, laptop/PC and dongles/mifi consumer data revenues. Source: IDC European Telecom Services Database Q3 2014, Nov 2014). In 2013, SFR's 3G network covered more than 99% of the French population, while its 4G network covered 40% of the population. As of December, 2014 (according to Company press release), these figures stood at 99% and 50%, respectively, for 3G and 4G network coverage.

Industry Convergence

The French B2C media and telecommunications markets have converged as customers seek to receive their media and communications services from a single provider at an attractive price. In response, providers offer television, broadband internet, fixed-line and mobile telephony services bundled into integrated offerings. France is one of the most advanced quadruple play markets in Europe, given the fully integrated and convergent nature of its four major operators. Quadruple play offerings have been available in the French market since 2009 (Bouygues Télécom). SFR and Orange introduced quadruple play offerings in 2010 with Numericable Group following in 2011 and Free in 2012.

The size of the French B2C broadband internet market in 2013 was approximately €4.2 billion (Source: IDC European Telecom Services Database Q3 2014, November 2014). We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment needs, increases customer loyalty and attracts new customers as the value proposition of the bundled offering is enhanced. We also believe that we have benefitted and will continue to benefit from opportunities to induce our existing cable television customers to purchase complementary services such as broadband internet, telephony and digital television.

In the French market, triple play services are provided through two major technological distribution platforms: Numericable Group's fiber/cable network and the DSL based networks of Orange, Iliad and SFR. Bi directional fiber/cable networks are particularly well suited for the provision of triple play services with high bandwidth requirements. Because it was originally designed for the transmission of large amounts of data, Numericable Group's hybrid fiber coaxial network based on FTTB technology enables it to deliver high speeds irrespective of the distance to the customer. Conversely, the actual speed of DSL based networks decreases as the customer's distance from the local exchange increases (maximum announced speeds are for customers located less than one kilometer from the nearest local exchange). To increase and harmonize network speed, Orange is investing in the build out of an FTTH network. Iliad and SFR have also begun deploying FTTH networks. As of December 31, 2013, approximately 559,000, and as of September 30, 2014, 800,000 subscribers were connected to FTTH networks (Source: ARCEP). We believe that our FTTB technology represents an advantage over the FTTH technology prioritized by many of our competitors. FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' buildings, such as the basement in a multi dwelling unit, with the final connection to the individual living space being made via an alternative, non optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. To date, FTTH technology deployment has been slow and costly in comparison to that of FTTB. On average, we incur a capital expenditure of €50 per plug to deploy FTTB.

As of December 31, 2013, Numericable Group had a market share of approximately 4% of the broadband market based on the total number of subscribers in France (4% as of September 30, 2014) (Source: Company filings), while SFR's market share was approximately 22% (20% as of September 30, 2014) leading to a combined market share of SFR and Numericable Group of approximately 26% (25% as of September 30, 2014). As of the December 31, 2013 (and September 30, 2014) Orange, Free (Iliad), and Bouygues Télécom reported broadband customers of 10.1 million (10.3 million), 5.6 million (5.8 million) and 2.0 million (2.3 million), respectively (Source: Company filings).

Broadband Internet

(a) Introduction

Broadband internet access, often shortened to "broadband", is high data rate internet access. The International Telecommunication Union Standardization Sector recommendation I.113 has defined "broadband" as a transmission capacity that is faster than primary rate ISDN at 1.5 or 2 Mbps. France is one of the largest broadband internet access markets in Europe, with approximately 24.9 million broadband subscriptions as of December 31, 2013, and 25.7 million as of September 30, 2014 (Source: ARCEP). In terms of access to very-high-speed broadband, however, the French market is underpenetrated, accounting for only 8% of total broadband connections as of December 31, 2013, and 10% as of September 30, 2014. We believe that such under penetration is an attractive growth opportunity as a provider of very-high-speed reliable broadband internet: as smartphones and tablets have proliferated and are used increasingly for multimedia functions, B2C customers require both higher bandwidth (to accommodate the increase in average number of screens per household) and greater download speeds (to accommodate multimedia usage).

The main broadband access technologies are DSL and fiber/cable. Analog dial-up modems, internet access via powerline and wireless local loop technology are also available, although to a lesser extent, in France. While the current broadband penetration rate in France per number of households is in line with other European markets, the growth of broadband penetration rates tends to be faster. The broadband penetration rate, based on number of households, has increased significantly over the last five years, to approximately 87% as of December 31, 2013, and 90% as of September 30, 2014, compared to approximately 63% as of December 31, 2009, and 69% as of December 31, 2010 (Source: ARCEP). As of December 31, 2013, Orange, SFR, Iliad and Bouygues reported total broadband connections of 10.1 million, 5.2 million, 5.6 million and 2.0 million respectively (Source: Company filings). As of September 30, 2014, the total broadband connections reported by each were 10.3 million, 5.2 million, 5.8 million and 2.3 million, respectively (Source: Company filings).

(b) Primary Distribution Platforms—DSL, Fiber and Cable

DSL is the leading broadband internet access platform in France, with 22.5 million subscriptions as of December 31, 2013, and 22.7 million as of September 30, 2014, representing approximately 90%, and 89% of the total French high-speed and very-high-speed internet market, respectively (Source: ARCEP). This results from several factors: (i) the regulatory environment that has encouraged DSL competition through unbundling and regulated wholesale prices; (ii) the relatively recent consolidation of the cable industry in France and low level of cable connection (only 30% of French households as of December 31, 2013); (iii) the fact that the cable network upgrade is relatively recent; and (iv) the relatively low levels of fiber deployment.

DSL currently offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of 200 Mbps. However, the speeds of such technologies in practice may be lower. Whereas cable is estimated to achieve 89.5% of advertised download speed, DSL based services have, in certain instances, achieved only 63.8% of advertised download speed (Source: European Commission).

FTTH technology, which requires a direct fiber connection in the home of the user, currently offers consumers maximum speeds of 200 Mbps, with an estimated achievement of 82.7% of advertised download speeds (Source: European Commission). The main difference between FTTH networks and our fiber/cable (FTTB) networks is that for FTTB networks the vertical connection (in the building) to the subscriber uses the existing coaxial cable. FTTH speeds are in theory infinite, limited only by the equipment used to deliver broadband, and not by any inherent limitations in fiber cables. FTTB speeds are, however, limited by the number of users using the connection in a building, with higher numbers of users requiring fiber deployment in the building in order to continue to achieve the same high speeds as those offered by FTTH.

FTTH deployment in France is progressing. The installation of such technology is intensive both as to capital and time, requiring significant engineering and rewiring, both horizontally to increase the number of cities covered and vertically within buildings. The French government considers FTTH to be a significant part of its long term investment plan and in February 2013 announced a €20 billion deployment plan and goals of 50% of the population having very-high-speed internet access by 2017 and 100% by 2023. The government has promised €3 billion in subsidies to local authorities in connection with FTTH deployment (Source: Investissements d'avenir—développement de l'économie numérique (Future

Investments—Digital Economy Development)). Several municipalities have offered subsidies to network operators that build FTTH connections. This trend is expected to continue, due to the fact that some municipalities, districts (départements) and regions, such as Hauts de Seine, Amiens, and Louvin, for example, have entered into public-private partnerships to stimulate such investment. As of December 31, 2013, FTTH broadband internet subscribers stood at approximately 559,000, accounting for approximately 27% of the French very high speed broadband internet market, and approximately 2.6 million homes were FTTH connectable (Source: ARCEP). As of September 30, 2014 FTTH broadband internet subscribers stood at approximately 800,000, accounting for approximately 32% of the French very high speed broadband internet market, and approximately 3.6 million homes were FTTH connectable (Source: ARCEP).

Both SFR and Iliad have signed agreements with Orange regarding deployment of fiber in France's less dense areas. In line with the conditions set forth by the ARCEP, other operators will also be able to obtain access to the infrastructure deployed by an operator, including through co financing projects, for their own very high speed broadband offers. However, FTTH deployment involves a heavy investment by operators (estimated by the ARCEP at approximately €400 to €200 per FTTH connected household), as vertical deployment must be made in each target building and home. Complexities often ensue as operators must obtain the consent of (and hence work closely with) the housing associations, co-op boards and/or building managers. Such complexities coupled with the financial pressure currently experienced by the Altice France Group's competitors as a result of the price war in the mobile market could delay fiber deployment in France.

VDSL2 is a conceivable intermediate, albeit partial, solution. DSL-based networks may be upgraded to VDSL2, which was authorized for use by the government in April 2013 and provides average bandwidth speeds of up to approximately 50 Mbps (Source: ARCEP). Orange has announced that it will run a beta test of VDSL for certain B2C subscribers on its network beginning in September 2013. Free (Iliad) has also announced that it would make its current offerings upgradeable to VDSL should the technology become available in a subscriber's location (which depends on whether Orange rolls it out on its local loop). Like all DSL based technology, however, and to even greater extent than DSL, VDSL2 speed depends on the distance to the local exchange. It is estimated that for distances above one kilometer, VDSL2 bandwidth speeds will be similar to that of traditional DSL networks (Source: ARCEP). Based on this distance, ZDnet has estimated that only 16% of French households would be in a position to benefit from increased transmission speeds under VDSL2 currently and only 6% would see download speeds greater than 30Mbps. Given the expected geographic and technical coverage of VDSL2, we believe that in the zones covered by our own fiber/cable network less than 8% of DSL lines will benefit from speeds higher than what is currently provided by ADSL2+.

Fiber or cable technology is becoming an increasingly important broadband internet access platform in France as a result of our strategy to upgrade our networks, provide new digital services to customers, leverage existing customer relationships and drive branding initiatives. As of December 31, 2013, very-high-speed subscribers represented approximately 8% of total broadband internet connections, 10% as of September 30, 2014, and we were the dominant player within this market (Source: ARCEP). We currently offer cable customers internet speeds of up to 200 Mbps, and our updated network and set top boxes have the ability to offer speeds of up to 400 Mbps with limited additional capital expenditures by us.

The following table shows the breakdown between high speed and very high speed broadband services in France from 2011 to September 30, 2014 (Source: ARCEP):

In the above table, our subscribers appear in the lines "of which very- high-speeds ≥ 30 and < 100 Mbps" and "of which very- high-speeds ≥ 100 Mbps". As of December 31, 2013, Numericable Group had 1,040 thousand very-high-speed broadband RGUs while SFR had 197 thousand FTTH subscribers representing a combined market share of the very-high-speed broadband market of approximately 60%. Adding Bouygues Telecom's 363,000 subscribers who are white label subscribers of Numericable Group's fiber market, our market share reached to approximately 78%. At that date, Orange reported 319,000 very-high-speed broadband subscribers.

	As of December 31,			As of September 30	
	2011	2012	2013	2013	2014
			(in thousands)		
Total number of high speed and very-high-speed subscribers on fixed-lines	**22,737**	**23,975**	**24,936**	**24,659**	**25,665**
Number of high speed subscribers	**21,389**	**22,369**	**22,870**	**22,797**	**23,170**
Of which xDSL	20,984	21,981	22,461	22,402	22,725
Of which other high speed access	405	388	409	0,395	0,445
Number of very-high-speed subscribers	**1,348**	**1,605**	**2,066**	**1,862**	**2,495**
Of which very-high-speeds ≥30 and <100 Mbps	685	670	743	656	845
Of which very-high-speeds ≥100 Mbps	466	621	764	726	850
Of which FTTH	197	314	559	480	800

Variation in the total number of high and very-high-speed subscribers					
Net increase in one year *(thousands)*	1,390	1,238	961	1,008	1,006
Net increase in one year (%)	6.5%	5.4%	4.0%	4.3%	4.0%

As of September 30, 2014, Numericable Group had 1,095 thousand very-high-speed broadband RGUs while SFR had 249,000 FTTH subscribers representing a combined market share of the very-high-speed broadband market of approximately 54%. Adding Bouygues Telecom's 368,000 subscribers who are white label subscribers of Numericable Group's fiber market, our market share reached to approximately 69%. As of that date, Orange reported 481,000 very-high-speed broadband subscribers.

The following table presents a comparison of our monthly prices for certain triple play and quadruple play offers and those of our competitors.

	Triple-Play	Quadruple-Play
Bouygues Télécom BBox Sensation Fiber	**€25.99**	**NA**
Free Freebox revolution fiber (Iliad)	**€29.99**	**€45.98**
SFR Fiber	**€39.99 (€29.99 for 1 year)**	**€54.98 (€34.98 for 1 year)**
Orange LiveBox Play Fiber	**€37.99 (€28.99 for 1 year)**	**€59.99 (€54.99 for 1 year)**
Numericable Power 4 Fiber	**€46.90 (€35.90 for 1 year)**	**€55.90 (€46.90 for 1 year)**

The offers of our competitors noted above do not include CanalSat channels, which must be subscribed separately through Groupe Canal+.

In addition, alternative access technologies may be introduced in the future that could further increase competition or could lead operators to increase capital expenditure for additional upgrades. Competition, including price competition, from these alternative technologies may increase in the future.

Pay Television

(a) Introduction

The French television market is one of the largest in Europe, with approximately 27.1 million television households and a combined pay television penetration rate of approximately 45.2% as of December 31, 2013, (expected to increase to 48% in 2017) (Source: Ovum Research). Like in other European markets, B2C television behavior in France is increasingly focused on digital, innovative, HD, Ultra HD, 3D TV and interactive television services such as Video on Demand ("VOD"), requiring high bandwidth and bi- directional distribution platforms.

(b) Distribution Platforms

Television signal distribution platforms in France include satellite, IP (DSL/FTTH), our cable network and terrestrial systems (i.e. DTT). Viewers who have the appropriate television equipment are able to receive the signal and view the content of approximately 25 television channels for free (i.e. without requiring a subscription) via DTT. To receive more channels, viewers must subscribe to pay television services. The French pay television market is divided between basic pay television, which primarily consists of basic content packages (i.e. DTT channels as well as low value added channels), and premium pay television, which consists of package offerings of premium sports, movies and other themed channels. Spending for pay television services in France is growing with total subscription fees reaching approximately €6.3 billion in 2013 (Source: Digiworld Yearbook 2014). While the established pay television operators face competition from free television (including DTT) and other pay television alternatives (OTT television and catch up television), the competitive advantage of pay television (high content quality and premium services) and the loyalty of the installed customer base lead to strong pay television resilience (as determined by low price sensitivity and low churn rates). As of December 31, 2013, there were approximately 12.6 million subscribers to pay television services in France, broken down as follows: 34.0% IPTV, 30.4% satellite, 26.5% cable and 9.1% DTT (Source: Ovum Research).

While we distribute our packages exclusively across our cable platform, Canal+ Group distributes its packages across all broadcasting platforms: DSL, DTT, satellite, as well as our cable network (in that case limited to Canal+'s own channels, known as Les Chaînes Canal+). Canal+ Group offers two complementary packages: a premium service consisting of Les Chaînes Canal+ and a multichannel themed service package known as CanalSat. These two complementary packages are available via combined or separate subscriptions. Canal+ Group has developed numerous value added services around its packages, such as its' on-demand television service, CanalPlay (which is not available by satellite and is therefore available on the Altice France Group's cable network), HD and multiscreen distribution. As of December 31, 2013, and as of September 30, 2014, there were 9.5 million and 9.4 million subscriptions, respectively, to Canal+ packages in

France (Source: Vivendi 2013 and Vivendi 2014 results). We have negotiated agreements with content providers that enable it to bundle CanalSat packages within its own offerings, its competitors currently can only offer CanalSat packages as an additional, and separately billed, service as CanalSat holds the distribution rights to this content for satellite and DSL.

We primarily compete with CanalSat, whose offers have similar content (Canal+ content being exclusive to Groupe Canal+). There are several CanalSat offers, including: CanalSat Panorama (approximately 122 channels, €24.90 per month (€15.90 for 1 year)), CanalSat Cinema Series (approximately 20 channels, €19.90 per month (€15.90 for one year)) and an offering of both CanalSat Panorama and CanalSat Cinema Series together (€39.90 per month (€24.90 for one year)). There is also the Grand CanalSat offer which includes CanalSat Panorama, CanalSat Cinema Series and other options (other channels) for €58.90 per month (€64.90 per month with adult channels). The channels Foot+, beIn Sport and the VOD Pass are not included but may be added.

(i) Cable

We are the sole major cable operator in France. There are also small regional cable operators that collectively represent less than 1% of the French cable networks in terms of total homes passed. Cable network operators generate revenues principally from subscription fees paid by customers for the services provided. We believe that the direct access we have to customers allows us to serve them better, as we can identify and fulfill their demands for specific products and services more easily and on a local basis. Services provided via cable networks are characterized by easy to use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Cable television subscribers are able to access customer services provided by the cable provider on demand. Cable also offers subscribers a high-quality service, including excellent picture quality, multiple HD channels, 3D compatibility and VOD offerings.

Given the trend towards offering bundled media and telecommunications services, the market share of cable television distribution is expected to benefit from cable's ability to deliver triple play services with high- bandwidth, high-speed and bi directional capacity.

(ii) Satellite

Satellite plays a substantial role in the French television market, especially among premium products. Satellite subscribers can receive free to air or pay satellite television.

Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available in a wider geographic area, especially rural areas. Conversely, satellite is less widely available in urban areas due to restrictions on the installation of satellite dishes. In addition, current equipment technology is not equipped for interactive televisions services, such as VOD, via satellite. In addition, while satellite operators can team up with providers of broadband internet and fixed-line telephony services, they are unable to directly supply all the products in a triple play bundle, putting them at a significant disadvantage as compared to cable or DSL operators who are able to provide all three services through their networks. We believe that satellite has the following additional disadvantages compared to cable: (i) higher up-front cost of procuring and installing a satellite dish, as compared to the "plug and play" convenience of cable; (ii) absence of a regular maintenance service which cable network operators offer to their subscribers; and (iii) vulnerability of satellite reception to external interference, such as adverse weather conditions.

(iii) DSL

Following its acquisition of SFR, the Altice France Group now addresses the pay television market through both Numericable Group's cable and fiber based offers and SFR's DSL based offers.

Our triple-play and quadruple-play offerings on Numericable Group's cable and fiber network compete mainly with the DSL based offerings of Orange, Free (Iliad) and Bouygues which currently provide television services to customers connected to the the Altice France Group's network utilizing DSL broadband internet connections, and with CanalSat, which delivers premium television packages through the networks of Orange, Free (Iliad), SFR and Bouygues Télécom. Orange, Free and Bouygues Télécom currently have high market shares in the high-speed broadband market in France and have a broad potential customer base (covering, in the case of Orange, its local loop and, in the case of Free, the portion of Orange's local loop that has been unbundled), we believe that the superiority of its technology in terms of quality, reliability and variety of content will allow it to challenge their positions in coming years in the areas where we have deployed our fiber/cable network. See "—The Group's Network". Following the SFR Acquisition, we are also now able to compete with these DSL offers using SFR's close-to-nationwide DSL coverage of the French territory. We believe that DSL based television presents a disadvantage compared to cable: adding television services over a DSL network strains the network and decreases the amount of spectrum bandwidth available for other service offerings, particularly bandwidth intensive broadband. Under currently available technology, we believe that DSL based triple play providers such as Orange and Free (Iliad) will have difficulty providing the same level of services that can be provided over fiber/cable networks (in particular, viewing of multiple TV/VOD on multiple screens, TV/VOD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home. In addition, Orange, Free and Bouygues Télécom customers must subscribe separately to premium channels, such as CanalSat, while these are included in certain of our bundled packages.

(iv) Pay DTT

Our cable television services also compete with DTT providers such as Canal+ Group. As of December 31, 2013, approximately 9% of all digital television B2C subscribers in France obtain their service through DTT networks (both free and pay DTT) (Source: Ovum Research). DTT currently offers only a limited number of channels (primarily free television channels) and does not offer any interactive television services, but the image quality provided is good.

(v) Other Emerging Technologies

We face increasing competition from alternative methods of distributing television services other than through traditional cable networks. For example, websites and online aggregators of content that deliver broadcasts OTT of an existing broadband network, such as Amazon and Apple, have already emerged as competitors and are expected to become increasingly significant competitors in the future. Connected or "smart" televisions facilitate the use of these services. OTT refers to broadband delivery of video and audio content without the internet access provider being involved in the control or distribution of the content itself (limiting its role to IP transfer), in contrast with the purchase of video or audio content from an internet provider, such as VOD or an IPTV video service. Outside of France, for example, in the United States where Netflix and Hulu provide OTT content, OTT is popular. The full extent to which these alternative technologies will compete effectively with our cable television system in France is not yet known. In particular, OTT in France is impacted by the "media chronology" in France, which requires subscription VOD services to comply with a minimum 36 month time period between a movie's theatrical release in France and its availability in a subscription VOD catalogue, which does not apply to TV shows or movies that are not shown in movie theaters. Such providers or other web content providers have begun to promote offerings in France and could place significant competitive pressure on the French market. For example, Netflix launched offers in France in September 15, 2014, proposing a free trial month and packages ranging from €7.99 per month for one standard quality screen up to €11.99 per month for four HD-quality screens. In addition, Bouygues Telecom and Orange have announced that they have concluded agreements with Netflix pursuant to which their respective customers will be able to access the unlimited VOD services of Netflix directly from their television with a Netflix subscription starting in November 2014 (Source: press release of Bouygues Telecom and internet site Orange.fr). SFR's offer with the Google-play television set-top box also includes access to Netflix. There are also other competing players in the market, such as Canal+ Group, Apple TV, Google TV, among others. However, such technologies may also contribute to demand for the Altice France Group's very-high-speed broadband internet access.

Fixed Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now bundled into multi-play packages. Fixed-line services have therefore become dependent on a quality broadband offering. Flat rate pricing for fixed-line telephony has become the market standard.

The market for B2C telephony in France also faces pressure from alternative carriers, declining mobile phone charges and interconnection rates, as well as alternative access technologies and other methods of internet telephony offered via broadband internet connections. We expect increasing competition, including price competition, in the future.

Mobile Telephony

France is one of the largest mobile markets in Europe with total market revenues of approximately €19.5 billion in 2013 (Source: IDC European Telecom Services Database Q3 2014, November 2014). As of December 31, 2013, there were 74.1 million total mobile customers in France, compared to 70.5 million as of December 31, 2012, representing a 117% penetration rate of the French population (Source: ARCEP). Indeed, as of September 30, 2014, there were 76.6 total mobile customers, compared to 72.9 as of December 31, 2013, representing a 120% penetration rate (Source: ARCEP). By comparison, as of September 30, 2014, mobile penetration of the population was 106%, 127%, 136% and 144% in Spain, the United Kingdom, Germany and Italy, respectively (Source: Ovum Research). The historically low mobile penetration, coupled with the decrease in market prices, has resulted in significant growth in mobile subscriptions. This growth is mostly driven by the subscription contract segment, which grew by approximately 8% in volume in 2013 with the pre-paid contract segment declining by 16% over the same period (Source: ARCEP). The increase in the subscription contract segment and decrease in the pre-paid contract segment is mainly attributable to operators transferring subscribers to potentially higher monthly bills with internet access and by the launch of very low cost subscription offers by French operators following the entry of Free in the mobile market in January 2012.

(a) Market segmentation

Historically, there were only three mobile network operators in France: Orange, SFR and Bouygues Télécom. Iliad was awarded the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 under the "Free" brand. Free's entry has disrupted the market, with competition intensifying due to Free's aggressive pricing strategy. Before the entry of Free, most of the post paid contracts were based on limited usage (e.g. 4 hours of voice) and subsidized handsets. Free widely introduced "no frills" packages with no handsets and limited outsourced services but providing unlimited voice and data package (3G) at a very low cost (€19.99 per month for its key offer). Other competitors have also introduced low cost brands such as B&You (Bouygues Télécom) and Sosh (Orange). SFR also adapted its strategy by launching its low cost brand "SFR RED". Free rapidly gained market share, reaching approximately 8.0 million mobile customers as of December 31, 2013, and 9.6 million as of September 30, 2014, two years after its commercial launch. This market share gain has been driven by growth of the overall market in volume and by market share gains from Orange, SFR and Bouygues.

The French mobile market is also characterized by a high share of post- paid customers. Post-paid customers represented 71% of the French mobile market (excluding French overseas territories) as of December 31, 2013, compared to 69% as of December 31, 2012 (Source: ARCEP). In comparison, the share of post-paid customers in Spain, the United Kingdom, Germany and Italy was 71%, 59%, 51% and 24%, respectively in 2013 (Source: Ovum Research). This is mostly due to the substitution of pre-paid offers with low cost post- paid offers, at attractive and low prices (e.g. €2 per month for Free) and a small number of hours of communications (e.g. 2 hours of voice) and limited internet (50 Mb).

In recent years, MVNOs such as Virgin Mobile, NRJ Mobile and Numericable Group have also used the networks of mobile operators to sell their own branded mobile products. The migration of clients to MVNOs appears to have stabilized, with MVNOs representing a combined market share of 11% of the mobile market in France as of December 31, 2013, and 12% as of September 30, 2014 (Source: ARCEP).

At December 31, 2013, Orange, SFR, Bouygues and Iliad (Free) reported total mobile customers of 27.0 million, 21.4 million, 11.1 million and 8.0 million, respectively (Source: Companies FY 2013 Reporting), while the total number of MVNO customers in the market reached 7.8 million (Source: ARCEP). As of September 30, 2014, Orange, SFR, Bouygues and Iliad (Free) reported total mobile customers of 27.2 million, 21.4 million, 11.0 million and 9.6 million compared to 8.7 million MVNO customers in the market (Source: ARCEP, Company filings).

(b) Pricing dynamics

In recent years, the increase in competition in the French mobile market has resulted in lower market prices. Consequently, the average market ARPU per month has declined by approximately 32% as at September 30, 2014, since December 31, 2011 (Source: OVUM Research), driven mainly by migration of some post-paid subscribers to no-frills offers. Following this drop, mobile prices in France are among the lowest in Europe. France currently has the lowest mobile prices for comparable offers among major operators including low cost products, unlimited calls, unlimited SMS/MMS, 1, 2 or 3 Gbs of internet and free handsets (Proximus 5GB offer, Base and Mobistar in Belgium) for SFR Red, Sosh, B&You and Free offers at €19.99. The mobile prices in France are particularly low when compared to the low density of population in France, requiring significant investments to meet nationwide geographical coverage. As of December 31, 2013 France had 121 people per square kilometer compared to 265, 231, 370, 498 and 203 people per square kilometer for the United Kingdom, Germany, Belgium, the Netherlands and Italy, respectively, according to the World Bank, providing a disconnect between pricing levels and the investments required to roll out capex intensive networks.

(c) 4G/LTE

The French market has historically lagged behind other European markets in terms of mobile data consumption. Despite the high concentration of post- paid users, historically the market has been slower to embrace data services. Recently, this trend has changed as operators start to launch aggressive 4G mobile offers.

Free was the first operator to introduce 4G at no additional charge in December 2013. However, Free did not proceed with any price cuts as it did for its 3G offers. Free (Iliad) currently has limited capability to deliver 4G on a nationwide basis, given it has no spectrum in the 800 MHz band. Other operators in the market have aligned their 4G prices with Free's, with all MNOs, including SFR, now offering similar all inclusive 4G packages at the €25 per month starting price point.

(d) Mobile Termination Rates

Mobile termination rates ("MTRs") have been reduced by regulators across Europe. In France, ARCEP announced in 2011 it was going to further reduce mobile termination rates (symmetrically for the main operators, Free was not included as it had yet to launch commercial operations). At the end of June 2011, Orange and SFR were charging €0.03 per minute while Bouygues was charging €0.034. The new regulation required operators to reduce the rate to €0.02 per minute from July 1, 2011, €0.015 from January 1, 2012, €0.01 on July 1, 2012 and finally to €0.008 from January 1, 2013. As a result, France has the lowest MTRs in Europe with limited room for further MTR reductions. As a comparison, the average MTR in Europe is €0.0192 as at December 31, 2013 (Source: Body of European Regulators for Electronic Communications).

(e) Mobile spectrum and network coverage

Generally, spectrum licenses in France are for a period of 20 years and operators can only use the technology designated in the license on each spectrum band. This limitation prevents Free (Iliad) from offering competitive 4G service on a nationwide basis, as it is only able to use its 2.6GHz spectrum for 4G. Other operators, including SFR, have very similar positions across the spectrum bands, allowing them to compete effectively with each other across all technologies. The most recent spectrum auctions in France were the 800 MHz auction in December 2011 and the 2.6 GHz auction in September 2011.

1.2 B2B Market

Following the liberalization of the French telecommunications market in 1996, a large number of telecommunications operators entered the B2B market segment, offering fixed-line telephony services, fixed-line internet access, data access links and, more recently, cloud computing. The large corporates B2B market is highly competitive and includes the following among its key market participants: Orange, SFR, Bouygues, Completel, and other international players. The market for other corporates is dominated by Orange, with competition also from local actors.

The expectations of B2B customers differ from those of B2C customers, in particular with respect to the need for reliable and symmetrical bandwidth speeds (i.e. high speeds for both downloading and uploading). B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is disruption (failing which financial penalties typically apply). B2B customers also generally require symmetrical bandwidth speeds, while B2C customers are usually satisfied with asymmetrical speeds providing higher downloading speeds and slower uploading speeds. Additionally, B2B customers require higher security and are in a position to impose monetary and other penalties on providers for failure to meet contractual requirements. These requirements have an impact on the technological solutions offered to B2B customers and support higher prices in the B2B segment.

The penetration of mobile internet is increasing on the B2B market, in particular with more and more smartphones including data in the offer. With respect to fixed connectivity, the B2B market is also currently characterized by increasing penetration of optical fiber, related to the increase in the consumption of data.

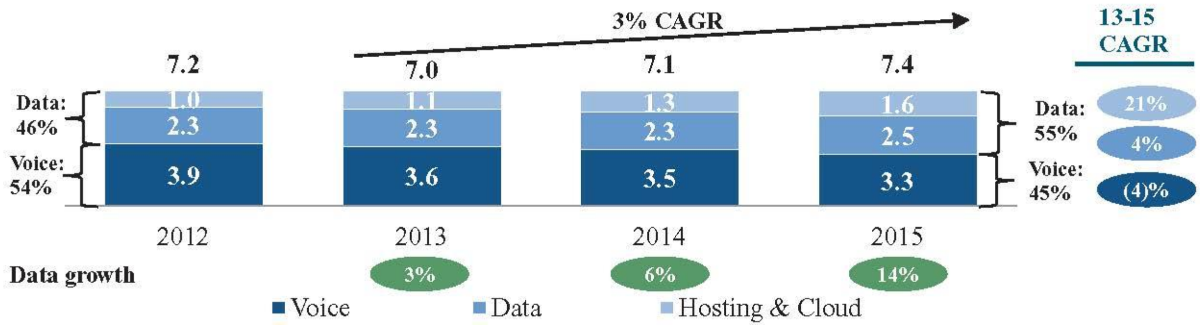
Customer expectations are increasingly leaning towards convergent offers that propose a range of competitive services: fixed telephony, which is converging with data via VoIP, mobile telephony and internet access (with growing demand for very high-speed access). These convergent offers are targeted to very small businesses and small and medium-sized businesses looking for “all- in-one” solutions.

Customer expectations also contribute to the development of unified communications for businesses, which are marked by the convergence of mobile and fixed-line telephony and by the development of collaboration tools (professional messaging services, instant messaging, visio-conferencing, and sharing tools).

Beyond services to businesses, the operators on the B2B market offer related and complementary services, including: (1) unified communications and collaborative tools services; (2) call center services or management of the internet presence; (3) managed security services (hosted and non-hosted), which follow the penetration of IP communication services; and (4) remote work (particularly online backup, firewalls, management and protection of terminals and secured access to resources on the business’ network).

With respect to connectivity, the market is characterized by the growing penetration of optical fiber, related to increasing data consumption.

We expect next generation services and data consumption to increase (chart does not include mobile segment data):



CAGR: Compound Annual Growth Rate

Voice

The B2B segment for voice services is extremely price sensitive, with sophisticated customers and relatively short term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive, denser network. In recent years, the B2B market has experienced a structural shift to VoIP services from traditional switched voice services.

Data

In the B2B segment for data services, the capacity to transport high amounts of data and access to the latest technologies are very important to customers. In the data market, consumption has increased significantly and customers currently often seek combined infrastructure and software solutions.

Price pressure is high in this competitive market. Conversely, data consumption has increased significantly. We expect a continued increase in B2B demand for data services and bandwidth due, in particular, to the following factors:

- the convergence of voice and data services, such as VoIP, which results in increased demand for resilient network solutions;
- the centralization of IT hardware of multisite enterprises, including servers into one single location per enterprise, which increases connectivity needs of the peripheral sites of such enterprises;
- the emergence of new business applications, such as videoconference;
- larger corporates' demand for faster access, increased virtualization, data centers and increased security services;
- increasing digitalization at public administrations;
- increased use by medium sized companies of complex data products, such as cloud computing; and
- increased use by businesses of internal wireless networks.

Customers are currently seeking maximum optimization and rationalization of their needs through the use of data centers. Large corporates tend to seek dedicated network solutions in order to control their service chain from end-to-end and often have their own infrastructure. Medium sized corporates are more likely to seek "infrastructure as a service" (IaaS/cloud) solutions for their data availability, storage and security needs. "Infrastructure as a service" can now provide such corporates with data storage and backup solutions that would otherwise be too expensive. While medium sized corporates expect providers to provide tailored and secured infrastructure up to the "middleware" level, small corporates tend to prefer a packaged solution such as "software as a service". We now compete with software and other IT providers of data and network solutions, and the frontier between them and providers of infrastructure and data solutions such as us is increasingly blurred. Partnerships between IT and infrastructure providers are increasingly common and are another source of competition.

Customers

The B2B segment is also defined by the different needs of customers, which vary depending on the size of the company. Large corporates are sophisticated and highly price sensitive customers. Speed, capacity, security and reliability are also very important to these customers. They tend to unbundle services and put them out to tender frequently. Smaller companies are more apt to bundle and place a premium on provider proximity.

We estimate that the size of the large corporates market (those with more than 1,000 employees), medium sized companies (between 20 and 1,000 employees) and small and home offices in 2012 was €3.1 billion, € 3.4 billion and €0.7 billion, respectively. We believe that the French large corporates market includes approximately 1,900 entities, approximately 155,000 sites (approximately 80 sites per large corporate), and a monthly average value per contract of approximately €130,000. We believe that the French midmarket includes approximately 290,000 entities, approximately 507,000 sites (less than 2 sites per medium sized company), and a monthly average value per contract of approximately €1,200.

In 2013, SFR entered into exclusive negotiations to acquire B2B operator Telindus, with the objective to enhance its capabilities as provider of next generation B2B services in France. The transaction was completed on April 30, 2014.

Wholesale Market

The wholesale telecommunications market comprises three sectors: wholesale voice carrier services, wholesale data carrier services and wholesale dark infrastructure services. The wholesale voice carrier services segment includes fixed and mobile termination and interconnection services for operators with no or limited switched voice network capillarity. The wholesale data carrier services segment includes transporting data for operators with no or limited data network capillarity. The new wholesale dark infrastructure market is developing, based on the selling of fiber connections without any related voice or data services. This business is growing in connection with the roll out of FTTH and 4G and involves principally horizontal fiber links and backhauling.

In France, the wholesale telecommunications market is dominated by Orange and SFR with their market shares varying by segment. SFR has a strong presence in the voice wholesale segment. In the data wholesale segment, Orange is the dominant player, with local operators playing a significant role. In the fiber wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2013.

- *Voice.* The wholesale market for voice services is highly volatile. Operators generally seek tenders each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators with respect to voice services. Competition is therefore based primarily on price and network capillarity, as well as on operators' flexibility and ability to offer tailored solutions. Pricing in the voice wholesale segment is generally "cost plus", with the interconnection cost set by the ARCEP. Regulated interconnection costs have decreased as the telecommunications industry has matured. See "*Regulatory—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications*". In addition, this segment has been significantly affected by the development of full MVNO agreements between network and virtual operators. These agreements have affected the flow of traffic and led to an increase in fixed to mobile volumes which generate higher wholesale prices. In particular, Free's arrival in the mobile market in January 2012 has led to a significant increase in mobile-to-fixed and mobile-to-mobile volumes.

- *Data.* The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.

- *Fiber Infrastructure.* The wholesale market for dark fiber infrastructure is more open than the wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e. they rent out the fiber to telecommunications operators).

Growth in the wholesale market is driven by growth in demand for network capacity, which has increased significantly in recent years.

Another trend in the wholesale market is the development of public/private partnerships between local authorities and infrastructure players for the installation or upgrade of FTTB networks or the deployment of FTTH/FTTO vertical networks. In the past, we have been selected as the entity in charge of building certain new networks or in charge of upgrading existing networks. We hope to be chosen in the future as well. See "*—The Numericable Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*".

Operators and consortiums of operators and construction companies have also started deploying FTTH vertical fiber networks in apartment buildings in order to lease the use of such networks to other telecommunications operators as "building operators" (opérateurs d'immeubles), including through public/private partnerships with local authorities. We operate in this area based on its bulk business relationships, as it is a way to retain and build customer relationships.

2. Portugal

Macroeconomic Overview

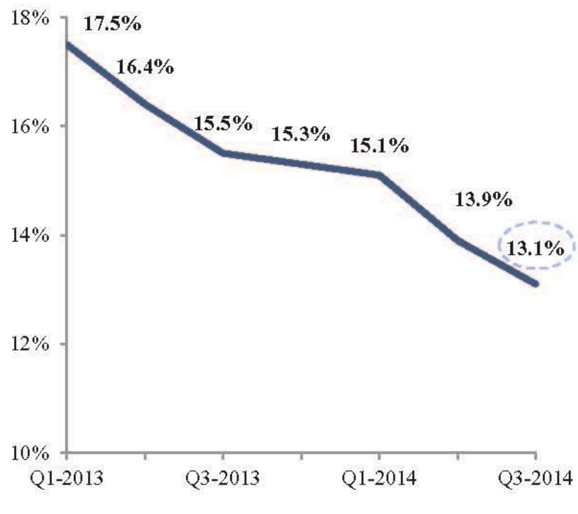
According to the IMF, Portugal has a population of approximately 10.6 million and 3.9 million households as of December 2013, and the population is expected to grow at an average rate of 0.1% per annum from 2014 to 2019.

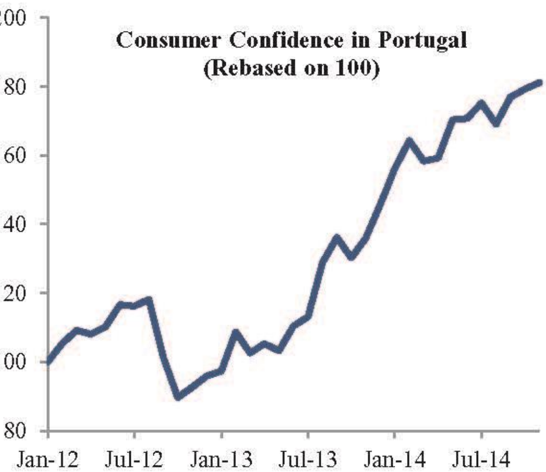
Portugal is a developed market economy with a GDP per capita in 2013 of $23,068 as compared to $44,999 for Germany, $39,372 for the UK and $44,099 for France. In 2013, Portugal's economy contracted by 1.4% according to the IMF due to the ongoing fiscal consolidation and both weak domestic and external demand. This compares to GDP growth of 0.5% for Germany, 1.7% for the UK and 0.3% for France during the same period. Nevertheless, there are early signs of recovery in economic activity. According to the IMF, Portugal's GDP is expected to grow at 1.0% in 2014 and at 1.5% in 2015. This is in line with other developed European economies such as Germany, which is forecast to grow 1.4% and 1.4%, the UK, which is expected to grow 3.2% and 2.7% and France, which is expected to grow 0.4% and 1.0%, respectively over the same periods, according to IMF.

Recently, Portugal has regained access to the sovereign bond markets at more favorable interest rates. Portuguese 10 year sovereign bonds yielded 2.6% as of January 6, 2015, which compares favourably with Germany, France and the UK with respective sovereign yields of 0.5%, 0.7% and 1.6%. Furthermore, contagion from the collapse of Banco Espirito Santo has been fully contained. Moody's has published that it expects no negative impact on Portugal's macro recovery or its sovereign credit rating (BB/Ba1). This positive trend in government financing is expected to benefit private financing for both companies and consumers.

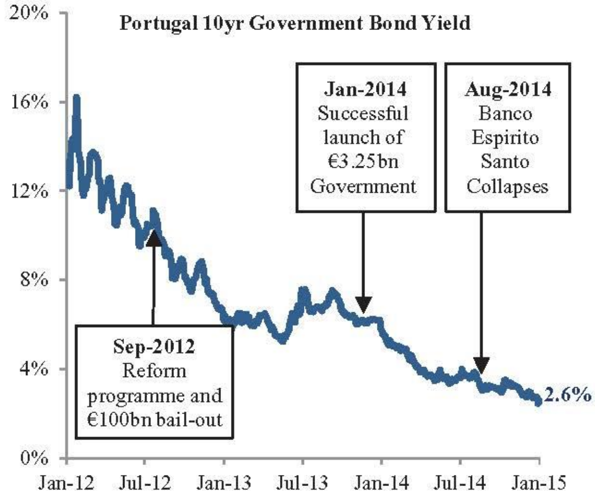
Similarly, Portuguese unemployment has shown signs of improvement in recent quarters, having declined from a peak of 17.5% in March 2013, to 13.1% as of September, 2014 (Source: Instituto Nacional de Estatística). This compares with unemployment rates as of September 2014 of 6.6% in Germany (Source: IMF), 10.1% in France (Source: IMF), and 6.2% in the UK (Source: IMF).

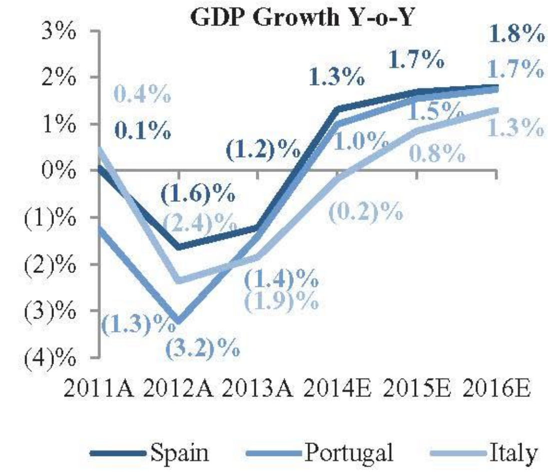
The improved macroeconomic conditions have had a positive impact on consumer confidence, which has increased from (56.6) in January 2012 to (21.4) in November 2014 (based on an index of 100) according to Instituto Nacional de Estatística. Finally, given Portugal's significant household savings rate of 15.3% for 2013 according to IMF, as compared to 24.0% for Germany, 10.0% for the UK and 20.7% for France, there is room for further upside in consumption if confidence continues to improve strongly.





Source: Instituto Nacional de Estatística



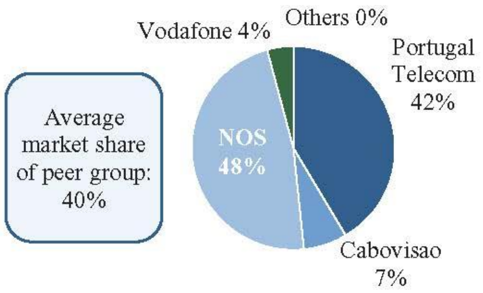


Source: Datastream as at January 6, 2015, IMF

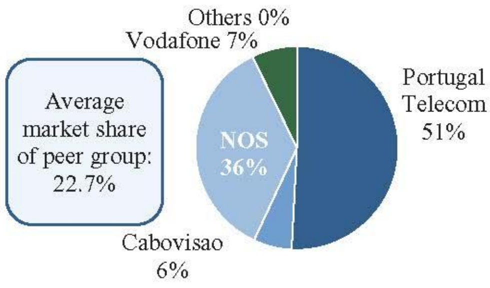
Competitive Overview

Below is an overview of Portugal Telecom's main competitors in Portugal:

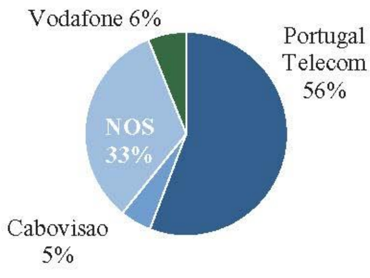
Market Shares by Subscribers in Portugal (2013)



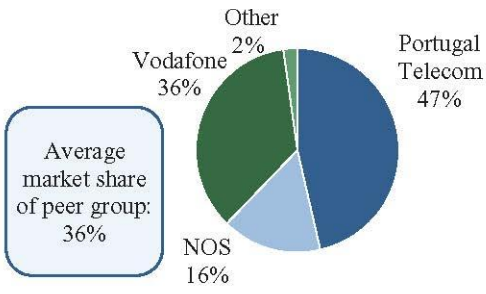
3.2m total subscribers



2.5m total subscribers



3.7m total subscribers



16.3m active SIM cards

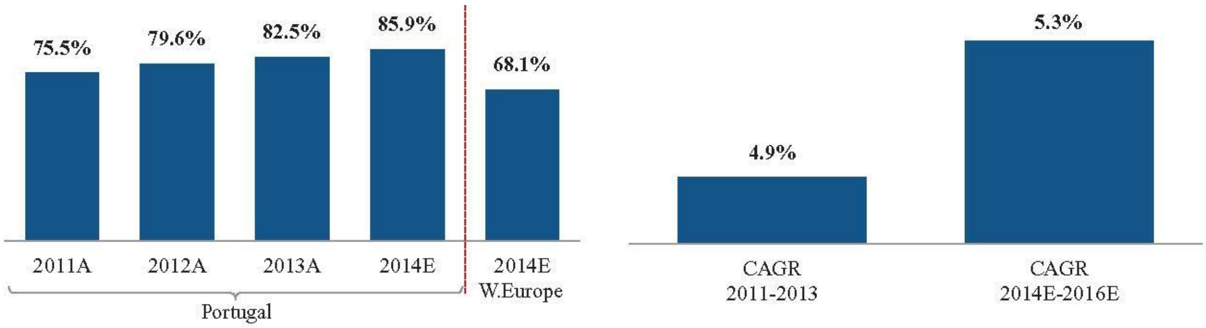
Source: Company filings, TeleGeography, Anacom, Ovum Research.

Note: Peer group for Pay-TV and Broadband includes Virgin Media, Telenet, Com Hem, Ono, Ziggo, KDG and HOT (Market shares 2013 in their respective main country of operations). Peer group for Mobile includes Deutsche Telecom, Telefonica, Telecom Halia, KPN and Vodafone (Market shares 2013 in their respective main country of operations).

2.1 Pay Television

According to Ovum Research, Portugal has an estimated 3.4 million pay television subscribers as of year ending 2014, and an 85.9% penetration rate, comparable with the most advanced EU peers. The penetration rate is expected to reach 98% by 2017 (Source: Ovum Research) Pay television penetration has been rising over the past three years driven by the high demand for a broad range of pay television channels and the relative weakness of free terrestrial television which only transmits five channels. Pay television has historically been primarily provided over the cable platform, which has a higher roll out rate than many Western European countries, with DTH, a complementary platform in rural areas, and more recently, IPTV, primarily in areas where fiber is present. Following the PT Portugal Acquisition, most of the pay television market will be divided between two players: NOS (formerly known as ZON Optimus), the largest player by number of subscribers, and Altice Portugal. Vodafone is a third service provider, but it has a limited coverage in rural areas. Based on Anacom Research, excluding other small providers, as of December 31, 2013, NOS, PT, Cabovisao and Vodafone had approximately 48%, 42%, 7% and 4% of market share nationwide, respectively. This represents a substantial improvement for PT Portugal as compared to its market share of 14% in 2008. In recent years, PT Portugal has been gaining market share due to the provision of local and original content as well as innovative features (e.g. multi-screen and non-linear content). PT Portugal has primarily offered low-priced IPTV, predominately in fiber areas and to a lesser extent on its DSL network; however, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. PT Portugal's IPTV offering, sold primarily as part of triple play packages, has historically not taken customers away from cable. However, it has driven an increase in pay television penetration. Pay television ARPU has increased from €24.9 per month in 2011 to approximately €25.5 per month in 2013, according to Ovum Research.

The Pay-TV market generated revenues of €1.0 billion in 2013 and is forecasted to grow at a 3.7% CAGR from 2014 to 2017, according to Ovum Research.



Source: Ovum Research

2.2 Broadband internet

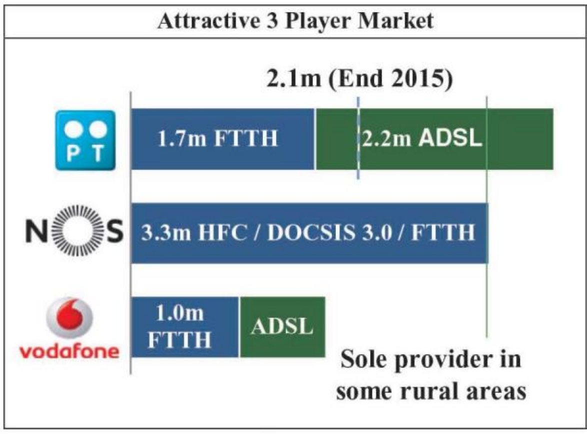
Introduction

According to Ovum Research, Portugal has an estimated 3.0 million broadband internet subscribers as of year ending 2014, and a penetration rate of 76.6%, slightly lower than the Western European average of 80.3%. Penetration is nonetheless forecast to increase, and is expected to reach a level of 79.0% by 2018, according to Ovum Research estimates. There are a number of operators providing broadband internet services to residential customers in Portugal. Pro forma for the PT Portugal Acquisition, the incumbent communications operator and historical monopoly in fixed-line telephony and broadband internet access, Altice Portugal will have a leading market share of 57% as of December 31, 2013, comprised of 51% for PT Portugal and 6% for Cabovisao. PT Portugal's market share has improved substantially from a market share of 42% in 2008. The challenger in the market, NOS has grown its broadband internet presence on the back of a Docsis network, with a footprint passing 47% of the Portuguese population as of February, 2014, and 7% for its FTTH network. According to Anacom, NOS had a market share of 36% as of December 31, 2013. The Portuguese broadband market has strong growth prospects given penetration upside potential. Growth is also expected to be driven by upgrading to higher speed offerings, based on a cable or fibre network infrastructure. According to IDC (IDC European Telecom Services Database Q3 2014, November 2014), the number of B2C subscribers to internet accesses is estimated to grow at 3.0% per annum (2014 to 2016) and ARPUs at 0.1% (2014 to 2016), both metrics being in line with the Western European average.

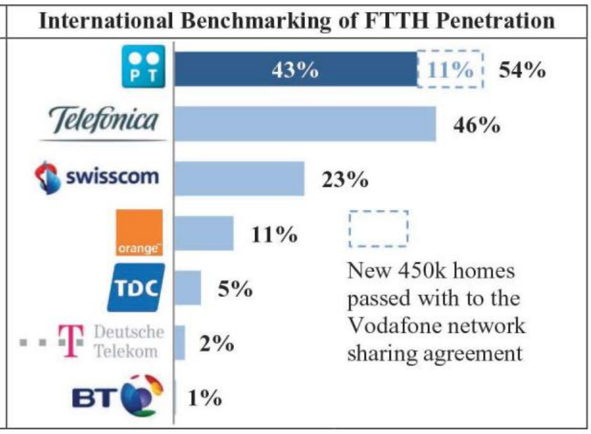
In 2013, the B2C internet access market generated revenues of € 0.3 billion and is forecasted to grow at 2.4% from 2014 to 2018 (Source: IDC European Telecom Services Database Q3 2014, November 2014).

Network Infrastructure

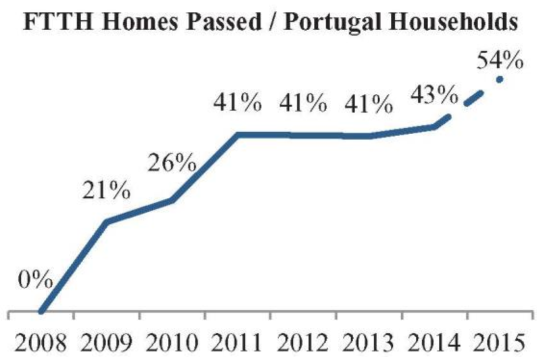
The quality of the network infrastructure underpinning the broadband internet access product is an important asset for operators. Pro forma for the transaction, of the 3.9m primary households in Portugal, Altice Portugal covers a large proportion of them of which 1.7 million households are passed with FTTH (planned to increase to 2.1m following the network sharing agreement with Vodafone to pass an additional 450,000 homes). PT Portugal is additionally the sole infrastructure provider in some rural parts of Portugal, mainly with DSL. NOS covers approximately 3.3 million households with a hybrid fiber and HFC network, and Vodafone covers 1.0 million homes with fiber (with a plan to increase to 2.0 million by the end of 2015). Currently, PT Portugal's penetration of FTTH as a percentage of homes passed in its country of operation is 43%. This will be further extended to 54% of the homes passed, following the rollout of a further 450,000 homes as part of a network sharing agreement with Vodafone. This is a higher level of penetration these for many other European telecom companies. Furthermore, as of December 31, 2013, 28.3% of PT Portugal's Pay-TV subscribers were connected through its FTTH network.



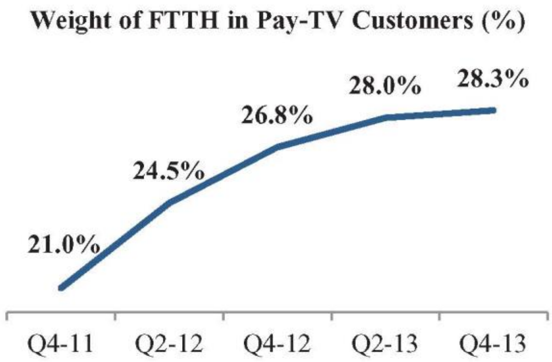
Source: Company information
Note: Homes passed, in million



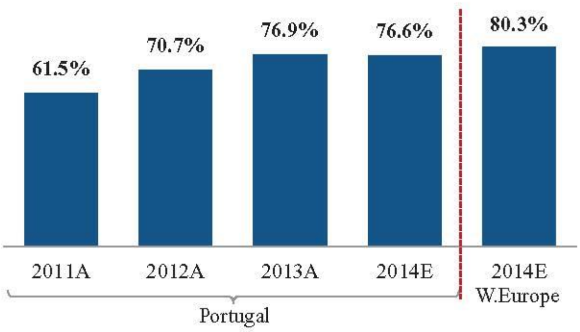
Source: Company information
Note: Based on the latest reported figures. Based on the key country of operations (Telefonica: Spain; Swisscom: Switzerland; Orange: France; TDC: Denmark; Deutsche Telekom: Germany; BT: UK)

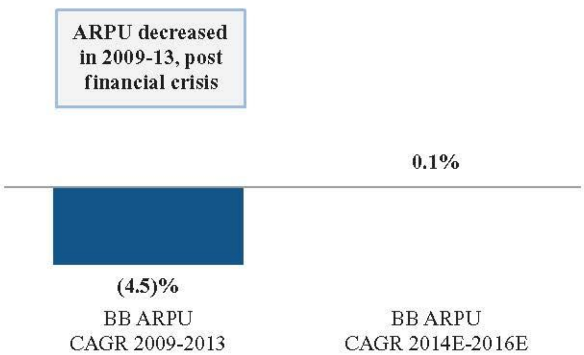


Source: Company filings, Ovum Research



Source: Company filings





Source: Ovum Research

Source: IDC European Telecom Services Database Q3 2014, November-2014

2.3 Fixed-line Telephony

According to Anacom, Portugal had 3.7 million fixed-line connections as of December 31, 2013. The penetration rate was 87.4%, compared to the Western European average of 88.6% (Source: IDC European Telecom Services Database Q3 2014, November 2014). Penetration has been increasing since 2009, primarily driven by NOS's drive to up-sell fixed telephony. At the same time, PT Portugal's number of subscribers remains stable due to an increase in multiple-play penetration. PT and NOS are the leading players with market shares of 56% and 33%, respectively, as of December 31, 2013.

According to IDC, in 2013, the fixed telephony market generated revenues of €0.6 billion and is forecasted to decline at 5% per annum. from 2014 to 2018 (Source: IDC European Telecom Services Database Q3 2014, Nov 2014).

2.4 Mobile Telephony and Data

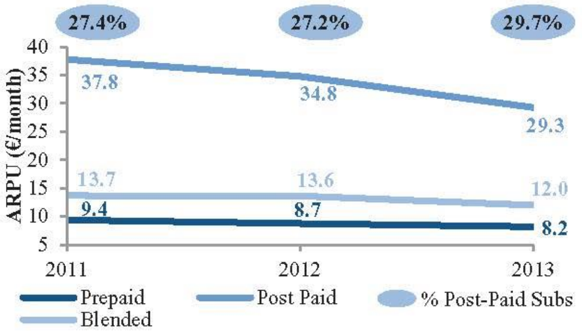
Introduction

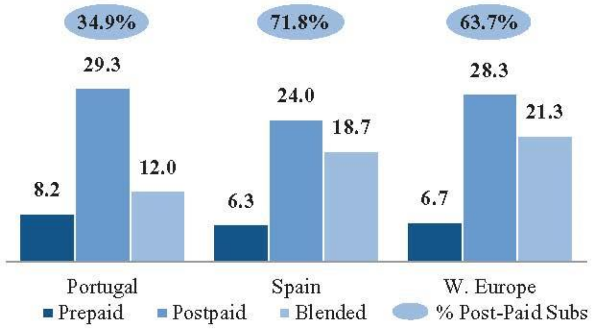
According to Anacom and Ovum Research estimates, the Portuguese mobile market had 16.3 million mobile subscribers, representing a penetration level of 154.0% as of September 30, 2014, as compared to a Western European average of 135.3%. As of December 31, 2013, in Portugal, 3G and 4G represented 71% of the subscriptions (Source: Ovum Research).

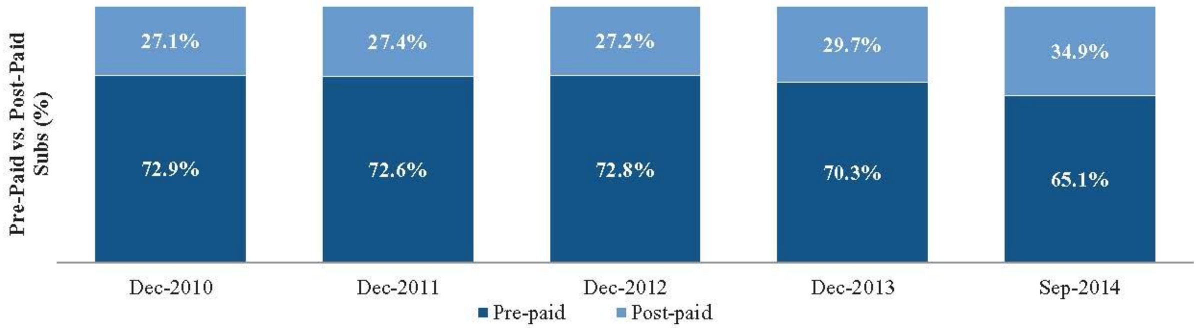
PT Portugal is strongly positioned as the market leader with 47% market share, significantly ahead of Vodafone with a market share of 36%, followed by NOS with a market share of 16%, as of December 31, 2013. This introduction of PT Portugal's quad-play offer M_4O in January 2013 has helped accelerate market convergence and has led to a marked increase in market share for PT Portugal from only 40% as of December 31, 2012. All three players introduced 4G at the beginning of 2012. Portugal Telecom's covers 95% of the population with 4G as of the end of 2014 as compared to 90% for NOS.

The market has low mobile termination rates ("MTRs") by European standards. MTRs in Portugal are currently at €1.27 eurocents/minute and expected to decrease to €1 eurocent/minute by the end of 2014 as compared to €3.50 at the end of 2011, which currently is among the lowest levels in Europe. Furthermore, Portugal is a primarily pre-paid market with 65% pre-paid subscribers (as at September 2014), as compared to 35% for the Western European average. Since pre-paid subscribers typically have a lower ARPU as compared to post-paid subscribers (as depicted in the chart below), overall blended ARPU in the Portuguese mobile market is among the lowest in Europe at €12.0 per month versus Western European average ARPU of €21.3 per month. Migration from pre-paid to post-paid customers, a trend which is already established based on the post-paid penetration level of 53.8% (as of September 30, 2014) as compared to 47.4% as of December 31, 2013, represents an upside opportunity for average ARPU in the market. Finally, the contribution to blended ARPU from data has been increasing over time, and represented 37% as of December 31, 2013, which is still lower than the Western European average of 42%, according to Ovum Research. Similarly smartphone penetration of 50% as of December 31, 2013, suggests a small upside when compared to the European average of 51%.

In 2013, the mobile market generated revenues of €2.4 billion and is forecasted to decline at 1% CAGR from 2014-2018, according to Ovum Research.







Source: Ovum Research

Access Network Topology—4G As of end of 2014

	Covered Area (%)	Covered Population (%)
Continental Portugal	76.1%	95.3%
Madeira	61.4%	93.1%
Açores	50.2%	79.0%
Total	**75.3%**	**94.8%**

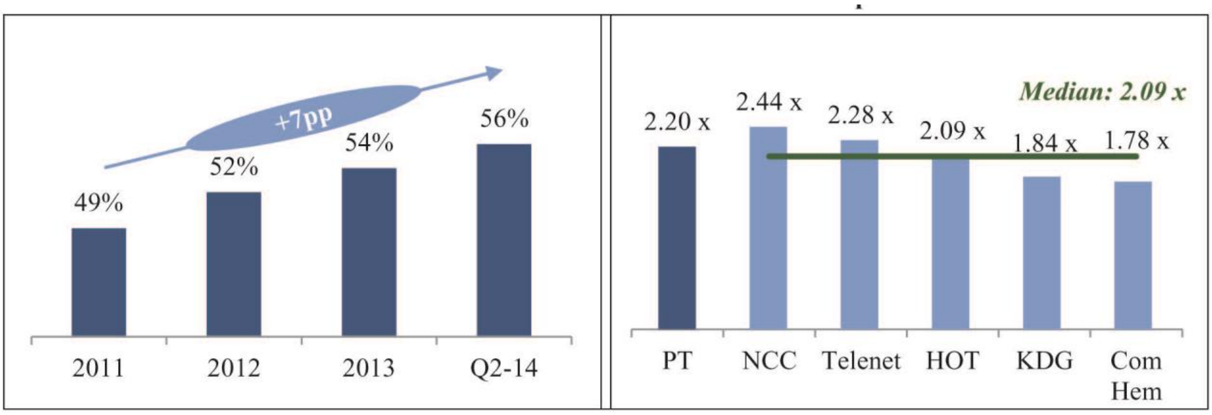
Source: Company Information

2.5 Bundling

As a consequence of consumer preferences and the parallel consolidation of fixed and mobile players, Portugal's telecommunications market has been transitioning towards convergence relatively faster than in other European markets, with an increasing number of residential and B2B customers taking triple-play and quadruple-play services from the same operator (such as the M_4O offer of PT). From an operator perspective, offering bundled services from a single point of contact helps increase ARPU, improve customer loyalty and reduce churn. This trend favors integrated players with state-of-the art network and IT platforms that are able to offer innovative bundled offerings to customers.

Portugal Telecom's strategy has been in line with such convergence trend with the launch of its M_3O and M_4O offer, which have been adopted by 1.0 million RGUs and 2.2 million RGUs, respectively by June, 2014.

As of September 30, 2014, PT Portugal's triple-play and quadruple-play penetration of its unique subscribers was 51.3%, and NOS's triple-play and quadruple-play penetration represented 70.5% of its unique subscribers. PT Portugal has successfully grown its share of subscribers in the triple play market in recent years, from 49% as December 31, 2011 to 56% as of June 30, 2014. Nevertheless, PT Portugal's revenue generating units per unit subscriber of 2.20x as of September 30, 2014 was lower than certain key peers in other geographies. This suggests potential for further upside in the penetration of bundled services. Growing the penetration of bundled solutions remains a key strategy in growing ARPU and reducing churn.



Source: Company information and company filings

2.6 Enterprise

Following the PT Portugal Acquisition, we will own the largest and second largest B2B telecom providers in Portugal under the PT Portugal and ONI brands respectively. In 2013, the market addressable by PT Portugal was estimated at approximately €1.7 billion, based on Mason Analysys estimates. Our main competitor in these markets is NOS, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom. PT Portugal market share for the B2B market was 48% as of December 31, 2013, according to Analysys Mason based on revenues.

Optimus has historically been one of the most aggressive competitors regarding pricing and through its merger with ZON has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies. Vodafone and AR Telecom have adopted different strategies to realize B2B opportunities, but have both had limited success to date due to lack of knowledge of fixed networks and lack of credibility in the corporate market.

There is a general trend in the Enterprise segment to migrate customers away from voice services to higher margin data services and, increasingly, integrated solutions including ICT and outsourcing. Altice Portugal will combine the strengths of PT Portugal and ONI, to capture value from the trend to more data-intensive integrated solutions and to provide converged fixed mobile solutions leveraging our integrated HFC, fiber and 3G and 4G mobile networks. We benefit from a large sales force with strong distribution capabilities in the banking and public administrations sectors and broad supplier relationships, which enrich the range of our services.

In 2013, the Enterprise market generated revenues of €1.7 billion and forecasts that it will decline at a 1% CAGR from 2014 to 2018, according to Analysys Mason estimates.

3. Israel

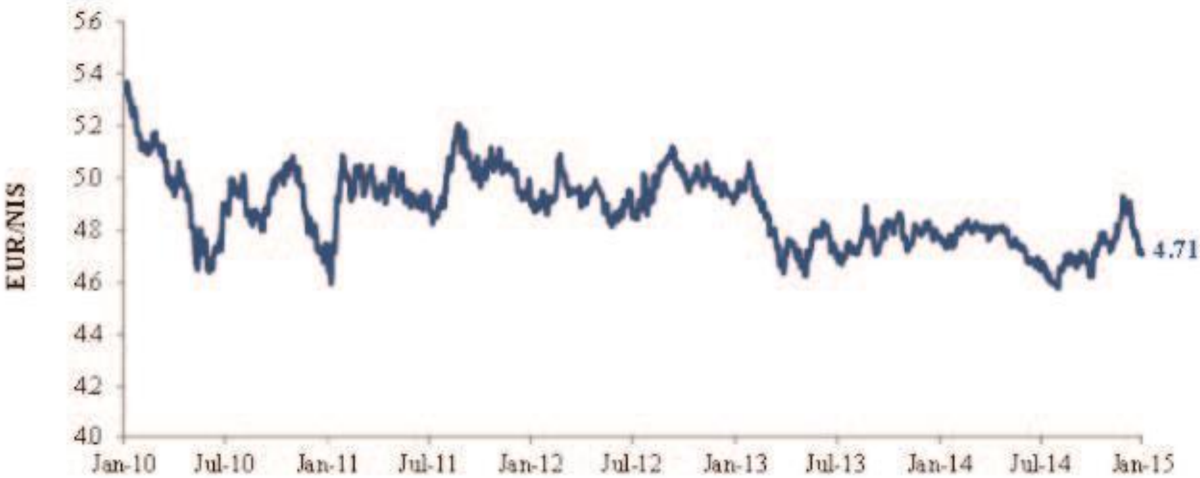
Macroeconomic Overview

We operate a significant portion of our business in Israel, which has a population of approximately 7.9 million and approximately 2.2 million households, as of December 31, 2013. According to the IMF, between 2010 and 2013, the population of Israel grew at an average rate of 2.2% per annum and is expected to continue to grow at an average rate of 2.2% per annum from 2014 to 2017, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our cable based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the Organization for Economic Co operation and Development ("OECD") and in 2013 had a GDP per capita (based on purchasing power parity) of $36,926, compared to other European countries such as $44,999 for Germany, $44,099 for France and $39,372 for the UK, according to the IMF. Since 1991, Israeli real GDP has grown at a rate of 4.4%, according to IMF. This compares favorably as against the average real GDP growth rate in other European countries such as 1.3% for Germany, 1.6% for France and 2.3% for UK, and 2.6% for in the U.S. in the same period. During this period, Israel faced a decline in real GDP for only one year, in 2002. Since the beginning of the global economic slowdown in 2007, the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.6%. Israel maintains a sovereign A+ and A1 rating from S&P and Moody's, respectively. Israel's real GDP is expected to grow at an average rate of 2.8% per annum from 2013 to 2016 versus an average of 2.8% for the UK and 1.0% for France according to the IMF. Israel also enjoys high levels of literacy, life expectancy and disposable income as attested by it being ranked at 19 on the Human Development Index

("HDI"), ahead of countries such as Belgium, France and Austria. Israel's economy is diversified and competitive on an international platform with a significant level of exports focused around high technology equipment, cut diamonds and agricultural products. Israel usually posts sizable trade deficits, as it imports crude oil, grains, raw materials, and military equipment, predominately offset by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments, and a relatively stable currency.

Evolution of the EUR / NIS Exchange Rate over the last 5 Years



Source: Capital IQ data as at January 6, 2015

The Israeli media and telecommunications markets have, over the past several years, slowly been converging as customers were inclined to subscribe to their media and telecommunications services from a single provider. Israel currently has relatively high estimated penetration rates for pay television, broadband internet infrastructure access and mobile telephony of 67.9% (for 2014), 87.9% (for 2014) and 126.8% (as of September 30, 2014), respectively, according to Ovum Research. This environment fosters a market for packaged offerings or "multiple-play", whereby television, broadband internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as "dual-play" or "double-play" (two services provided together), or "triple-play" (three services provided together). When mobile telephony subscriptions are added to triple-play packages, these are known as "quad-play" or "quadruple-play" packages, but currently such packages are prohibited by law in Israel under certain operators' licenses, including ours.

Side by Side Comparison of Bundles in Israel

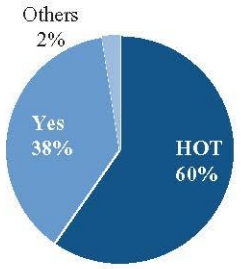
Offer	Hot (Cable)	Bezeq (xDSL / DTH)	DTT
Bundling	✓ Triple play ✓ Mobile offered separately	x No triple play packages currently allowed [1] ✓ Mobile offered separately	x No multiple play

(1) Subject to imminent change.

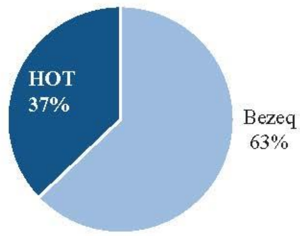
The only operator currently offering triple play packages including pay television, broadband internet infrastructure access and fixed-line telephony in Israel is HOT, with approximately 40% and 44% of its Cable Customer Relationships subscribing to its triple play offerings, as of December 31, 2013, and September 30, 2014, respectively. While convergence has occurred at a relatively fast pace in a number of Western European markets, notably in France and in the UK, a series of regulations, notably those affecting the integrated telecommunications operator Bezeq's ability to bundle products, have historically prevented such convergence to occur en masse in Israel, and still are a significant impediment to a broader convergence. On March 26, 2014, the Israeli Anti Trust Commissioner approved the merger between Bezeq and YES and we forsee that following such decision, Bezeq will begin to offer triple play in the near future. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced.

Competitive Overview

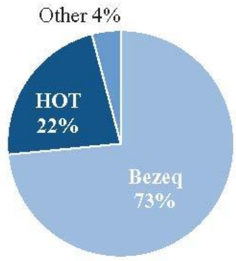
Cable based Services Market Shares by Subscribers in Israel (2013)



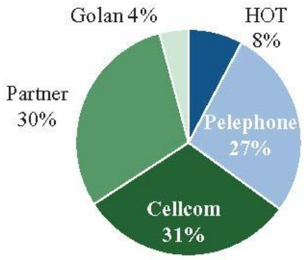
1.5m total subscribers



2.0m total subscribers



3.0m total Subscribers



9.9m total subscribers

Source: Ovum Research, TeleGeography and Company filings

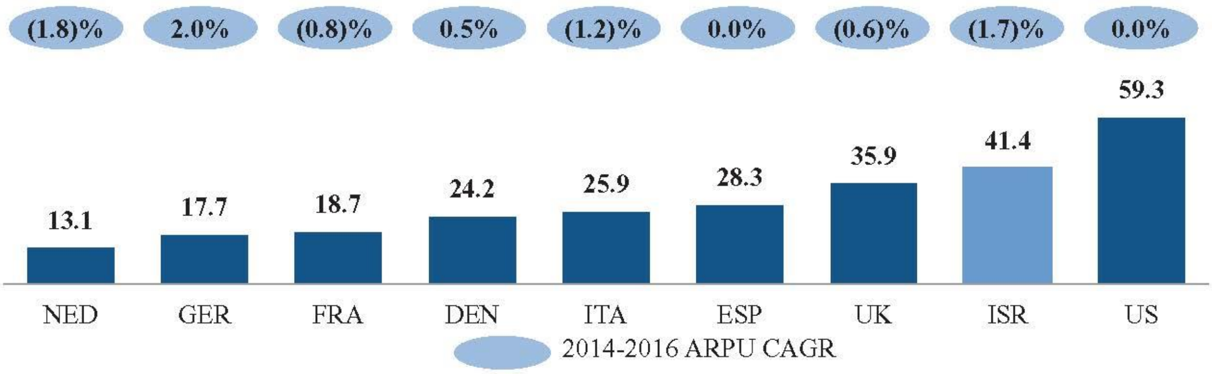
(1) Other include Netvision, Partner/Smile and others, all with relatively small market shares

3.1. Pay Television

Introduction

Israel's primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free-to-air platforms being relatively unattractive (given their access to only six channels offered by DTT) and limited local content for free DTH, Israel's pay television market currently has an estimated penetration level of approximately 68% compared to 46%, 54%, 86% and 88% in France, Germany, Portugal and Finland, respectively, according to Ovum Research (estimated for the year ending December 31, 2014). The Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.5 million subscribers. Similar to Western European markets, television consumer behavior in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and "start over".

Israel Pay-TV ARPUs vs. Peer Countries (€ per month) (2014 to 2016 CAGR)



Source: Ovum Research

Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, an associate of Bezeq, respectively. Free DTT service started in 2009, but has achieved a limited primary penetration of TV households of approximately 18% based on Ovum Research's current estimates (estimated for the year ending December 31, 2014), although we believe these numbers include numerous Haredi or ultra orthodox Jewish households who do not watch television. The established pay television operators face competition from free television (including DTT) and alternative ways of accessing television channels (such as "over the top" ("OTT") television), the competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more prevalent. As of December 31, 2013, the Israeli pay television market had 1.5 million subscribers, 59% of which accessing through cable (HOT) and 41% through satellite (YES).

The penetration of pay television could increase in the coming years as cheaper packages with fewer channels have been recently introduced by HOT and YES.

Offer	Hot (Cable)	Bezeq (xDSL / DTH)	DTT
Television	✓ 78 basic TV channels/20 HDTV channels/67 Premium TV/13 Interactive channels ✓ Standalone VoD ✓ A la carte/"TV Everywhere" second screen ✓ Startover function ✓ Latest generation set-top-box being introduced in 2014 ("LaBox")	✓ 45 basic TV channels/19 HDTV channels/50 Premium TV ✓ Pay per view x No standalone VoD (without internet) x No Startover function	✓ 6 basic channels x No VoD x No foreign language channels x No premium content
Internet	✓ Up to 200Mbs download speed advertised ✓ Up to 2Mbs upload speeds ✓ Effective speed advertised is typically achieved	✓ Up to 16-100Mbs download speed advertised ✓ Up to 1Mbs upload speeds x Effective speed advertised based on an 'Up to Basis'	x No internet
Telephony	✓ Digital telephony	✓ Digital telephony	x No telephony
Bundling	✓ Triple play ✓ Mobile offered separately	x No triple play packages allowed ✓ Mobile offered separately	x No multiple play

Source: Company information and Bezeq website

Cable

HOT is the sole cable operator in Israel with a network covering nearly all Israeli homes (a unique situation in OECD countries) and generates revenues principally from subscription fees paid by customers for the services provided. HOT co-develops and co-owns a number of popular shows, movies and series. It offers a number of proprietary channels as part of its packages giving them a competitive advantage. Cable's share of the pay television market has remained relatively stable over the last three years at approximately 60% with total pay-TV subscribers also remaining relatively stable.

Satellite

Satellite television is the main alternative to cable television in Israel. Television viewers can receive free to air or paid satellite television, which is offered by YES. Satellite's share of the pay television market has remained relatively stable over the last three years at approximately 40%. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU, with forecasts showing a stable satellite ARPU, while cable ARPU is expected to expand, according to Ovum Research, based upon on the digitalization and the emergence of a broader offering of channels and additional services. Satellite and Cable ARPUs are expected to grow at 0.1% and 1.3% CAGR respectively from 2014 to 2016, according to Ovum Research estimates.

DTT

Subscribers are also able to receive television services through DTT, an alternative way of watching certain television channels. Current penetration rates of DTT are low due to several reasons: (i) DTT currently offers access to six channels only; (ii) there is no access to premium or thematic content, such as sports, movies or children's programming; (iii) DTT has no interactive functionalities such as VoD or "start over"; (iv) DTT has limited capacity to transfer significant number of channels simultaneously; and (v) the quality of its transmission can be affected by weather. DTT could become more attractive in the future as a total of two multiplexers (MUXes) allowing for 18 channels have recently been approved by the Israeli government and are being rolled out. The Ministry of Communications expects that in 2014 the DTT platform will offer 18 channels, up from six, for free. The expanded service will use three multiplexes up from the current one. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels does not fundamentally address some of the key customer requirements such as interactivity and ability to choose individualized content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscription charges.

Other Emerging Technologies

We face a growing but limited competition from other technologies in Israel when compared to the European markets. Our incumbent competitor is currently lobbying to offer IPTV which is currently prohibited by law. Other players, such as websites and online aggregators of content that deliver broadcasts OTT of existing broadband internet networks may become significant competitors in the future. The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including: (i) the availability of certain local language content available through cable or satellite only; (ii) the quality of the signal on certain DSL enabled connections located far from exchanges; (iii) the inability to access HDTV content on most DSL connections during peak times; and (iv) the ability of cable operators to bundle pay television with other fixed-line products.

3.2. Broadband internet

Introduction

Israel is a mid-sized broadband internet market based on penetration compared to the large Western European or North American peer countries, with approximately 2.0 million broadband internet subscriptions (residential and business) as of December 31, 2013, and 2.0 million as of June 30, 2014. The current broadband internet penetration rate in Israel (being the number of broadband internet subscriptions per 100 households in Israel) is 88%, according to Ovum Research estimates (estimated for the year ending December 31, 2014), compared to 85% as of December 31, 2010. This level is above the Western Europe average of 80% and that observed in Italy (54%), Portugal (77%), and Germany (75%), according to Ovum Research (estimated for the year ending December 31, 2014).

Broadband internet in Israel is uniquely structured as households wishing to subscribe to broadband internet are required to purchase an internet access service from a licensed internet Service Provider (“ISP”) and a broadband internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

Side by Side Comparison of Cable based Services Offerings in Israel

HOT (Cable)		Bezeq (xDSL / DTH)		DTT	
✓	Up to 200Mb/s download speed advertised	✓	Up to 60-100Mb/s download speed advertised	**x**	No Internet
✓	Up to 2Mb/s upload speeds	✓	Up to 1Mb/s upload speeds		
✓	Effective speed advertised is typically achieved	**x**	Effective speed advertised based on an ‘Up to Basis’		

Broadband Internet Infrastructure Access

Currently HOT and Bezeq are the only fixed-infrastructure owners nationwide. HOT uses cable, while Bezeq’s network is mainly composed of DSL technology, although it is currently also building out a fiber network. Growth in the Israel broadband internet infrastructure access market has been driven by (i) the number of subscribers to broadband internet infrastructure access increasing steadily from 1.8 million in 2010 to 2.0 million as of June 30, 2014, and (ii) a significant growth in broadband internet ARPUs.

Bezeq, through DSL, is the leading broadband internet infrastructure access provider in Israel, with 1.3 million subscriptions as of September 30, 2014, including business and residential customers are excluded. Including business customers, Bezeq represents approximately 64% of the total broadband internet infrastructure access market by total number of subscribers as of June 30, 2014 (Source: Tele Geography), which has remained relatively stable over the last three years.

Based on the company's public filings, Bezeq is currently rolling out a Fiber-to-the-Cabinet ("FTTC") infrastructure and provides advanced network services such as Next Generation Network, an advanced communication network covering over 98% of Israeli households.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber-to-the-Building (FTTB), to form the basis for the future supply of advanced communication services and with greater bandwidth than currently provided. As of December 31, 2013, Bezeq had already deployed FTTx to 400,000 households and businesses in Israel and it is planning to have covered 1,000,000 homes and businesses with fiber by the end of 2014.

Our ability to offer the highest speeds in Israel on a large scale allows our customers to connect several devices (such as computers, tablets and smartphones (via Wi Fi connection)) simultaneously without impairing the quality of television signals or the speed and quality of the internet connections. We believe that this differentiates us from our nearest competitors.

As of June 30 2014, we had a market share of 36% of the broadband internet infrastructure market, as compared to a 39% share as of June 30, 2013. Our market share has nonetheless remained stable throughout 2014, and is consistent with our focus on higher ARPU triple-play subscribers.

3.3. Fixed-line Telephony

As of December 31, 2013, there were approximately 3.0 million fixed-line telephony lines in Israel. Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly since 2010, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use mobile phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services, with 2.2 million fixed telephony lines or approximately 73% market share as of December 31, 2013. Also, in line with Western European trends, the incumbent Bezeq saw a decline in its market share over the past years. In addition to Bezeq and HOT, who are by far the largest operators, fixed-line telephony can also be purchased from VOBs who cumulatively hold approximately 4% of the market share. HOT had approximately 22% of the fixed-line telephony market share as of December 31, 2013.

Fixed-Line Telephony Subscribers and Market Share Among Top Two Israeli Players Since 2010

Source: TeleGeography

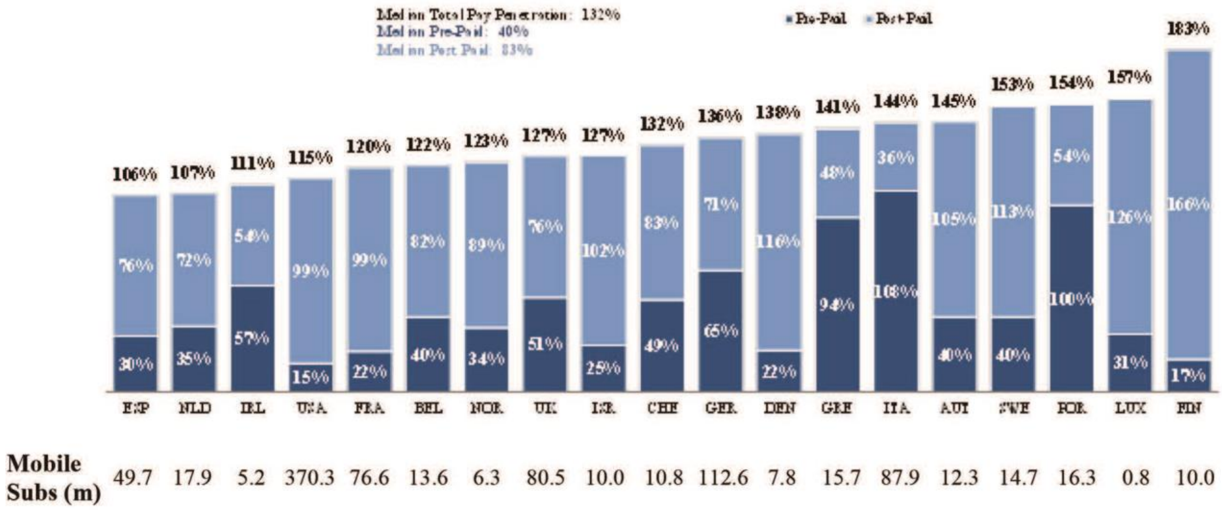
(1) HOT market share illustratively based on HOT and Bezeq total markets shares

The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake has become increasingly dependent on a quality broadband internet offering by the same provider. Fixed-line telephony is increasingly included in bundles which benefit HOT as a result of its ability to provide attractive bundles offerings. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination fees and pressure from to bundle discount, and resulted in the decline in Bezeq and HOT's fixed-line telephony ARPUs.

3.4. Mobile Telephony

There were approximately 9.9 million mobile telephony customers in Israel (excluding MVNOs) as of December 31, 2013, and approximately 10.0 million as of September 30, 2014. Penetration was estimated to be 127% as of September 30, 2014 (Source: Company filings, Ovum Research), broadly in line with countries such as Norway, the UK, Switzerland. Approximately 80% of the customers were "post paid" (purchased subscriptions rather than pre paid cards fixed number of minutes of use), according to Ovum Research as of September 30, 2014. On average Israeli mobile phone users spent approximately €17 per month (excluding VAT) on their mobile telephony services in 2013, according to Ovum Research, a relatively modest figure when compared to most Western European and US markets.

2014 Israeli Cellular Telephony Penetration vs. Western European and US (September 2014)



Source: Ovum Research, ARCEP (France)

There are currently five licensed Mobile Network Operators ("MNOs") which offer mobile telephony services to the public and several players who operate MVNOs, although MVNOs currently have insignificant market share of the mobile telephony market. Market shares of the top three mobile operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 30% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted UMTS licenses in 2011 with services launched in the second quarter of 2012 through a combination of proprietary networks and national roaming agreements with existing operators. As of September 30, 2014, HOT Mobile had approximately 932,000 mobile subscribers, corresponding to a market share of approximately 10% compared to 4% as of December 31, 2011. As of June 30, 2014, the combined ARPU for mobile telephony subscribers of all mobile operators in Israel declined to €16.5 per month primarily driven by a new mobile termination fee regulation in September 2010 which reduced mobile termination rates from NIS 0.25 to NIS 0.0687 per minute from the beginning of 2011, with further reductions to NIS 0.0634 per minute from January 1, 2012 and to NIS 0.0591 per minute from January 1, 2013. The final reduction, to NIS 0.0555 is set to come into force on or about January 1, 2014.

The Israeli mobile communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli mobile market now offers fewer barriers to entry for the new mobile license owners HOT Mobile and Golan Telecom.

Ovum Research estimates that the Israeli mobile telephony market will decline at 4.5% per annum between 2014 and 2016, which is consistent with the markets of other countries such as Germany, France, UK and Italy whose mobile markets are expected to achieve declines at 0.6%, 2.5%, 2.6% and 4.0%, respectively.

The Israeli market features lower ARPUs than in most of the other developed markets, which makes mobile telecom services more attractive to consumers.

Mobile Broadband Internet

As of December 31, 2013, there were 5.8 million active 3G mobile subscribers in the Israeli market, according to Ovum Research. Mobile operators' network capability can be further enhanced by Long Term Evolution ("LTE") network roll out, although the Ministry of Communications has not yet tendered for the frequencies necessary for LTE based services, which would enable higher speeds for mobile broadband internet. Mobile broadband internet operators however currently only offer speeds and capacities that are significantly lower than those offered by cable and DSL operators. As a result, we believe that, in the medium term, HFC cable will be the only broadband internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

4. Dominican Republic

Industry Overview

The Dominican Republic is the third largest economy in the Caribbean and Central America after Cuba and Puerto Rico, with a GDP of $61.3 billion according to the IMF, and the third largest country in terms of population after Haiti and Cuba, with a population of 10.4 million according to the IMF. According to the IMF and La Oficina Nacional de Estadistica, 32% of the population was living in the Dominican Republic's two main cities, Santo Domingo and Santiago, in 2010. According to the IMF, between 2009 and 2013, the GDP of the Dominican Republic grew at an average rate of 10.3%. The economy is predominantly based on services, in particular tourism. Its GDP per capita, however, is lower than other countries in the region, including Trinidad & Tobago, Panama and Costa Rica, and GDP is expected to grow at 8.3% per annum between 2014 and 2017 according to the IMF. In addition, the Dominican Republic enjoys a strong commercial relationship with the United States, its largest export and import partner. The number of Dominicans residing in the United States has increased by 0.27 million between 2000 and 2012, while remittances into the Dominican Republic from the United States have doubled. These factors are expected to continue help drive personal consumption and usage of telecommunications products and services.

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

Mobile Telephony

The mobile market is the largest telecom market in the Dominican Republic. Compared to other Western European markets, the Dominican Republic is characterised by a young population with lower purchasing power. According to Ovum Research, the mobile penetration rate in the Dominican Republic is approximately 111% (as estimated for the year ending December 31, 2014), lower than mobile penetration rates in Brazil, Argentina or Chile. Claro enjoys a 51% market share as of June 30, 2014, followed by Orange (34%), Tricom (8%) and Viva (7%), who re-launched its mobile operations earlier this year. Due to lack of space in the spectrum currently assigned to Altice Hispaniola and Claro, 4G deployment has been slower than initially expected as the two leading mobile operators are currently unable to offer nationwide 4G mobile offers.

The regulator INDOTEL regulates the sector based on what management perceives as an ex-post approach focused on achieving consensus among the various stakeholders. Telecom concession attributions are decided by the regulator based on certain administrative criteria and the renewal of these concessions generate no meaningful incremental fees. Frequency licenses attribution and renewal processes typically occur concomitantly with the telecom concession processes. New frequencies are tendered with several parties typically bidding and the new license attributed to the highest bidder while renewal of frequency licenses gives rise to no incremental fees for telecom operators. Mobile termination rates are determined by bilateral discussions between operators and have decreased by 3.5% annually since 2010. The regulator does not typically impose MTR reductions and favors such bilateral agreements between operators. The law provides for the possibility of MVNOs. From a telecom infrastructure standpoint, the regulator favors passive and active sharing with bilateral negotiation being the preferred route.

In the fourth quarter of 2011, INDOTEL launched an auction for the spectrum in the 900 and 1,700 MHz bands, however that process was put on hold in the first quarter of 2012, following ownership claims of certain frequencies by local TV channels (Arcoiris TV, Colorvision, Supercanal and Satel). The 2011 auction was a sealed bid process in which there was only one round. The auction was to be awarded to the bidder that offered the highest price, together with the best technical offer. In case of equal offers for the same block, a new round of bids was to be launched within two hours. The winning bidder's obligations included providing minimum population coverage of 50% within 18 months and 88% within 36 months in addition to social free lines for five years. Also, the winning bidder was to be obligated to pay the technical migration of existing frequency users in the granted blocks. Further, the winning bidder was to pay 10% of the offer as a three year guarantee. In 2014, Orange won the 900 MHz auction and Claro the 1,700 Mhz / 2,100 Mhz auction, though the award is under investigation for alleged irregularities in the process.

Pay Television, Broadband and Fixed-Line Telephony

According to SNL Kagan, the Dominican Republic has an estimated 31.3% pay television penetration rate for 2014, and an estimated 24.6% broadband penetration rate for 2014 according to Ovum Research. These penetration rates are typically lower than those measured in a number of Latin American countries and evidence significant potential for growth in the Dominican Republic, with penetration rates expected to increase to 33.9% by 2020, according to SNL Kagan. Mobile will play an increasingly important role, with only a third of broadband uptake expected to be attributable to fixed broadband, according to Analysys Mason. In addition, fixed-line telephony is expected to continue to decline going forward, in particular due to ongoing substitution of fixed-line by mobile services, in line with trends seen in other developed economies.

The pay television market in the Dominican Republic is highly fragmented with over 6 pay television operators, although only a limited number operate a two way network, and a handful of other players have a subscriber base exceeding 10,000. Claro and Tricom together represent over 90% market share (66% and 25% market share respectively), as of September 30, 2014, delivering services over IPTV and DTH and cable respectively. Other smaller players include Wind through its MMDS technology (9%), as of the same period.

Broadband internet access is typically delivered by a mix of fixed-line infrastructure and mobile access, with the use of mobile broadband being primarily driven by the availability of fixed-line infrastructure in a given location. In fact, approximately 41% of households have access to copper-based line telephony in the Dominican Republic, primarily in the large agglomerations, which means that wireless solutions are effectively the only way for the rural population to get access to broadband.

The broadband and fixed telephony markets are relatively concentrated, with Claro and Tricom together accounting for approximately 91% market share (67% and 24% respectively in the broadband market excluding mobile, and 65% and 22% respectively in the fixed telephony market) according to TeleGeography, as of December 31, 2013. Claro delivers broadband services through its xDSL and FTTx networks, while Tricom uses its xDSL and cable infrastructure. Both Claro and Tricom offer fixed-line telephony services using VoiP and PSTN. Other smaller players have a limited presence, with Wind Telecom taking an 8.3% market share in the broadband market through its wireless technology.

5. Other Territories

Belgium

We believe that Belgium is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate. The population density of Belgium reached 370 inhabitants per square kilometer in 2013, one of the highest in Europe, according to World Bank data, and is surpassed only by the Netherlands and some microstates such as Malta.

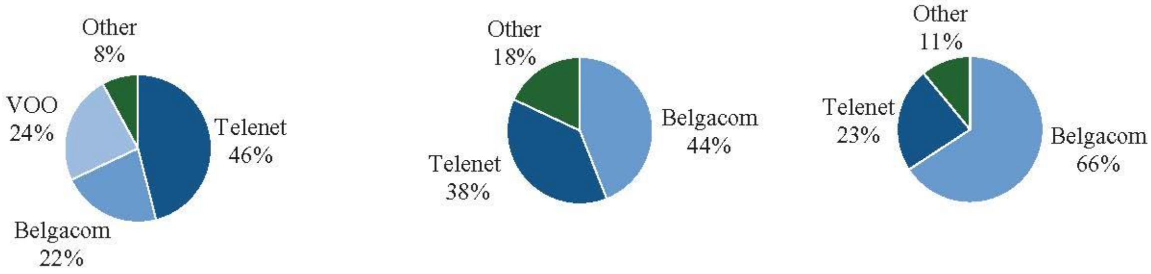
According to Ovum Research estimates, Belgium has an estimated 98% penetration rate in pay television (for 2014), significantly above the average Western European penetration rate of 68%. According to Ovum Research estimates, cable is expected to capture 72% of the pay television market, followed by IPTV (24% of the pay television market) and satellite (4% of the pay television market). Competition in the pay television market is currently limited due to a lack of overlap among cable operators. Telenet operates predominantly in Flanders, VOO in the French speaking part of Belgium and Numericable Group in Brussels (with Telenet and VOO also present in the capital). Belgacom, through its DSL-based network, is the only operator that offers national coverage, although we believe its IPTV technology currently provides an inferior product to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom and VOO have pay-TV market shares of 46%, 22% and 24% respectively according to Ovum Research (as of December 31, 2013), while Numericable Group has a 2% market share nationally (and a 62% market share within its footprint), according to management estimates. The importance of cable operators in pay television may be affected going forward by changes to the regulatory regime allowing third-party access to cable networks, with wholesale offers required to be in place by autumn 2013, although such wholesale access would provide cable operators with stable, albeit somewhat lower, wholesale revenues.

Broadband internet access in Belgium is well established, with penetration rates of approximately 87% compared to 80% in Western Europe, according to Ovum Research (estimated for the year ending December 31, 2014). Cable is the leading broadband internet access platform in Belgium, with approximately 51% of the total broadband internet market, with DSL (predominantly offered by Belgacom) taking up 48%, according to Ovum Research estimates. FTTH is yet to be widely deployed in Belgium, as this technology is intensive as to both capital and time, requiring significant digging and re-wiring. The largest operators are Belgacom (44%), Telenet (38%), according to Ovum Research and Numericable Group 1% nationally and 36% within its footprint, according to management estimates.

The Belgian mobile telephony market is valued at approximately € 2.9 billion as of December 31, 2013, according to Ovum Research. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 122% according to Ovum Research. According to the BIPT, Belgacom had an estimated national market share of 41% in terms of active mobile subscribers followed by Mobistar (27%) and BASE (25%), as of December 31, 2013. In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 2.1 million subscribers as of December 31, 2013, according to data gathered by the BIPT.

Triple play products are offered by all of the main cable operators (Telenet, VOO and Numericable Group), as well as the incumbent, Belgacom. Quadruple play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as Telenet and Numericable Group.

2013 Market Shares by Subscribers



Source: Ovum Research, TeleGeography

Luxembourg

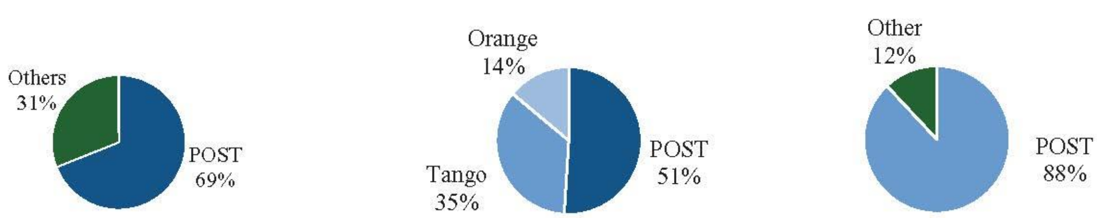
Luxembourg has a modest pay television penetration, which is slightly lower than the average Western European pay television penetration.

DSL is the leading broadband internet access platform in Luxembourg. POST, the incumbent, is the largest player, capturing 69% market share as at December 31, 2013 (Source: TeleGeography). The other providers are Belgacom, Eltrona and Numericable Group. There is increasing pressure from consumers for greater speed and lower prices, in particular as Luxembourg is the only country in the EU where the regulator does not set wholesale prices for DSL access, enabling POST to dictate the terms. Furthermore, the government announced plans in 2010 for FTTH to be implemented nationally and to provide at least 100 Mbs connectivity by 2015. In practice, POST is the only operator able to undertake these investments, leading the regulator to put in place measures guaranteeing access to fiber infrastructure for alternative operators. Despite these developments, FTTH deployment remains very limited in Luxembourg.

Due to POST's significant market power in the fixed-line market in Luxembourg, it is prohibited from bundling its television offering with its broadband internet and fixed-line telephony services. Only Eltrona and Numericable Group, together with some smaller operators, are able to offer triple-play bundles.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 2.0% from 2014 to 2017 according to IMF, as well as positive demographics (population CAGR of 2.0% from 2014 to 2017, according to IMF and a significant number of expatriates and foreign communities. Together with Luxembourg's topology and high population density, this makes it an attractive market in which to operate.

2013 Market Shares by Subscribers



Source: TeleGeography, Ovum Research

French Overseas Territories

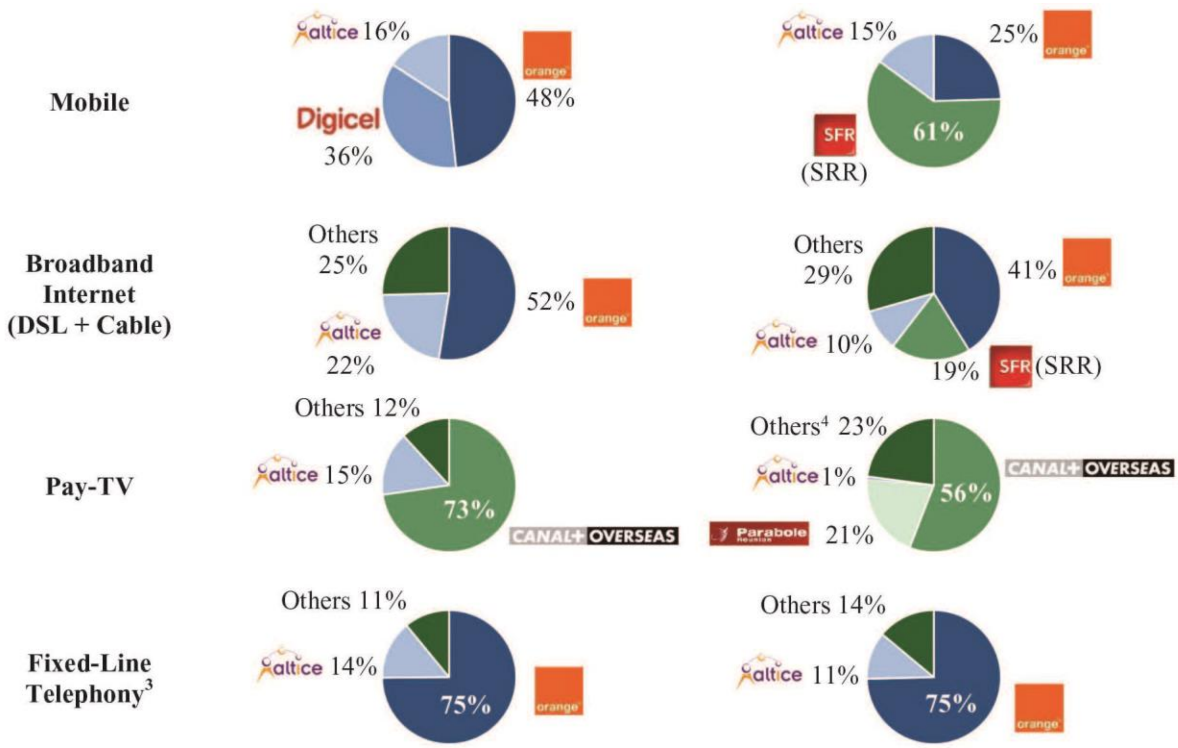
The French Overseas Territories markets are characterized by a young population (approximately 35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 24% in mainland France, according to the United Nations database as of June 2013), price sensitivity and a strong demand for access technologies. Furthermore, infrastructure improvements are supported by subsidies from mainland. Importantly, mobile telephony licenses have so far been granted for free to the various operators and the upcoming grants of 4G licenses are expected to be no different.

Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 126%, according to management estimates. However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn than for operators in continental Europe. The main players in the mobile telephony market include Orange, OMT, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

Broadband internet access in the French Overseas Territories remains underpenetrated (55% according to The French Telecom Authority). DSL is by far the dominant technology, with limited announced plans for technology upgrades. The main players are Orange and OMT (and SRR to some extent in the Indian Ocean area), although there are a significant number of local DSL players, most of which offer unbundled local loop DSL services while renting Orange last mile on a wholesale basis. Presence of cable is so far limited but is growing rapidly in Martinique and Guadeloupe where Le Cable, the only cable operator with a network covering approximately half of the households, is rapidly upgrading its network to Docsis 3.0.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 67%, according to ARCEP. The market is dominated by satellite TV, with Canal Plus and Parabole Réunion among the strongest players, and cable, with Le Cable. We believe growing demand for bandwidth and triple play packages is likely to increase demand for alternative access technologies with the ability to provide interactive services such as video on demand.

As in mainland France and Western Europe, multiple play and convergence have increasingly become important. However, triple play penetration lags behind that of more developed economies. Currently, we are the only operator that can currently offer quadruple play bundles and we expect this to become a way for us to differentiate our offering in Martinique and Guadeloupe, where other players are either only mobile or DSL operators (Digicel, MediaServ), while large players are considered dominant and are not allowed by local regulation to bundle products (Orange, SRR).



Source: Company Information

Note: Since August 2013, the brand Numericable Group has been used for all the offerings except mobile

(1) Based on a subscriber-based weighted average for Martinique, Guadeloupe and F. Guiana

(2) Based on a subscriber-based weighted average for Reunion and Mayotte

(3) Based on population-based weighted average market shares for Outremer Telecom only

(4) Mainly Broadband Internet access providers

DESCRIPTION OF OUR BUSINESS

In this section, unless the context requires, the term "Numericable Group" refers to Numericable-SFR S.A. and its subsidiaries (but without giving effect to the 2014 SFR Acquisition). In the rest of this section from and including "—History" to and including "—Legal Proceedings", the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries (excluding SFR and PT Portugal). For an overview of our business, our competitive strengths and our strategy, see "General Description of our Business and the Offering—Altice Group—Overview", "—Our Competitive Strengths" and "—Our Strategy".

History

Since our inception, we have made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe, the French Overseas Territories and the Dominican Republic. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

- In March 2005, Ypso France ("Ypso"), an entity controlled by our Group together with Cinven, acquired the cable businesses of France Telecom Cable, TDF Cable and NC Numericable, making Ypso the largest French cable operator. In 2007, all cable activities of Ypso were brought together under a single brand name, Numericable. In September 2007, together with Cinven, we acquired all of the outstanding shares of Completel, which added DSL and fiber metropolitan area networks, a corporate sector business and a nationwide backbone. In March 2008, the investment fund Carlyle acquired a 38% stake in Ypso and Completel. By the end of 2008, we had fully integrated the historical Numericable business and the historical Completel business. In November 2013, Numericable, the holding company of the Numericable Group and Completel, completed its initial public offering of shares and listing of such shares on Euronext Paris. Further to the 2014 Numericable Group Transactions, Altice France S.A. has the majority of votes in the board of directors and holds 60.3% of the share capital of Numericable. On November 27, 2014, Numericable completed its acquisition of SFR. For a description of the business of SFR, see "*Description of SFR's Business*".

- In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, well-established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.

- In May 2010, we acquired MIRS Communications Ltd. ("MIRS"), an Israeli company providing iDEN-based mobile services. In July 2009, we began acquiring equity interests in HOT and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS-based 3G mobile services in Israel under our "HOT" brand. In December 2012, we completed the take-private transaction of HOT whereby we acquired substantially all of the equity interests in HOT that we did not previously own.

- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacenter in the Zurich region. We began providing datacenter services in 2011. We have completed the construction of 3,600 square meters and a new build-out phase is currently in progress.

- In 2011, we acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg from an affiliated entity, and in November 2013 we acquired an additional 40% stake from one of the minority shareholders.

- In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and, in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.

- In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda. On October 2, 2014, we invested an additional $10.8 million into Wananchi through Altice Africa as part of a subordinated notes issuance by Wananchi. Altice Africa has pledged to fund up to $40 million in three tranches, with the next tranche of $20 million due within six months from the date of the payment of the first tranche (April 2, 2015). The Group obtained a new board seat as part of the funding, and the Notes are convertible. If fully converted, the new tranche, when fully funded, will give Altice Africa an approximate 21% shareholding in Wananchi.

- In July 2013, we expanded our presence in the French Overseas Territories by acquiring Outremer, a leading mobile services provider and xDSL provider of telecommunications services.

- In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.

- In October 2013, we acquired Ma Chaîne Sport and SportV (both producers of sports-related content).

- On November 1, 2013, the Numericable Group (through our subsidiary Altice B2B France SAS), acquired 100% of the share capital of LTI Télécom SA ("LTI Télécom") and its parent and holding company Invescom SAS.

- On January 15, 2014, we completed (through our subsidiary Altice Blue Two), the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion which provides internet access to professional clients under the "Mobius Technology" brand and double-play and triple-play services based on xDSL technology to residential customers under the "IZI" brand.

- On March 12, 2014, we completed (through our subsidiary Altice Caribbean), the acquisition of Tricom, a provider of telecommunications services operating in the Dominican Republic.

- On April 9, 2014, we acquired substantially all of the outstanding capital of ODO, a provider of telecommunications services operating in the Dominican Republic.

- On October 28, 2014, Numericable and Vivendi entered into (i) a share purchase agreement pursuant to which Numericable agreed to acquire from Vivendi (a) a portion of the shares it held in SFR, (b) all of the outstanding shares in SIG 50, and (c) the shareholder loans of Vivendi to SFR and SIG 50, and (ii) a contribution agreement pursuant to which Vivendi agreed to contribute the rest of the shares it held in SFR to Numericable in exchange for shares representing 20% of Numericable's share capital. The 2014 SFR Acquisition was completed on November 27, 2014. The total cash consideration for the 2014 SFR Acquisition is €13,366 million ((x) €8,540 million for the shares and (y) €4,826 million for the shareholder loans). Further, Vivendi is entitled to an earn-out of €750 million, payable in cash if the operational cash flow of the Altice Group resulting from the 2014 SFR Acquisition reaches certain predefined targets. As a result of the 2014 SFR Acquisition, the capital of Numericble, the parent company of the Altice France Group, is owned as follows: (i) Vivendi: 20%, (ii) Altice France S.A.: approximately 60.3% and (iii) free float: approximately 19.7%.

- On October 28, 2014, Altice France S.A. acquired the shares of Fiberman held by Carlyle and Cinven. Fiberman is a Luxembourg company that held the investments of certain of the Numericable Group's executives and employees in the Numericable Group alongside Altice France S.A., Carlyle and Cinven. Further, on November 10, 2014, the executives and employees of the Group either sold the shares they held in Fiberman to Altice France S.A. or exchanged it for shares of the Numericable Group held by Altice France S.A. As a result of the above, Altice France S.A. now holds 100% of the capital of Fiberman.

- On December 4, 2014, Numericable acquired 100% of the shares of Omer Telecom (the holding company of the telecom operator providing services under the Virgin Mobile brand in France) from its shareholders on the basis of an enterprise value of €325 million, following regulatory antitrust approval in France obtained on November 27, 2014.

Products and Services

We offer a variety of services over our fixed-line and mobile infrastructure, including, but not limited to, pay-TV, broadband internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent and depending on the geography, B2B telecom services to corporate customers. We provide our residential cable-based services primarily as part of double-play or triple-play packages and, in France, the French Overseas Territories, the Dominican Republic, and Belgium, quadruple-play packages which include mobile services in addition to our cable-based services. Available cable-based service offerings depend on the bandwidth capacity of our cable networks, which consist primarily of hybrid fiber-coaxial ("HFC") cable infrastructure.

Our television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand ("VoD") and near-video-on-demand ("NVoD"), digital video recorders ("DVR"), high definition ("HD") television ("HDTV") services and, in some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

We offer broadband internet access services and fixed-line telephony in all of our broadband internet communications markets. We also own and operate mobile infrastructure in Israel, the Dominican Republic and the French Overseas Territories, and offer mobile services through MVNO arrangements in France and Belgium.

We offer some B2B telecom services in all our geographies. However, we service large corporate customers with a focused B2B offering only in France, Portugal, Switzerland, Belgium, the Dominican Republic and the French Overseas

Territories. In Israel, our B2B services primarily consist of enhanced versions of our residential products which are adapted to the needs of small- and medium-sized businesses.

Furthermore, in France, we also sell wholesale cable-based and xDSL-based services to other telecommunications operators who resell such services under their own brands.

In 2014 we expanded our operations to the Dominican Republic through the acquisition of telecommunications providers ODO and Tricom. We intend to run our Dominican Republic operations under a single operating entity through the merger of ODO and Tricom. However, as of this date, we have not yet received the regulatory approval required for the merger. As such, ODO and Tricom continue to operate as distinct legal and commercial entities and this is reflected in the presentation of key operating measures and discussions of our businesses below.

Cable-based Services

Multiple-Play

We offer our customers bundled triple-play services comprising pay television, broadband internet access and fixed-line telephony services at what we believe are attractive prices. We also offer various double-play packages comprising a combination of two of these services. Furthermore, we continue to introduce quadruple-play services, which include a combination of cable-based triple-play and mobile packages, in a growing number of geographies, which currently consists of France, Belgium, the Dominican Republic and the French Overseas Territories.

We believe the demand for our multiple play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money when purchased as part of triple-play packages, we typically also offer most of these services on a standalone basis in most of our geographies.

Our digital television offering includes theme and premium content packages, HDTV channels, channels with start-over functionality, radio channels, VoD services and premium digital services such as DVR. Our cable networks enable us to offer interactive digital services to most of our customers. Our digital television offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high-quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast it on our proprietary suite of channels which, along with our distinctive brand, enables us to attract new subscribers to our cable-based services.

We offer broadband internet access services across our cable footprint and a majority of homes passed by our cable networks benefit from download speeds of at least 100 Mbps. Our networks benefit from substantial spectrum availability and, on a blended basis, the majority of the homes we pass are Docsis 3.0-enabled, including 100% in Israel and approximately 60% in France. In the short-to medium term, we expect that the portions of our networks that are Docsis 3.0-enabled can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. In France, the FTTB/Docsis 3.0-enabled portion of our network passes approximately 5.2 million homes as of December 31, 2013, and 5.8 million homes as of September 30, 2014, which we believe is higher than the number of homes passed by the FTTH roll out of any of our competitors, and enables us to offer download speed of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. Even the portion of our network that has not been upgraded and is only Docsis 2.0-enabled (3.3 million and 2.7 million homes in France as of December 31, 2013, and September 30, 2014, respectively) provides customers with a download speed of up to 30 Mbps, which is faster than the highest speed of our competitors' DSL networks. We intend to continue upgrading our cable network in the coming years. As opposed to some of our competitors, we do not generally restrict maximum volume of data or the speed at which our customers can access the internet. We also offer broadband internet access services based on xDSL technology in areas of the French Overseas Territories which are not passed by our HFC networks.

Our fixed-line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages, and our triple-play offers tend to include flat-rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out standalone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our triple-play packages rather than as a standalone product.

Our customers can achieve significant savings by purchasing pay television, broadband internet and fixed-line telephony as part of our bundles as opposed to separately from us or from our competitors. For example, our Israeli customers currently save approximately NIS 100 per month by subscribing to one of our top-tier triple-play packages, Triple iTop, currently priced at NIS 352, instead of separately purchasing the same products the price of which would amount to approximately NIS 452 in the aggregate.

While a focus on multiple-play offerings constitutes an integral part of our customer acquisition strategy, we also continue to offer stand-alone pay television, broadband internet access and fixed-line telephony services to our customers.

Pay Television

Western Europe

France. As of December 31, 2013, we delivered digital pay-TV services to approximately 1.14 million residential subscribers in France, including approximately 1.04 million multiple-play subscribers and 193,000 stand alone television subscribers. As of September 30, 2014, these figures stood at an estimated 1.13 million, 1.08 million, and 171,000 million, respectively.

We believe that we offer residential subscribers one of the best digital pay television packages currently available in France, with the highest number of HD channels and the most attractive package of premium channels, with the same content as that available in CanalSat offers. Customers of our DSL competitors must commit to two separate subscriptions (ISP and CanalSat) in order to access the same premium content that we are able to offer direct access to without the need for an additional subscription. Our television services include between 200 and 400 digital television channels (including between 10 and 54 HDTV channels) depending on the package selected, more than 40 digital radio channels, interactive television services such as VoD, catch up television and innovative features such as 3D TV. VoD enables viewers to watch programs of their choice instantly, without the need for buffering, and to pause, fast forward and rewind the content at will. Our VoD catalogue, which comprises over 30,000 shows and movies, is one of the largest available in France. We offer a VoD pass to our subscribers beginning at €4 per month. Films are generally available on VoD four months after their release in theatres (as compared to six months on premium pay television (e.g. Canal+)). Our revenue from VoD in France has increased from €9 million in 2011 to €12 million in 2012. We also make 40 selected channels accessible live from multiple devices (including smartphones and tablets) for a small monthly fee to low end pay television subscribers and at no extra charge to our high end pay television subscribers. We believe that our mid-tier and high-end packages, including Power+Family which is currently priced at €55 per month, represent a better value proposition than the comparable packages offered by our competitors.

Our television offerings include a variety of public and private channels from broadcasters around the world, as well as special interest channels covering all customer segments, including information, sports, music and home shopping channels. We believe that our high end quadruple play package (the “Platinum” package) which includes 320 channels (including 54 HDTV channels) is one of the most comprehensive television channel packages currently available in France. Our customers may also purchase up to six additional themed and bundled packages including digital channels and bundled channels, such as Pass Cinema and Pass Sport. Customers may also add on additional channels, such as the Orange Cinema Series packages, BeIn Sport and Canal+. The Platinum package also includes broadband internet access, fixed line telephony and mobile telephony services.

In France, we license our television programming content from third party content providers, entering into agreements directly with authors’ groups in France, including SACEM (*Société des auteurs, compositeurs et editeurs de musique*, or the French Society of Music Authors, Composers and Editors), broadcasters and distributors. In general, we pay license fees based on subscriber numbers to these content providers and the agreements with certain providers require us to pay minimum guaranteed amounts. We also pay royalties based on our subscribers’ usage of on demand content, such as VoD. In addition to third party content, we also produce some of the content we offer in France through Ma Chaîne Sport and SportV, our sports themed pay television content provider subsidiaries.

We provided our analog television package, which includes 30 analog channels, to approximately 81,000 households as of December 31, 2013, and 68,000 as of September 30, 2014 (located mainly in small and mid sized cities in eastern France), which are connected to our network but are not digital television enabled. We also continue to provide analog television services to legacy customers on the remainder of our network in France who have chosen not to upgrade to one of our digital packages. We expect our analog customer base in France to continue to decrease in the coming years and ultimately to phase out this service.

Portugal. In Portugal, we offer subscribers analog and both basic and premium digital television services under our “Cabovisão” brand. Our analog television service includes access to over 33 television channels. Subscribers to our basic digital television service have access to 95 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VoD and catch-up TV. Our premium television service provides customers with access to 142 digital television channels, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services. We provided cable television services to approximately 224,000 RGUs in Portugal as of December 31, 2013, and an estimated 214,000 RGUs as of September 30, 2014.

Belgium and Luxembourg. We offer subscribers analog and both basic and premium digital television services in the Brussels region of Belgium and Luxembourg under the "Numericable" brand. We believe we are the leading provider of pay television services within our footprint in Belgium. Subscribers to our basic digital television service can choose from a range of approximately 130 digital television channels in Brussels and approximately 110 channels in Luxembourg and are also able to access certain premium content and interactive services, such as VoD, HDTV and catch-up TV. Our premium television service provides customers with approximately 110-175 digital channels in Belgium and approximately 110-130 digital channels in Luxembourg, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. To cater to culturally and linguistically diverse customers in the region, we include in our pay television packages various foreign language channels, including English, Arabic, Spanish, Italian and Turkish-speaking channels in Belgium, and English, Italian and Portuguese-speaking channels in Luxembourg. We provided cable television services to 129,000 RGUs in Belgium and Luxembourg as of December 31, 2013, and approximately 120,000 RGUs as of September 30, 2014.

Israel

We are the largest provider of pay-TV services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the HOT brand. While we continue to offer analog television services to a decreasing number of customers (11,643, and 4,751, as of December 31, 2013, and September 30, 2014, respectively), we are in the process of phasing out this service which will free up bandwidth over our network enabling us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Our standard digital television package consists of 81 base television channels, two extra content packages, each of which adds five to 16 channels to the subscription depending on the content packages chosen by the customer, and 33 radio channels. Subscribers to our standard digital package can also purchase extra content packages giving them access to additional channels. We believe our standard offering includes more channels than the number of channels offered by our competitor in its standard pay television offering. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. We include in our standard package the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as all the "must carry" channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and include 32 to 43 premium channels, depending on the subscription. We also offer up to 21 television channels in HD that have enhanced picture and sound quality compared to regular television channels. Under Israeli regulation, we are required to include in our portfolio of pay television offerings a low-priced basic package. This package currently provides subscribers with access to approximately 25 basic channels.

In addition to a high quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity, which are available even to customers not purchasing our broadband internet services. We also provide our digital customers with a start-over service for over 25 television channels, which is included in all of our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while the broadcast is in progress. Our digital television offering also includes VoD. Our VoD library is extensive containing over 27,000 titles as of December 31, 2013, and 31,000 titles as of September 30, 2014. In addition, we offer access to additional content libraries not included in our standard VoD service on a pay-per-view or monthly subscription basis. Our VoD penetration rate was 57% of our pay television RGUs as of September 30, 2014, which we believe is the highest in Israel. We also offer digital customers our Personal Video Recorder ("PVR") service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. In 2011, we commenced offering digital customers the HOT Magic HD set-top box, which combines VoD functionality, HD technology and recording capabilities in a single set-top box. We rolled out LaBox, an advanced set-top box, in Israel under the commercial name of "FiberBox" at the beginning of March 2014.

As the result of an order issued by the Israeli Minister of Communications, since February 23, 2014, we and local satellite company, "Yes", have been required to offer a fixed-price, narrow-base package at a price not to exceed NIS 120 (approximately €25) per month. Our current offering pursuant to this order provides subscribers access to more than 20 basic channels.

We bolster our Israeli pay television service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of content which we undertake in partnership with local production partners. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season, TLV, Redband and Mehubarot 2. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2013 was NIS 598 million, and NIS 409 for the year ended December 31, 2013, and the nine months ended September 30, 2014 (€126.4 million, and €86.4 million equivalent, respectively, calculated based on the average exchange rate for September 30, 2014, of €0.2113 = NIS 1.00). We believe the quality of content we provide over our network generally and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a minimum of 8% of our annual pay television revenues from subscriber fees in the production of original local content. We have been in compliance with these regulatory requirements in all material respects. For further details, see "*Regulatory—Television—Minimum Investment in Local Content Productions*".

We had 875,000 pay television RGUs in Israel as of December 31, 2013, and approximately 862,000 as of September 30, 2014, representing approximately 77% and 79% of our Cable Customer Relationships in Israel, respectively.

French Overseas Territories

We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique under the "Numericable" brand. We provided cable television services to approximately 40,000 RGUs in Guadeloupe and Martinique as of December 31, 2013, and approximately 44,000 RGUs as of September 30, 2014. Our pay television offering includes up to 200 channels and radio stations including 40 HDTV channels. Our basic cable-based pay television package, Prima, priced at €49 per month, provides our subscribers with 106 channels and radio stations, including nine HD channels. Our premium cable-based pay television package, Premium+, offered for €69 per month, provides our subscribers with 201 channels and radio stations, including 35 HD channels.

We also offer, primarily outside of our cable footprint, our broadband internet subscribers IPTV services via an unbundled xDSL network across the French Overseas Territories. Our xDSL-based pay television offering is offered as part of a triple-play package, Prima ADSL, priced at €49 per month. This package provides our subscribers with 91 television channels and radio stations, broadband internet access with download speeds of up to 20 Mbps and unlimited fixed-line calls to landline and mobile numbers in the French Antilles region, French Guiana, mainland France and 100 international destinations. The premium package, priced at €59 per month, provides 130 television channels and radio stations.

Dominican Republic

We offer pay television services through our cable, xDSL and GPON networks in the Dominican Republic. Under the "Tricom" brand we offer over 300 channels through a choice of three different plans. Within those channels, 85 are available in HD, which represents the most extensive HD offering available in the Dominican Republic as of September 30, 2014.

Tricom is the second largest pay television operator in the Dominican Republic and the largest cable television operator, serving approximately 114,000 pay television subscribers as of September 30, 2014. Tricom is present in both the B2B segment and residential consumer market as a pay television provider.

Broadband Internet Access and Fixed-Line Telephony

We provide broadband internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint. We typically sell these services as components of our triple-play bundles which we believe are cheaper than the comparable services currently offered by our competitors.

Western Europe

France. In France, we offer "always on" high speed broadband internet with a download speed of up to 200 Mbps in the EuroDocsis 3.0-enabled part of our cable network and up to 30 Mbps in the EuroDocsis 2.0 enabled part of our cable network. Our broadband internet offerings typically include a free wireless broadband internet router, an account with up to 30 e mail addresses, up to 200 Mb of personal webpage space and parental control services. We believe that our broadband internet offerings are the most advanced available in France. Our strategy is to provide a superior product with premium pricing by outperforming competitors in terms of upstream and downstream speed, product features and service quality. We are well positioned to be a broadband internet market leader in those parts of France where our services are available. We also offer DSL double play services that include internet access to our subscribers moving to homes that are not connected to our cable network in France. We had 8,340 double-play DSL customers in France as of December 31, 2012, and 24,871 double-play DSL customers in France as of December 31, 2013. We also recently introduced a new DSL triple-play package open to subscribers outside our cable network area. As of December 31, 2013, we delivered broadband internet services to approximately 1.4 million residential subscribers in France, including approximately 1.0 million multi-play subscribers and 274,000 stand-alone subscribers.

We primarily sell fixed-line telephony services as part of our triple-play and quadruple-play packages because most installed cable broadband internet routers are equipped with, or can be easily exchanged for, a broadband internet router with two voice ports. These packages include unlimited calls from the fixed line telephone to fixed and mobile phones in France as well as to fixed phones in certain international destinations (and mobile phones in a few international destinations), which is the market standard for triple-play and quadruple-play packages in France. We had approximately 1.0 million fixed-line telephony subscribers as of December 31, 2013, and 1.1 million as of September 30, 2014.

Portugal. In Portugal, we offer customers various broadband internet packages under our "Cabovisão" brand with advertised download speeds ranging from 30 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is approximately 99% upgraded to EuroDocsis 3.0. We also offer subscribers local, national and international long distance fixed-line telephony services and a variety of value-added telephony features using VoIP under the "Cabovisão" brand. We provided broadband internet access services to approximately 156,000 RGUs in Portugal as of December 31, 2013, and 152,000 RGUs as of September 30, 2014. We provided fixed-line telephony services to approximately 223,000 RGUs in Portugal as of December 31, 2013, and 213,000 RGUs as of September 30, 2014.

Belgium and Luxembourg. We are a leading provider of broadband internet access services in our footprint in Belgium and Luxembourg. We offer customers various broadband internet packages under the "Numericable" brand with advertised download speeds ranging from 50 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is fully upgraded to EuroDocsis 3.0, allowing us to provide up to 200 Mbps download speeds to all upgraded households. Within our network areas in both Belgium and Luxembourg, we are currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. Our fixed-line telephony offering includes local, national and international long distance fixed-line telephony services, as well as value-added telephony features using voice over internet protocol ("VoIP") under the "Numericable" brand. We use VoIP technology, which utilizes the open standards EuroDocsis 3.0 protocol in Brussels and EuroDocsis 2.0 (currently being upgraded to EuroDocsis 3.0) in Luxembourg, through which we are able to provide both internet and fixed-line telephony services. Customers in both Belgium and Luxembourg who subscribe to our broadband internet access or fixed-line telephony services as part of a triple-play package, in the mid-tier segment, benefit from lower prices than those currently offered by our main competitors. We provided broadband internet access services to approximately 57,000 RGUs in Belgium and Luxembourg (of which approximately 48,546 were in Belgium and approximately 8,806 were in Luxembourg) as of December 31, 2013, and 59,000 RGUs as of September 30, 2014 (of which approximately 50,362 were in Belgium and 8,654 were in Luxembourg). We provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg (of which approximately 45,748 were in Belgium and 7,463 were in Luxembourg) as of December 31, 2013, and 52,000 as of September 30, 2014 (of which approximately 45,172 were in Belgium and 7,139 were in Luxembourg).

Israel

Internet service in Israel is structured such that it is segregated into two separate elements comprised of infrastructure or network access services and internet service provider ("ISP") services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer's device to the infrastructure access provider's operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider's operator, through its own operator, to the local and global internet network. ISPs generally also provide certain value-added services such as data protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e. it may choose to subscribe to the broadband internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband internet infrastructure access providers, on equal terms. For further details, see "*Regulatory—Internet Service Provider*".

We offer broadband internet infrastructure access services to our residential customers under our "HOT" brand over our U.S. Docsis 3.0-enabled cable network which allows us to provide ultra-fast services with limited or no degradation in speed. Our U.S. Docsis 3.0-enabled cable network can theoretically support download speeds of up to 360 Mbps with new CPEs and certain limited modification to network equipment, which will allow us to easily upgrade our services in the future. Approximately 50% of our Israeli cable customers have customer services equipment in their homes which could support download speeds up to 270 Mbps. We currently provide our customers with options to purchase broadband internet infrastructure access services with advertised download speeds ranging from 30 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband internet infrastructure access services along with our television and fixed-line telephony services. We had approximately 744,000 RGUs to our broadband internet infrastructure access service in Israel as of December 31, 2013, and 727,000 as of September 30, 2014, representing approximately 66% and 67% of our Cable Customer Relationships in Israel, respectively. As of December 31, 2013, we had approximately 37% market share of the broadband internet infrastructure access market in Israel, and 36% as of June 30, 2014, based on the total number of subscribers.

In February 2012, we started providing ISP services to our customers under the "HOTnet" brand. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 (equivalent of €4.23, calculated on the basis of the September 30, 2014, exchange rate of € 0.2113 = NIS 1.00) per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand alone basis and as part of a package with mobile services, and not as a part of our other multiple-play packages.

We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to our residential customers under our "HOT" brand. Our services include several ancillary value-added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. We provide our fixed-line telephony services on a stand-alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1,000 free minutes to land lines and mobiles for NIS 101. We had 676,000 RGUs to our fixed-line telephony service in Israel as of December 31, 2013, and 681,000 RGUs as of September 30, 2014, representing approximately 59% and 63% of our Cable Customer Relationships in Israel, respectively. As of December 31, 2013, we had a 30% market share of the fixed-line telephony market in Israel (Source: TeleGeography).

Customers who subscribe to our broadband internet infrastructure access or fixed-line telephony services as part of a triple-play package benefit from lower prices than those currently offered by our main competitor.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long-distance operators and mobile operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli Ministry of Communications has recently reviewed the interconnection fees paid to domestic fixed-line operators and set the interconnection rate at 0.99 agorot per minute irrespective of whether calls are made during peak or off-peak times.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long-distance services, each of which requires a separate license. We are currently licensed to provide both domestic and international long distance telephony services. The domestic license is valid until 2023 and the international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

French Overseas Territories

We provide broadband internet access services within our network area offering subscribers monthly rate plans. In Martinique and Guadeloupe, we offer such services over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband internet access services over our xDSL network. We offer advertised maximum download speeds of 30 Mbps and 20 Mbps over our cable and xDSL networks, respectively. Within our footprint, the download speeds of our broadband internet and xDSL internet access services are at least on par with those offered by our competitors since all of our competitors rely exclusively on xDSL technologies. Further, our product portfolio also includes narrowband internet access (dial-up) services. We provided broadband internet services to approximately 73,000 subscribers (including 17,000 cable-based and 56,000 xDSL subscribers), as of December 31, 2013, and 95,000 subscribers (including 26,000 cable-based and 54,000 xDSL subscribers) as of September 30, 2014.

In Guadeloupe and Martinique, we offer subscribers local, national and international long-distance fixed-line telephony services on monthly rate plans and a variety of value-added telephony features over our cable network and, following the acquisition of Outremer, our unbundled xDSL network. We offer the same services in French Guiana, Mayotte and La Réunion solely over our unbundled xDSL network since we do not own a cable network in those territories. We provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 17,000 cable-based and 78,000 xDSL subscribers) as of December 31, 2013, and 115,000 RGUs (including 26,000 cable-based and 90,000 xDSL subscribers) as of September 30, 2014.

Dominican Republic

In the Dominican Republic we offer consumers broadband internet access and fixed-line telephony services through ODO and Tricom. Based on revenues for the year ended December 31, 2013, and for the nine months ended September 30, 2014, ODO was the Dominican Republic's second largest telecommunications provider, according to management estimates. According to management estimates, ODO is the third largest broadband wireless provider in the country, with approximately 37% market share as of September 30, 2014.

ODO offers a range of wireless broadband internet services through nomadic broadband internet (through dongles and WiFi devices) and Flybox, its customer premises equipment (CPE), as well as capacity-based plans and voice and data bundles on 3G and 4G-LTE. Though ODO offers fixed broadband services in the business segment, these are relatively limited. ODO offers both pre-paid and post-paid packages to business customers, as well as digital services, including in-house platform agnostic applications development, fixed-voice and internet and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services, post-paid.

Approximately 107,000 residential customers take up broadband services through post-paid capacity-based plans as of September 30, 2014. In the B2B segment, ODO also offers packages including capacity-based offers and speed-based offers for SOHOs and SME/large companies, respectively. As of September 30, 2014, approximately 75,000 business customer lines subscribe to broadband internet services offered by ODO, of which approximately 42% are SMEs and large companies which can also benefit from ODO's fiber and WiMax technologies and other value-added services.

In addition to broadband internet services, ODO also provides selected SME and large business customers with fixed-voice services via SIP trunking (VoIP). ODO plans to provide SOHO customers with similar services in the future.

Tricom is the second largest broadband internet and fixed-line telephony provider with a national market share of approximately 27% (fixed broadband internet market) and 25%, respectively, according to management estimates, as of September 30, 2014.

As of September 30, 2014, Tricom had approximately 114,000 pay television subscribers, 138,000 broadband internet subscribers (including xDSL and cable), 281,000 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL) and 243,000 (including internet mobile) mobile subscribers. Tricom's activity in the B2B segment, which accounted for just under 19.8% of its revenue for the nine months ended September 30, 2014, mainly comprises fixed-line services, but also includes (to a lesser extent) broadband internet services.

Tricom provides internet access primarily through its xDSL network, although its cable broadband internet product is currently experiencing strong growth, and it has launched mobile broadband internet services leveraging on its recent 4G-LTE launch. Tricom offers both prepaid and post-paid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilize its xDSL network to provide fixed-line telephony services, it also offers VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fiber technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of December 31, 2013, Tricom had upgraded 77% of its cable network to bi-directional capability. Tricom has upgraded a further 10% of its cable network to bi-directional capability as of September 30, 2014, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services, and Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and where proprietary fiber optic is already present, which provides opportunities for meaning significant growth potential. To this end, it relies on an in-house team which designs approximately 80 kilometers of network each month, as well as third-party construction teams which implement in-house design and build approximately 70 kilometers of network each month. Tricom has in-house capability to activate, and perform quality control procedures on, its network. In addition, Tricom has focused on maintaining its xDSL network to serve customers in areas not reached by its cable network.

We believe that we will benefit from cross-selling Tricom's high-speed broadband and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed mobile integrated player in the Dominican Republic. We believe that Tricom's and ODO's network infrastructures are complementary and we intend to progressively migrate the existing fixed-line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realizing operational synergies. ODO's mobile business will also benefit from Tricom's network, which is expected to provide transmission capacity for ODO's base stations at lower cost than prevailing market rates for leased capacity. We also believe there is potential for savings by combining overlapping regional and national fixed backbones as well as optimizing mobile frequencies and networks, including utilizing Tricom's excess 4G spectrum which should allow for a cost efficient roll out of 4G services.

Bulk Services in France

In France, we offer bulk services to housing associations and multiple dwelling unit managers, such as managers of government-subsidized housing, who in turn on sell individual service packages to their residents. Our bulk service offerings include a bulk triple-play package which includes a basic digital television package of 48 channels, 30 radio channels, unlimited broadband internet access with download speeds up to 2 Mbps, unlimited inbound fixed telephone calls, and free internet and telephony modems. We also offer a stand-alone analog television package to our bulk subscribers, though the subscription rate of this package is far below our bulk triple play-offering. We collect subscription fees directly from the multiple dwelling unit managers, generally on a quarterly basis, irrespective of whether our services are actually used by the residents, thereby limiting collection risk. Approximately 70% of the homes serviced by our bulk services division are in government-subsidized housing.

We provided services to approximately 1.8 million individual subscribers under bulk contracts as of December 31, 2013, and September 30, 2014. We do not, however, have any direct contact with such individual subscribers, as these contracts are entered into between the subscribers and the building managers or the housing associations.

Despite our bulk services customer-base having decreased, it has proven resilient over the years, providing us with a steady revenue stream. Bulk services offered in France generated combined revenue of €70.0 million in 2011, €70.1 million in 2012, €68.0 million in 2013, and €50.0 million as of September 30, 2014. Although our contact with bulk individual subscribers is limited, we believe there are opportunities to up-sell individual triple-play and quadruple-play packages to the end users of our bulk services. We use a targeted sales force to encourage more of our end users to switch from a bulk subscription to an individual subscription. In buildings where there is a bulk contract, our sales teams utilize targeted sales approaches including door-to-door sales and suggested neighbor meetings to discuss Numericable Group services.

Customer Premises Equipment

We believe that advanced customer premises equipment is playing an increasingly crucial role in our cable-based business as it enhances the customer experience in various ways including by facilitating access to a wide range of user-friendly features and services, it offers a reliable channel for selling add-on and on-demand services, it allows for multi-screen television viewing and broadband internet usage by multiple parties and, when the set-top box and the modem are combined in one box, it allows cable operators to significantly reduce customer service expenses. We optimize the customer premises equipment we purchase by relying on our in-house design and development capability to build the user interface of our set-top boxes.

Accordingly, we have continued to roll out "LaBox", our most advanced set top box, in our Western European businesses ("One Box" in Portugal) and Israel. In May 2012, we launched LaBox in France and have already rolled out approximately 300,000 units as of December 31, 2013, and 420,000 units as of September 30, 2014, bringing the total percentage of set top boxes deployed in France that are capable of supporting download speeds of at least 100 Mbps to 29% in 2013 and 38.6% in 2014 respectively. Since its introduction in the first half of 2013, we have already installed approximately 21,000 LaBoxes in Belgium and Luxembourg. We rolled out LaBox in Israel under the commercial name of "FiberBox" in March 2014. LaBox is an innovative integrated set-top box and cable router offered to customers subscribed to our premium multiple-play packages. We believe that LaBox is one of the most powerful and interactive set-top boxes currently available in the markets where it is offered. It can deliver very-high-speed internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines. LaBox has four tuners that allow subscribers to record two television programs simultaneously while watching a television program, as well as watching different channels in different parts of a house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has HD and 3D capability and also includes an 802.11n Wi-Fi router, and a removable 160 Gb PVR or optional 500 Gb PVR which allows it to hold over 125 hours of HD or approximately 190 hours of SD programming. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search.

Smart phones and tablets can act as “remote controls” for LaBox, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application “TV Mobile”. We expect that the introduction of LaBox will result in the increase of our ARPU by attracting new premium package customers and prompting existing customers to upgrade to our premium packages which offer LaBox as standard. We expect that LaBox will also promote the sales of our other premium services.

Mobile Services

Western Europe

France. In France, we offer mobile telephony services under the “Numericable” brand through the nationwide network of Bouygues Télécom pursuant to several MVNO agreements in place since 2010 and 2014, respectively. Our agreements with Bouygues Télécom relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012 and were automatically renewed for an indefinite term, subject to termination by either party upon twelve months’ notice. The voice transmission services agreements will be automatically renewed in 2017 for an indefinite term, subject to either party providing notice of termination six months prior to the original expiration date. Once automatically renewed, the agreements may then be terminated by either party upon twelve months’ notice. While we pay a fee to Bouygues Télécom in exchange for access to the their wholesale networks, the mobile market is one where lower cost unlimited calling contracts are becoming the norm and where margins are thus structurally limited, in particular following Free’s entry into the market at the beginning of 2012. Our mobile telephony business is dependent on our contractual relationship with our providers; however, since we have not installed the necessary equipment, we do not have full fledged MVNO status.

Our MVNO agreements in France enabled us to introduce a quadruple-play offer in 2011 and our MVNO contract with SFR enabled us to offer 4G services from February 2014. We currently offer a broad range of mobile telecommunications products and services, including mobile voice services and data services, such as SMS, MMS, games, news and music services. While our mobile services customer base is small and our core focus remains on our other offerings, we believe that our ability to offer mobile services is an important marketing and competitive tool that contributes to our brand image and helps to reduce churn.

We had approximately 113,000 mobile subscribers in France as of December 31, 2012, and approximately 186,000 mobile subscribers in France as of December 31, 2013. As of September 30, 2014, we had approximately 236,000 mobile subscribers compared to 167,000 subscribers as of September 30, 2013. Nearly all such subscribers were quadruple play subscribers. Approximately 20% of our new subscribers in 2013 subscribed to quadruple play offers. Stand alone mobile telephony services are offered at prices ranging from €1.99 to €19.99 per month. In January 2012, following Free’s entry into the mobile telephony market, we revised our quadruple play packages. We began offering a SIM card and additional mobile telephony services as part of a quadruple play package for an additional fee ranging from no charge (Basic Mobile Package) to €15.99 per month (Ultra Mobile Monde Package). These packages are the same as those offered to our stand alone mobile telephony customers but are offered at a discount when part of a quadruple play package. They include unlimited calls in France and to 40 international destinations in Europe and North America, unlimited text messages and up to 3 Gb of mobile internet. Subscribers do not have to commit to a minimum contractual period. This is the only unlimited mobile service at this price available in stores, with in person customer service, unlike Free, B&You (Bouygues Télécom’s “low cost” mobile offerings), Sosh (Orange’s “low-cost” mobile offerings) and Red (SFR’s “low-cost” mobile offering), which are only available online. We believe that we provide our customers with one of the best value for money mobile telephony offers in France with unlimited national calls (both to fixed and mobile telephones), unlimited text messaging and unlimited national data access.

Belgium

We began providing mobile services in Belgium in September 2012 under the “Numericable” brand through an MVNO agreement with Mobistar. The MVNO agreement with Mobistar has been terminated and replaced with a MVNO agreement with BASE. Our portfolio of mobile packages includes basic as well as premium offerings. Our basic package, Mobile Start, is attractively priced at €9.95 and includes 60 minutes of domestic calls, 50 text messages and 5 Mb of internet data. Customers may elect to purchase certain add-on packages to increase their allowance, including 100 text messages or 50 Mb for €5 per month, or 1000 text messages or 500 Mb of data for €10. Our higher-end packages include Mobile Extra which is currently priced at €26 and comes with an allowance for 5000 domestic texts, 150 minutes of national calls and 1 Gb of internet data, and Mobile Max, which currently costs €59.90 and includes unlimited domestic texts and calls and 2 Gb of internet data. When purchased along with any one of our triple-play packages, Mobile Max costs only €29.95 which we believe to be one of the best-value-for-money mobile packages currently offered on the Belgian mobile telephony market. As of September 30, 2014, we had approximately 3,400 mobile RGUs in Belgium, compared to some 3,000 RGUs as of September 30, 2013.

Israel

We provide mobile services in Israel to residential subscribers under the "HOT Mobile" brand on our UMTS-based 3G network, which we launched in May 2012, and mobile services targeted primarily at business subscribers under the "MIRS" brand on our iDEN network. Due to current regulations, we currently offer our mobile services only on a stand-alone basis and in a bundle with ISP services.

Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll-out of our 3G mobile services has enabled us to compete effectively in the mobile services market in Israel as we are able to provide up-to-date services to customers, including faster data transmission services (up to 42 Mbps) with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android based and Apple branded handsets. Consequently, we will also be able to expand the range of value-added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our UMTS network already extends to approximately 56% of the inhabited territory of Israel and covers approximately 71% of the Israeli population. Since we launched our mobile services in Israel in May 2012, we had relied on Pelephone's network to provide in-country roaming services to our customers in areas not covered by our UMTS network. In December 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which has been approved by the Israeli Antitrust Authority (subject to certain minor conditions), but remains subject to final approval from the Israeli Ministry of Communications. The Network Sharing Agreement with Partner is valid until December 31, 2028, and provides for automatic renewals in five year increments after December 31, 2028. See "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". In the interim period while we await final regulatory approval for the Network Sharing Agreement, we have also entered into a RoU Agreement with Partner which will expire in 2017. The RoU Agreement with Partner gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see "*Description of Our Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services*" and "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". Our Israeli cable-based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

We currently offer to private subscribers unlimited local calls, text messaging and internet access for what we believe to be an attractive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. We believe our monthly fixed prices are more competitive than those offered by our large incumbent competitors. These prices are subject to changes, predominantly driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the mobile market in Israel as of December 31, 2012, according to Informa Telecoms & Media. Since the launch of our UMTS based 3G mobile services in May 2012, we added approximately net 592,000 UMTS RGUs as of December 31, 2013 and approximately 746,000 UMTS RGUs as of September 30, 2014.

We also continue to provide mobile services using iDEN technology. As of December 31, 2013, we had approximately 218,000 RGUs, and as of September 30, 2014 approximately 186,000 RGUs, who subscribed to this service, most of whom are business customers. We expect the number of iDEN customers to continue to decline in future periods.

The Israeli Ministry of Communications has initiated a tender process for 4G-LTE frequencies comprising a total of eight frequency bands in the area of 1,800 MHz that will enable delivery of mobile services using LTE technology. On November 18, 2014, HOT Mobile submitted its offer for part of the spectrum in response to the tender. On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval. In the event that such approval is awarded, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. Furthermore, we believe that upgrading our UMTS 3G network to 4G-LTE capability would be possible with limited incremental capital expenditure or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner. The Ministry has allowed existing operators wishing to upgrade their systems immediately to temporarily use the frequency bandwidth of 5 MHz (X2) in the area of 1,800 MHz LTE technology (subject to certain conditions), and, as such, HOT Mobile is intending to launch such 4G-LTE services to customers in the coming months. For more detail, see "*Network—Israel*".

French Overseas Territories

Prior to its acquisition by us, Outremer launched its mobile services in December 2004 and has increased its market share, in part, through its attractively priced propositions. We currently provide subscribers 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process that it is expected to begin in the first quarter of 2015 in the Caribbean area and by the beginning of the third quarter of 2015 in the Indian Ocean. We currently offer mobile subscribers a variety of monthly rate plans and pay-as-you-go plans. For example, our basic monthly mobile plan in Guadeloupe is priced at €14.99 (not including a handset) and has a 24-month lock-in period. This monthly plan includes 60 free minutes and pay-as-you-go internet data. Our high-end monthly plan in Guadeloupe is priced at €59.99 (including a handset), has a 24-month lock-in period and includes unlimited calls to other mobiles in Guadeloupe, 24/7 unlimited calls to landline and mobile numbers in the French Antilles, mainland France, French Guiana and 100 other international destinations, 24/7 unlimited texts to all mobile numbers in the French Antilles, mainland France and French Guiana as well as 2 Gb of internet data. As of December 31, 2013, we had approximately 375,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 197,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 178,000 pre-paid subscribers. As of September 30, 2014, we had approximately 365,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 205,000 post-paid subscribers (including approximately 13,000 business mobile subscribers) and approximately 160,000 pre-paid subscribers. Our mobile ARPU in the French Overseas Territories was €27.10 (including pre-paid subscribers) for the year ended December 31, 2013, and €28.40 for the nine months ended September 30, 2014.

Following the French Competition Authority's conditional approval of the purchase of SFR by Numericable, and, indirectly, Altice, we have agreed to dispose of our mobile business in the Reunion Islands and Mayotte, including the 2G and 3G licenses and frequencies in Reunion Island and Mayotte.

Dominican Republic

ODO was launched in 2000 as the first GSM network in the Dominican Republic. It is now the second largest mobile operator in the residential segment, holding approximately 37% market share as of September 30, 2014, according to management estimates. ODO also has a significant presence in the B2B market, having captured approximately 26% of the market share as of September 30, 2014, in the mobile B2B segment measured by volume, according to management estimates. As a result of the strong "Orange" brand under which ODO has historically marketed its mobile voice and data services, its focus on customer experience and its efficient distribution channels, ODO captured the largest share of net mobile subscriber additions in the Dominican Republic market during the seven months ended July 31, 2014. During the nine months ended September 30, 2014, the market lost 316,000 lines, mainly due to the disconnection of prepaid users without identification on Indotel's request, which impacted all Dominican Republic operators.

ODO offers residential and business mobile subscribers a variety of pay-as-you-go plans and monthly-rate plans through its 2G and 3G networks. ODO had approximately 3.2 million total mobile subscribers of which approximately 2.5 million subscribe through pre-paid plans and 685,000 subscribe through post-paid plans as of September 30, 2014.

To service the Dominican Republic's significant tourist traffic, ODO also provides users of foreign mobile connections with international roaming services. ODO has entered into roaming agreements with various international telecom service providers for voice, internet, data, pre-paid, roaming hub and 3G services. Currently, ODO has agreements in place with leading international telecom companies from over 140 countries. ODO also attracts international incoming traffic through its long-distance business, providing international call termination to other local operators.

In the B2B segment, ODO offered services to 212,000 customer lines, with over 72% taking up plans aimed at SOHOs. ODO also offers plans to over 3,400 SMEs and large companies as of September 30, 2014. In the past, ODO's most successful offerings have been in the pre-paid consumer business. However, ODO is growing its post-paid and business offerings and continues to roll-out new products and services. ODO set up a dedicated business customer team in January 2011, and, since 2012, has expanded its offerings to include data packages for pre-paid, new post-paid tariffs including unlimited data and launched value-added services. ODO has also expanded its business services with features such as mobile-to-mobile (M2M) connection services, enhanced data security and telepresence.

In the mobile services sector, ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic, comprising more than 519 shops and 66,300 top-up points of sale. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from strong brand recognition from the "Orange" brand and a focus on customer service. As of September 30, 2014, ODO captured an approximate 47.2% share of mobile gross-adds for the previous nine months, based on management estimates, while operating only 17.5% of the approximately 2,900 points of sale in the Dominican Republic. In connection with the ODO Acquisition, we have entered into a Brand License Agreement providing for the right for ODO to continue to use the "Orange" brand for a period of three to five years after the ODO

Acquisition in respect of its current activities in the Dominican Republic. For further details see "*Description of Our Business—Material Contracts—Agreements with Orange in the Dominican Republic*".

Tricom also provides mobile telephony services through its wireless network. Tricom's mobile offering includes 3G as well as 4G-LTE plans (depending on the handset) and mobile customers who subscribe to one of Tricom's triple-play offers benefit from a free 4G-enabled smartphone under the current service plan.

Business-to-Business Services

France

In France, we provide business customers with a comprehensive service offering, which includes voice services, either traditional switched voice or VoIP, and data services, such as very high speed broadband internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. As of September 30, 2014, our fiber network served more than 10,000 business and public sector sites directly (and approximately 800 additional sites through third-party fiber connections), and our DSL network served more than 80,000 business and public sector sites. In addition to approximately 12,000 mid sized business clients, as of December 31, 2013, we had approximately 600 large corporate clients in France as of September 30, 2014, including corporations such as EDF, Air France, M6, Groupama and Société Générale and public entities such as the French Ministry of the Interior and ten other ministries of a total of twenty ministries in France, the University of Rennes and the Paris City Hall (*Mairie de Paris*). We provide services to approximately 70% of the companies listed on the CAC 40. Although we have historically focused on large B2B clients, we now intend to focus increasingly on the midmarket whose demand for value added services (IP, cloud services, security services, etc.) and broadband internet data services (data centers, VPNs, Ethernet ports, etc.) is growing. We offer our B2B services in France under the Completel brand. We are the second largest alternative operator to the incumbent Orange, after SFR. We believe we are the fastest growing B2B operator in France, with 4% B2B market share captured as of December 31, 2012, since June 30, 2007. We estimate that our B2B market share in France in 2013 amounted to approximately 7%, compared to Orange's 70% market share and SFR's 12% market share. We believe that we are well positioned to increase our market share in both the large corporates and mid market segments in which our estimated market shares in 2013 were 8% and 4% respectively. One of the key drivers of our B2B business in France is our collection of powerful fiber networks connected to our backbone, covering large metropolitan areas. Our B2B network is supported by 80 MANs, covering the main business areas in France. In addition, the combination of our fiber MANs and our DSL networks gives us a key technological edge in the French B2B market, enabling us to deliver customized products and services at competitive pricing. Our fiber network is also flexible due to its high-capacity bandwidths ready for future services that will require an even greater bandwidth capacity and reliability. We also have three datacenters located in Paris, Rouen and Lyon to support our cloud and hosting services.

Fixed Voice Services. Our B2B service offerings cover all fixed voice needs of our clients, including standard inbound and outbound calls using our switched voice network and, increasingly, VoIP technology, as well as our customized network architecture solutions based on fully digitalized technologies including IP. While large corporates generally have their own infrastructure for fixed voice solutions installed, medium sized companies often seek solutions that minimize the need to install such infrastructure. For example, large corporates typically install servers at their sites to enable them to use VoIP services provided by us. This offering enables customers to centralize their telephony needs on their principal sites by centralizing all of their telephony equipment on the customer's central site. This solution enables companies to rationalize costs of equipment and to route all of their internal calls through their data network. VoIP services may also be used as a back up. Mid-sized companies often choose to use our Centrex IP service, which uses a server owned by us located in a datacenter, rather than relying on an on site server. This service provides mid-sized businesses with a cost optimal solution as the cost of the server is spread among our other B2B customers using our Centrex IP service. We enhanced our Centrex IP offering in 2009 through the acquisition of B3G, a French leader in Centrex and IP telephony for businesses. In addition, we provide B2B customers with tools to manage their telephone services, such as routing and intelligent management of incoming calls to customer service lines. Our Extranet service provides customers with access to detailed traffic reports and billing. Furthermore, we also offer free-phone services and premium rate services (known as "800 numbers" in France), although we expect this product to decline in the near future as we focus on more profitable segments. We provided fixed voice services to more than 15,000 corporate and public institutions and managed more than 70,000 Centrex lines in France as of December 31, 2013, and, as of September 30, 2014, respectively. We believe we are the leading provider of IP Centrex services in France. We believe that we transport over 12 billion minutes of voice traffic per year in France.

Fixed Data Services. We offer a wide range of fixed data services including broadband internet access, transport, multi site data connectivity, VPN, LAN to LAN, security, messaging and hosting and other value-added services to our French business customers. We rely on our three datacenters to provide hosting services. We rely on two of our three datacenters in France to provide our cloud service offering. Along with our own IP network, we have access to a "peering" network with other operators and internet providers present in France as well as with major international players. As with fixed voice services, customers may connect their central site to our cable network, which offers the best quality, and to our DSL network if no access to our cable network is available.

(a) Worksites Connection and Housing (IP VPN, LAN to LAN, SAN to SAN)

We provide a wide range of services to connect work sites through secured internet and database housing. A customer can connect its various work sites and affiliates through LAN to LAN Ethernet or with IP (IP VPN) and have high speed internet access combined with safe solutions for the housing system and easily manageable selling platforms. Our housing solutions are backed by a high flow telecommunications structure that improves the availability of applications. We offer IP VPN services that enable businesses to send and receive data across a private, secure network, through a virtual point to point connection. Our services are adaptable to the technical and functional requirements of the customer's infrastructure, with flexibility in terms of bandwidth, connection technology and management of strategic flows (VoIP, Visio) and the customer's network. We bolstered our IP VPN offering in 2010 through the acquisition of Altitude Télécom, a French specialist in IP VPN with the know how to connect a multitude of sites. Prior to its acquisition by us, Altitude Télécom connected approximately 30,000 sites in France on approximately 1,000 VPNs. This know how has recently enabled us to secure contracts with the French Notaries Association (Notaires de France), connecting thousands of notary offices across France, and Volkswagen, connecting hundreds of dealerships across France. We offer LAN to LAN services that are adaptable to the business' specific protocols, which allow customers' LAN to operate as if they were located within the same building. We also offer SAN to SAN services that enable customers to securely interconnect and synchronize their information technology platforms in remote locations. Our customers thus benefit from data disaster recovery solutions through redundancy on separately located sites and flexibility, permitting both simple copies as well as total and synchronized redundancy.

(b) Cloud Services and Hosting

We offer a full range of cloud services, including external flexible telephony services, messaging and security solutions and hosting services (i.e. servers and platforms). We focus in particular on providing "infrastructure as a service" ("IaaS"), which provides customers with the benefits of infrastructure without having to invest in it. Combining IaaS with our broadband internet network uses the power of fiber and contributes to customer loyalty, while leveraging our expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans). We have three major datacenters, of which two are able to provide its IaaS package. In France, the security of information systems and the data included therein requires careful management, including hosting in datacenters located in France in order to benefit from French data protection laws, and hosting in a private, secure, closed network in order to lock and control access from all points. In addition, our cloud solution provides information systems hosted on IaaS platforms located in one of our datacenters, which are completely secured through our private network. Data is hosted within an infrastructure and network that is completely closed (LAN to LAN or VPN), independent from the internet, in our datacenters located in France and therefore not subject to any foreign jurisdiction.

(c) Completude and Completude Max Offers for Mid Sized Businesses

Originally focused on large corporates, our B2B business in France has recently begun to target mid sized enterprises. Our packaged offering aimed at the mid sized businesses, Completude, bundles fixed voice, data and additional services, offering a global solution for B2B customers for internet access, unlimited telephone calls to fixed lines, and more than 40 international fixed destinations and other technical solutions such as type fax to mail and email voicemail. Our Completude offer generates relatively high margins despite its low price. Our premium package, Completude Max, offers broadband internet at symmetrical speeds of up to 100 Mbps through our FTTB network for the same price as the slower DSL offers of our competitors. Over 500 corporate and public institution sites in France used Completude Max as of December 31, 2013.

Israel

We provide broadband internet access, pay television, fixed-line and mobile telephony services and a range of advanced telecommunications solutions to our business customers in Israel. Other than our iDEN-based mobile services which we market under the "MIRS" brand, we market all of our business-to-business services in Israel under the "HOT" brand. Our fixed-line telephony services include offering individual lines to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll-free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at business customers and other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the internet and remote business access services. As our Israeli B2B business remains operationally integrated in our residential cable business and mobile business, we recognize Israeli B2B revenue within revenues from cable-based services and revenues from mobile services, as applicable.

In addition, we also license the pay television content formats that we create and own to other telecommunications providers around the world. For example, we have in the past sold our popular television series Split to providers in 72 countries.

Portugal

The acquisition of ONI in 2013, a leading B2B services provider in Portugal, has brought a strong B2B sales and marketing force and diverse customer base as well as attractive service offerings and distribution capabilities to our Group. As a result of the acquisition, we are one of the leading providers in the Portuguese B2B market since ONI is the sole telecoms operator exclusively focused in serving the Portuguese enterprise market. We believe that this acquisition will continue to allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully-owned last mile cable network throughout Portugal. Our B2B services offered in Portugal include broadband internet access, telephony, virtual private network, leased lines, datacenter services and other corporate fixed-line services to small and large businesses. Our customers include EDP (Electricity of Portugal), CEPSA, José de Mello Group, Roff, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finance, Tourism of Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, and Auto Sueco Group.

Belgium and Luxembourg

In Belgium and Luxembourg, we offer a range of dark fiber, internet links and other fiber-based network services to telecommunications operators, financial institutions, public service customers and multinational companies. Our customers include Telenet, Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police in Belgium. We do not directly provide value-added services. Our business customers evaluate our offerings based on price, technology, security, reliability and customer service. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity which we sell to our business customers who may require enhanced capacity or security.

Switzerland

We are one of the leading providers of information and communications technology services aimed at business customers in Switzerland. Our portfolio of service offerings includes broadband internet access, hosting, multimedia and data backup solutions. We conduct our B2B business in Switzerland under the “green.ch” brand, with the exception of our datacenter services which we also provide under the “Green Datacenter” brand.

Dominican Republic

We provide significant B2B telecommunication services in the Dominican Republic through both ODO and Tricom. ODO’s presence in the B2B mobile market is significant, with approximately 26% of the market share as of September 30, 2014, according to management estimates.

In the B2B segment, as of September 30, 2014, ODO offers mobile services to over some 212,000 customer lines, with over 72% of business customers taking up plans aimed at SOHOs. ODO also offers plans to over 3,400 SMEs and large companies as of September 30, 2014. In the past, ODO’s most successful offerings have been in the pre-paid consumer business market. However, ODO is growing its post-paid and business offerings and continues to roll out new products and services. ODO set up a dedicated business customer team in January 2011 and since 2012 has expanded its offerings to include data packages for pre-paid, new post-paid tariffs including unlimited data and launched value-added services. ODO has also expanded its business services with features such as mobile-to-mobile (M2M) connection services, enhanced data security and telepresence.

ODO also offers fixed broadband internet packages in the B2B segment, although this is relatively limited. As of September 30, 2014, approximately 75,000 business customer lines subscribe to broadband internet services offered by ODO (of which approximately 42% are SMEs and large companies). Such customers can also benefit from ODO’s fiber and WiMax technologies and other value-added services.

ODO has been opportunistically deploying fiber to support the 4G-LTE roll-out and to be in a position to offer fixed services to targeted B2B clients. As an example, ODO began to offer B2B services in the Eastern area of the Dominican Republic in Bavaro/Punta Cana following the roll-out of fiber along the East route to Punta Cana, which was finalized at the end of 2013. ODO has also focused on IP multimedia (IMS) projects to support fixed-line services (GSM technology-based fixed offers, e.g. GSM deskphone) and new multimedia services, including fixed-line voice services for B2B customers, Rich Communication Services, voice-over-LTE and other collaborative multimedia. The B2B segment has been a key focus area for ODO since it first launched dedicated services to business customers in January 2011 and ODO is currently in the process of moving from a mobile-centric offering to a full-service provider with various enhancements being made to its network.

Tricom also engages in significant activity in the B2B segment in which it mainly offers fixed-line services, but is also present in the broadband, data, pay television and wireless segments. B2B activity accounted for 22% of its revenue for the nine months ended September 30, 2014, with Tricom serving a large portfolio of over 10,300 corporate including banks, international telecom operators and government offices, as of the same date. Additionally, Tricom has a well-diversified customer portfolio with its top ten customers accounting for less than 17% of its B2B revenue in the nine months up to September 30, 2014.

Content Subsidiaries

In October 2013, we acquired the French and Luxembourg operators of sports-themed television channels Ma Chaîne Sport and SportV. Ma Chaîne Sport produces and assembles a diverse range of content including live broadcasts of sports events and other programs relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialized French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien Etre. SportV produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by Ma Chaîne Sport and SportV as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and SportV also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream.

Wholesale Services in France

While we offer some wholesale services, including interconnection services to other operators, across our geographies, we run a focused wholesale business in France which we consider to be a key part of our global operations.

We offer a full range of wholesale products and services, including wholesale carrier services (voice and data), wholesale infrastructure services (dark fiber) and white label services.

Following the combination of Numericable Group's and Completel's networks in 2008, we have been able to leverage the extensive footprint of our cable and DSL networks in France. Our wholesale business in France allows us to accelerate the payback period of our network investments. We have evolved from being a local wholesale player to being a wholesale player with international and national customers. We have a wide product portfolio and customer base, with more than 200 national and international operators as customers. Our key customers include Paritel Operateur, SCT Telecom, Tata, BT and Bouygues Télécom. Our wholesale business benefits from cross selling opportunities that arise in our B2B business. For example, we are a wholesale provider to British Telecom, which provides B2B services to Société Générale. Société Générale required an international telecommunications operator and we were best suited for providing the portion of the services to be delivered in the French territory. Our French wholesale business enabled us to target this category of services.

We address the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators with an alternative to Orange and SFR, which are the two main wholesale suppliers in France. We believe our overall wholesale market share in France is approximately 10-20%, as of September 30, 2014. Our wholesale customers include Bouygues Télécom, AT&T, Data Communications and Level 3 Communications.

Wholesale Carrier Services—Voice

We provide voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capability, including national and virtual operators in France and international operators in France. Fixed termination services enable an operator to use our network to connect to another operator's network to which the customer is not connected. Fixed and mobile interconnection services enable an operator to use our network to terminate communications on a third party operator's fixed or mobile network to which it is not interconnected. This business is a legacy business from Completel. Call termination charges in France are regulated by the ARCEP and have decreased in recent years for landline networks. Therefore, our termination charges invoiced by other landline operators have decreased and, in turn, our revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

Wholesale Carrier Services—Data

We also sells circuits based on SDH and Ethernet technologies (i.e. copper or fiber) and optical fiber or DSL network (unbundling) connections to international operators or local operators with sub scale networks in France, principally using our own network and less often reselling the use of other operators' networks. These services are generally invoiced per circuit (covering both bandwidth and speed). The setting up of a direct connection with a client favors higher margins. In our wholesale data business we typically employ a project based approach whereby each circuit must provide a minimum return after a pre defined payback period. Our data wholesale activity has shown regular growth since 2009, and we expect strong growth from this business in the future due to increasing worldwide data traffic and migration from legacy SDH or DSL technologies to Ethernet and fiber technologies. We believe we will be able to benefit from future growth in data traffic by leveraging our extensive fiber footprint and the combination of Numericable Group's and Completel's interconnected networks. Key customers of our wholesale data business in France include international and local operators with sub scale networks in France, including AT&T, BT, Global Crossing Level(3) and Verizon.

Infrastructure Wholesale Services

We optimize our network utilization by selling network infrastructure based wholesale services, including renting IRUs and bandwidth capacity on our network to other telecommunications operators. We also offer related maintenance services.

We market local loop (intra city) connections to connect client sites and datacenters, in exchange for connection fees and a price per meter under an IRU (which includes high initial connection costs, but lower annual maintenance costs) or a lease agreement (which includes a lower payment at the beginning of the contractual period, but higher annual rental payments).

Following the adoption by the ARCEP of new regulations in 2009, we also started acting as a building operator (*opérateur d'immeuble*), deploying vertical FTTH networks within apartment buildings and making such networks available to third party operators and access providers under long term IRUs. We are able to provide this service given our experience in deploying coaxial cables in buildings as a cable operator and our existing relationships with multiple dwelling unit managers and housing associations. Our relationships with local authorities are also important, as subsidies in the deployment of the network provide a commercial advantage in selling fiber optic connections to consumers as well as support in enabling us to deploy fiber on public property. Through December 31, 2013, we had connected approximately 164,000 homes in France through vertical FTTH networks. Deployment costs are shared with the telecommunications operators seeking access to the network in accordance with regulated tariffs and, during the term of the IRU, we provide maintenance services and charge maintenance fees to the operators who have access to the network.

We also carry out wholesale activities in France through our 95% owned subsidiary Sequalum, the remaining 5% of equity interests in which are held by SFR Collectivités, a telecommunications infrastructure subsidiary of SFR. Sequalum was established in 2008 to plan, deploy and operate an FTTH very high speed fiber network under a French law scheme known as *délégation de service public* ("DSP") in an affluent district adjacent to Paris (Hauts de Seine), which includes the major business center La Défense. This DSP project is called DSP 92. A DSP is a form of public private partnership under French law pursuant to which a public entity entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question. Fiber deployment started in October 2009 and the first customers were connected in 2010. In July 2013 we were notified by the Hauts de Seine General Council of the approval of phase II of this project which is expected to continue until 2016. Pursuant to DSP 92, Sequalum has a 25 year concession, starting from January 20, 2009, to operate the relevant fiber network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts de Seine via 2,600 kilometers of fiber cables and reach 827,900 apartments and offices. It is open to all retail telecommunications operators, for a fee per connected household. Sequalum also charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network, and sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of the Hauts de Seine district that is classified as a "very dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated. Since 2009, Sequalum has connected approximately 500,000 homes in horizontal fiber and, since 2011, approximately 200,000 homes in vertical fiber, as of September 30, 2014.Revenue generated by this project has been minimal, to date, and principally generated from the granting of IRUs to other operators.

Furthermore, we also sell point-to-point connections. This includes backhauling radio sites for 3G and 4G deployment to other French national operators. We expect this business to grow, as higher bandwidth is needed and more antennas are built in connection with the roll out of 4G by operators. Between 2010 and 2012, the Numericable Group connected approximately 200 sites for Bouygues Télécom and, between 2012 and 2013, connected approximately 1,000 sites for SFR. Between 2013 and 2014 the Numericable Group expects to have connected approximately 1,000 sites for SFR.

White Label Services

White Label Services (Cable). We provide white label dual play or triple play access lines to third party operators through our cable network in France. We first began providing triple play white label cable services in October 2009 to mobile phone operator Bouygues Télécom. We also provide white label dual play and triple play access lines to third party operators through DSL (mainly unbundling). For more information on our white label (DSL) services. See "*White Label Services (DSL)*".

We sell white label triple play services under long term contracts and tailor them to the needs and requirements of each of our customers. Bouygues Télécom is currently our sole cable white label customer, following its acquisition of Darty's telecommunications business in July 2012. Services provided to Bouygues Télécom include pay television and broadband internet access white label access lines, but do not include customer premises equipment. We continually adapt the particulars of our services to the evolving needs of our clients: for example, in 2013, an amendment to our contract with Bouygues Télécom increased the maximum internet download speed to 200 Mbps as from 100 Mbps.

White label services allow us to leverage our network, benefit from the significant distribution networks of our partners and reach customers we would not otherwise reach through our residential cable based offerings. This in turn enables us to acquire end users without the associated acquisition costs under long term commercial terms. We provided fiber white label triple play services to approximately 363,000 end users as of December 31, 2013.

White Label Services (DSL). In addition to white label cable services, we provide white label double play and triple play access lines through our DSL network in France (mainly unbundling) to third-party operators. We first began providing triple play white label DSL services in 2006 in connection with the launch by the French retailer Darty of its own branded triple play offering, the "Darty Box". Under this contract, we sold triple play services to Darty, which resold them to its own customers under its own brand. We also entered into white label contracts with the French retailer Auchan in 2008.

We sell DSL white label triple play services under long term contracts and tailor them to the needs and requirements of each of our customers. Our contracts with each of Darty and Auchan include and included, respectively, pay television, broadband internet access and fixed line telephony services. We also provide our customers with certain other products and services such as set top boxes. Our DSL white label contracts provide us with the same benefits as our fiber white label contracts in terms of leveraging our network and acquiring end users without associated acquisitions costs.

Bouygues Télécom acquired Darty's telecommunications business in July 2012. We expect that this acquisition will continue to lead to the migration of Darty's customer base to Bouygues Télécom's network over the long term. According to the agreement with Bouygues Télécom, a certain number of white label customers were migrated in 2012 to Bouygues Télécom's network (as such customers were only partially unbundled on our network and could be fully unbundled on Bouygues Télécom's network), but the remaining clients have not been automatically migrated to Bouygues Télécom's DSL network. However, Bouygues Télécom has successfully recruited new subscribers onto its own DSL network and churn at Darty has led to fewer and fewer white label customers on our DSL network. Our white label contract with Auchan terminated in March 2013 when we acquired Auchan's television, broadband internet and fixed telephony service business, with customers migrating to Numericable Group in April 2013.

We provided DSL white label triple play services to approximately 18,704 end users in France as of December 31, 2013, and approximately 41,420 as of September 30, 2014. Although our DSL white label business has been a key component of our growth since 2009, we expect a decline in this business due to our focus on growing our own branded customer base and related development of fiber access, and Bouygues Télécom's take over of Darty. However, we believe that there is a potential for development in white label DSL services among small operators in France. We also believe that development opportunities exist for the creation of a platform for third party operators providing services to SoHos and SMEs.

Marketing and Sales

While historically the marketing and sales functions of our Group were carried out entirely by locally managed teams, we are currently in the process of establishing a monitoring and benchmarking system at Group level which will allow us to better track monthly marketing and sales performance metrics on a Group-wide basis. We expect that this initiative will allow us to tailor our marketing and sales strategy in better accordance with the trends in the markets in which we compete.

Our businesses' marketing departments are responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We target our marketing efforts at residential customers in single-dwelling units and multiple-dwelling units such as apartment buildings. We also market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door-to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently. Marketing is a key focus of our businesses, with €87.9 million (excluding ODO) spent on sales and marketing efforts by the Group in the year ended December 31, 2013, and €66.5 million (excluding ODO) spent in the nine months ended September 30, 2014. Out of these totals, our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €49.9 million, €3.4 million, €10.0 million and €20.0 million, respectively, in 2013, and €38.9 million, €1.2 million, €7.6 million and €12.0 million, respectively, in the nine months ended September 30, 2014. The Numericable Group spent €96.9 million on sales and marketing efforts in the year ended December 31, 2013 and has spent €70.5 million in the nine months listed September 30, 2014.

In France, our marketing department is responsible for designing and promoting new products and services to customers, with a particular focus on campaigns for triple play and quadruple play packages. We market and sell our services under our "Numericable" brand.

In Israel, we market and sell our cable-based services under the "HOT" brand and in 2012 we began to also market our 3G mobile services aimed at residential customers under the "HOT Mobile" brand which allows us to leverage the recognition associated with the "HOT" brand. We continue to market our iDEN-based mobile services to business customers under the "MIRS" brand. As part of our commercial television advertising strategy, we contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the "HOT" brand.

In Portugal, we market and sell our cable-based services under our "Cabovisão" brand. Our marketing department at Cabovisão is divided into two groups: a communication team responsible for designing our advertising and a product management team responsible for developing our product offerings and overall marketing strategy. Our marketing efforts leverage our strong local presence and the reliability of our customer service functions, and are focused on a simplified new offer for easier comparison with our peers' products. In Portugal, we market and sell our B2B services under our "ONI" brand. Our marketing is based on the attributes of our brand, a differentiated promotion effort and product offering by market segment. We offer a global and integrated portfolio of tailor-made B2B services to customers operating in multiple locations with often complex business requirements as well as communications services packages to SME/SMBs. In addition to our website, we promote our services to the corporate and public sectors through one-to-one marketing, business and technological events and publications and selective corporate publications. To complement this, we develop tactical regional approaches to market our offerings to SME/SMBs. Our go-to-market approach is based on direct and indirect channels and our sales team is organized by market segment.

In Luxembourg and Belgium, we market and sell our cable-based services under the "Coditel" brand and the "Numericable" brand, the latter of which we have licensed from Numericable France. Our primary marketing channels include internet and radio advertisements and billboard advertisements.

We began to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the "Numericable" brand name in September 2013. We continue to use the "ONLY" brand to market our mobile services across the French Overseas Territories and our xDSL-based services in French Guiana, La Réunion and Mayotte. In the French Overseas Territories, we use comparative adverts and promotions as part of our mass media advertising campaign to promote our low prices, proximity and quality.

In the Dominican Republic we market and sell all our ODO telecommunications services under the "Orange" brand. In connection with our acquisition of ODO, we have entered into a Brand License Agreement providing for the right for ODO to continue to use the "Orange" brand for its current Dominican Republic activities for a period of three to five years after closing of the ODO Acquisition. As a result, ODO benefits from strong brand recognition in the Dominican Republic. In the Dominican Republic we also offer pay television services through under the "Tricom" brand.

Our marketing strategy is based on increasing the penetration of multiple-play services within our subscriber base, increasing distribution of television-based value-added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents who are either employed by us or are paid a commission based on sales closed, inbound and outbound telesales and, in certain countries, our websites.

In France, we have in recent years revamped our sales strategy, focusing on maximizing returns from our investments in network upgrades and in innovative products and technology. We have divided our residential sales network in France into four regions and 165 selling zones, each under the responsibility of a local manager. Each zone has its own detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction and we rely on these reports to determine sales strategies relating to increasing ARPUs and customer acquisition. We employ a mix of sales channels, ranging from websales to retail partnerships to telesales, using retail stores to demonstrate and sell our high end products, including, in particular, our premium services that offer LaBox as standard, and relying primarily on websales and telesales to increase our penetration rate among lower end customers. In order to encourage websales of our lower end packages, we sell certain of our products and services at a lower price online. We market certain of our offerings, such as the iStart package, which includes access to very high speed broadband internet and DTT channels, exclusively through our website. We had 148 Numericable stores in France as of December 31, 2013 (60% of which were run as franchises under exclusive distribution agreements), and approximately 147 as of September 30, 2014 (60% of which were run as franchises under exclusive distribution agreements). The following map illustrates our selling zones and store presence in France including franchise locations.

Source: Numericable Management

We continue to establish retail partnerships with leading French retail outlets (including Boulanger, Carrefour and Cora) as part of our proximity sales strategy. We had 250 retail sales points operating through such retail partnerships as of December 31, 2013, and September 30, 2014. We expect to increase our number of own stores and decrease the number of retail sales points. We use different channels in each retail zone depending on our presence and success in that zone. For example, in areas where we have a low penetration rate, door to door sales can be a way for us to become a better known operator, with this marketing method resulting in increased sales through other channels. We also have a separate sales team in charge of selling our bulk services to building managers or housing associations. Our B2B business relies on a sales team that includes both direct and indirect channels. Our direct sales channel includes 170 sales engineers dedicated to the midmarket and 55 sales engineers dedicated to large corporates. We established our indirect sales channels in 2012 and these include 250 distributors led by 46 sales managers employed by us (who manage indirect sales through distributors), increasing our footprint and accelerating order intake. We address large corporates through dedicated sales engineers as well as indirect salespeople offering integrated services. We address the midmarket through dedicated sales engineers and a network of distributors managed by salespeople employed by us. Indirect sales channels people are managed by our sales engineers and are intended to help us better connect with the midmarket where local contacts are important. Indirect sales people include our B2B offers in the selection of offers that they market to mid sized companies, along with the offers of our competitors. We have also successfully leveraged our residential and B2B operations by taking advantage of cross selling opportunities in the wholesale segment.

Our sales distribution channels in Israel include 38 dedicated sales booths owned by the Group and operated by external dealers (the “HOT Booths”), other dealer outlets, telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales closed. Our largest distribution channel is telemarketing, while door-to-door sales and dealer sales also account for a significant portion of our sales. In Israel, we target our marketing efforts for our 3G mobile services primarily at individual customers and our iDEN mobile services primarily at institutional and business customers. We use a broad range of distribution channels to sell our mobile services, with the majority of our sales through the HOT Booths and approximately 15 sales and service centers, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores Electric Warehouse, our HOT Mobile website, telesales and door-to-door sales. In the ultra orthodox sector, we market our mobile services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

In the French Overseas Territories, we have attractive distribution capabilities with 72 points of sale for approximately 2 million inhabitants across the region. Our recent acquisition of Outremer has allowed us to gain access to this high-density distribution network with excellent cross-selling and up-selling opportunities. While most of our competitors externalize distribution, we believe our distribution network is a key competitive advantage as it enables us to better control sales and costs and to better service our customers as our service offerings become increasingly more complex, while also facilitating cross-selling. We have progressively increased the range of products we sell in our retail outlets starting from mobile, fixed-line telephony and xDSL-based services to, more recently, mobile accessories, handset insurance and new subscription-based services payment services. We have also integrated our cable and mobile distribution networks following our acquisition of Outremer which allows us to sell cable-based services in our shops in Martinique and Guadeloupe.

We have a distribution network of 29 retailers in Belgium and eight retailers in Luxembourg. We make both inbound and outbound telesales through our customer call centers in Casablanca, Morocco, and Differdange, Luxembourg. We encourage customers to purchase our products and services through our website, which we believe provides customers a clear understanding of our product prices and features, and results in lower subscriber acquisition costs.

In Portugal, we have two different sales teams with one focused on residential cable customers and the other one targeting B2B customers. For the year ended December 31, 2013, and the nine months ended September 30, 2014, door-to-door sales accounted for the majority of our sales of residential cable television services, followed by sales through our 20 retail stores, followed closely by our inbound/outbound telesales. We have opened an online store and the initial results are encouraging. We incentivize our sales force through progressive commission rates based on number of sales closed while at the same time being able to reduce our fixed costs in pursuit of increased productivity. We are adopting measures to shift our distribution channels from door-to-door channels to call centers and stores (physical and online). We believe that this will help us to better serve the needs of our target customers. Our B2B sales force consists of a dedicated team of 53 (including 13 presales agents) covering our entire footprint and focuses on small offices, home offices, small and medium enterprises, large corporates and public entities. Our B2B sales team is supported by a call center function.

In the Dominican Republic, ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic, comprising more than 519 shops and 66,300 top-up points of sale. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. For example, ODO captured approximately 47% share of mobile gross-adds for the nine months ended September 30, 2014, based on management estimates, while only operating 18% of the approximate 2,900 points of sale in the Dominican Republic.

Likewise in the Dominican Republic, Tricom has developed a multi-channel distribution approach to provide its range of services to residential and business clients. It owns a network of 144 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 127 dealer stores, with which Tricom has partnered up, account for the vast majority of its wireless services sales. The two key distribution channels for fixed services are (i) telemarketing where a dedicated team reaches out to clients to offer Tricom's services and products, and (ii) door-to-door sales where the sales force of approximately 115 physically visit clients at their homes and offices. Although still a minor channel, online sales are expected to grow as traffic on Tricom's website has been experiencing strong growth.

Customer Contracts and Billing

We typically enter into standard-form contracts with our residential customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate.

In France, we offer residential subscribers contracts with a duration of 12 months. Contracts with our B2B customers are generally entered into for an initial minimum period of one year for voice services and three years for data services, but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years following mandatory tender processes. Our bulk contracts have an average duration of five years.

In Israel, we offer our residential cable customers commitment-free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end-user equipment such as set-top boxes. We have recently become subject to new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 12 or 18 months. Although in Israel we are generally locked into the prices we offer for the duration of a contract, we are not necessarily committed to maintain the prices at which we currently offer our products indefinitely. For example, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and, in certain offers, subject to certain other terms. However, the price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 11,643 pay television RGUs in Israel as of December 31, 2013, and 4,751 as of September 30, 2014. The prices of our other cable-based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment-free, provided the amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates.

We also offer our HOT Mobile residential mobile customers commitment-free contracts meaning that they can terminate the contract without paying an exit fee at any time. We were among the first mobile operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our mobile customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

In Portugal, for our residential cable customer contracts, we offer standard contracts with a duration generally of 24 months and in certain cases 12 months. New customers are typically locked in for a 24-month period. Monthly fees include our rates as of the date of subscription plus a rental fee for end-user equipment. While we typically provide customers with modems free of charge, we offer set-top boxes either free of charge or subject to a discount, depending on the offer. In line with market practices in Portugal, we usually do not charge our customers any connection fees. We are permitted to increase prices without any limitation imposed by the regulatory authority; however, we are required to provide our customers with one month's prior notice. Contracts with business customers are individually negotiated, and the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract. Business customer retention is high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Long-term business customer contracts have terms ranging between six to 60 months (with most contracts being for 24 or 36 months).

In Belgium and Luxembourg, we offer our residential cable contracts with a maximum duration of six months due to regulation. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices (and subject to the approval of such price increase by the Minister of Economy in Belgium). For regulatory reasons, we do not charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

In the French Overseas Territories, we typically offer residential cable and xDSL customers contracts with a duration of 12 months, while our mobile customer contracts typically have a duration for up to 24 months. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices. We charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

Our billing system for cable-based services in Israel has been developed by Convergys Solutions Limited ("Convergys") and we receive certain consulting, support and maintenance services from Convergys. Our billing system for our 3G mobile operations in Israel is an integrated billing and customer contact management system developed by Comverse Ltd. ("Comverse"). Our billing system for our iDEN mobile operations has been developed by Motorola Israel Ltd. Our billing system, ProCable, used in our cable operations in Portugal, Belgium and Luxembourg has been developed by InfoCABLYS, a Canadian provider of customer care and billing systems. In our French B2B operations, we rely on Arbor's billing software. In our Portuguese B2B operations, we use Stratus RedKnee's billing system as well as our own in-house billing system to a smaller extent. Our business in the French Overseas Territories continues to use a billing system which it has developed in-house.

In the Dominican Republic through our ODO operations, we bill our post-paid mobile subscribers directly. SIM cards, mobile phones and other devices can either be purchased directly from us or from one of our indirect distributors who, in turn, purchase them from us. We send monthly bills to our post-paid mobile customers, payable within seven to 25 days, and we monitor customer collections and payments. Overdue receivables in excess of 90 days are transferred to a third-party factoring agency. Pre-paid mobile customers purchase SIM cards, mobile phones and other devices directly from us or from retailers and dealers who, in turn, purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to top-up their accounts through a number of payment channels, either directly with us (through the internet or in one of our stores), via Unstructured Supplementary Service Data ("USSD") or through any of our indirect distribution partners.

In all the jurisdictions in which we operate, we generally offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third party collection agencies and pursuing legal remedies in certain cases.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable-based and mobile services is carried out by approximately five call centers located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call center in each of Tunisia and Morocco (servicing our customers in France), a call center located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call center located in Brussels (servicing our Dutch-speaking customers in Belgium), a call center in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centers in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call center in Lisbon, Portugal (servicing our business customers in Portugal) and a call center in Mauritius (servicing our customers in the French Overseas Territories). We also provide our customers with access to technical support help desks which operate at substantially all times.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimizes our operational risks and costs.

In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers. For example, in France, our B2B segment has put in place customer service functions specifically adapted to the service quality requirements of business customers, including in respect of technical and administrative matters. Our computerized customer operations were upgraded through a specific program introduced in early 2012, which provides for a centralized and adapted approach to customer relations. Our standard service contract for B2B customers in France includes an undertaking to re establish service within four hours. Our annual availability has been greater than 99.98% during each of the past six years. Our highly secure network and customer service are available 24 hours a day.

We have launched and partially implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management ("CRM") systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

In France, recent surveys have shown high customer satisfaction rates for our products and services. We were also ranked first in several online surveys on French broadband internet providers carried out in June 2013 by the website 01net. The quality of our broadband internet offering in France has also been confirmed by NetIndex.com, a website that anonymously compiles global internet speed data, which ranked us ahead of SFR, Bouygues Télécom, Free, Colt and Orange in France for the speed of our broadband internet offering over the period from January 2012 to June 2013. IP Label Newtest, which measures the performance of broadband internet providers in Paris and in the French provinces for 01net, ranked us first in terms of the quality of our triple play services provided in June 2013. In February 2013, the French magazine Capital designated LaBox as the best set top box in the French market. In addition, in a study conducted by the ARCEP in 2013, we were recognized as having the lowest failure rates (0.6% for Numericable Group, compared to 1.4%, 1.2%, 2.2% and 1.2% for Orange, SFR, Bouygues Télécom and Free, respectively), the best time for setting an initial connection (7 days for Numericable Group, compared to 9 days, 13 days, 14 days and 17 days for Orange, SFR, Bouygues Télécom and Free, respectively) and one of the best voice qualities in France. We believe that our high customer satisfaction levels are in part due to the ease with which our customers are able to self install our services. For a significant portion of our service offerings, we typically send all the necessary equipment to our customers who are able to simply "plug and play" thanks to the reach of our network. In 2013, 70% of our installations in France were carried out by our customers themselves, compared to 57% in 2009.

In Israel, we believe we have substantially improved customer care as a result of the introduction of new processes resulting in shorter waiting times in call centers, new ways of servicing customers such as via Facebook and live chat functions, the development of self-service applications, increased automation, a closer relationship with our subscribers through an increased number of interactions and the 24/7 availability of our technical support representatives. We believe a large proportion of our customers are loyal to our brands thereby reducing churn. As of September 30, 2014, approximately 63%, 52% and 41% of our Israeli pay television, broadband internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years, and approximately 57%, 55% and 57% of our Portuguese residential pay television, broadband internet access and fixed- line telephony customers respectively have been our customers for over four years.

With respect to the majority of our operations, we outsource our customer service functions to third-party providers. Such providers use operating procedures, tools and training that are provided by the Group. However, in some of our geographies, including France, a team of in-house specialists handles the most complex customer care issues. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimizing these for several years.

We believe that the high-density distribution network we have in the French Overseas Territories as a result of the recent acquisition of Outremer enables us to provide better service to our customers as they can easily reach our stores. This will be particularly useful as our product and service offerings become increasingly broad and complex. As part of Outremer's integration into our Group, we are currently in the process of rolling out our customer service practices, including customer service functions relating to quadruple-play services, across our retail network.

Network

France

In France, we have an extensive network, covering both switched voice and data. Both our residential and B2B operations benefit from our extensive backbone. The total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers as of December 31, 2013, and September 30, 2014. Our network has approximately 83 end points and approximately 30 amplification sites as of September 30, 2014, and is mainly based on dark fibers owned by us, lit with DWDM optical wavelength equipment. As of September 30, 2014, our network includes hybrid fiber and coaxial cable connections to residential homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over our switched voice lines with 700 network subscriber access nodes. Covering around 35% of homes in metropolitan France (as of September 30, 2014), our network is concentrated in densely populated areas and does not cover the entire French territory.

Our cable network is one of two core end to end French networks with extensive local loop infrastructure, the other being owned by Orange. Our cable network in France passed 9.9 million, or approximately 35% of French homes as of December 31, 2013 (with further 1.6 million passed by SFR) and 10 million, or approximately 35% of French homes, as of September 30, 2014. This included approximately 5.2 million homes passed by our FTTB/EuroDocsis 3.0-enabled network, 3.3 million homes by our EuroDocsis 2.0 enabled network and 1.4 million homes by our standard coaxial cable network (the latter without bi directional capability and thus limited to television services) as of December 31, 2013, and 5.8 million, 2.7 million, and 1.4 million homes, as of September 30, 2014, respectively.

Over 85% of the homes passed by our cable network in France are EuroDocsis 2.0-enabled or EuroDocsis 3.0-enabled as of December 31, 2013, and September 30, 2014. In addition, as of September 30, 2014, approximately 85% of the homes connected to our network benefits from a frequency of 862 MHz and is therefore triple-play capable. The portion of our network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows our customers to connect several devices, such as computers, televisions, tablets and smartphones, simultaneously without impairing the quality of the television signal. We believe this download speed and our separate streams of television and internet give us an advantage over our competitors. In addition, this portion of our cable network in France has the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. The portion of our network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, we believe, is higher than speeds offered by our DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 television encoding technologies benefit from an 862 MHz frequency and enable us to offer our residential customers triple play or quadruple play and interactive services requiring large bandwidths. We believe that the picture quality of our television products, especially for HDTV channels, is superior to that of the IPTV technology used by our competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide screen television sets. In addition, we believe we are well positioned to respond to competitive pressure from FTTH and VDSL technologies, given the technological superiority of our network and the low coverage overlap between our fiber/cable network and those networks. With respect to areas covered by our cable network, less than approximately 15% of DSL lines will benefit from increased download speeds due to VDSL2+ technology.

Our B2B business in France relies on our fiber optic cable metropolitan area networks ("MANs") located in large urban areas installed in 80 dense business areas in France. Among other things, our MANs enable us to connect new B2B customers with limited capital expenditure. Our DSL network connects our business customers' more remote sites. Our fiber cable network in France passed over 10,000 corporate and public sector sites, and our DSL network passed over 80,000 corporate and public sector sites as of December 31, 2013, and September 30, 2014.

Our MANs and DSL network provide complementary access technologies to address our business customers' needs, which vary depending upon the bandwidth and security requirements of their sites. Generally, we connect our business customers' main and/or critical sites with fiber, provided that they are located within 500 meters of our MANs. Secondary sites of large business customers, as well as mid sized companies subscribing to our standard "Completude" service, are connected to our DSL network, except for "Completude Max" customers, who are connected through fiber. Customers' secondary sites outside of our DSL network's reach are connected through DSL lines or leased lines from other telecommunications operators. We believe that direct connections based on complementary fiber and DSL access are the best technical response to customer needs in terms of bandwidth requirements, technological and geographical complementarities and end to end control of service quality. Our national CORE IP network is one of the few "100 Giga ready" French networks to be up and running and runs from Paris to Lyon, and our VoIP network (which we believe is one of the most technologically advanced networks in France) can adapt to multiple technologies, providing the agility required to respond to customers' needs.

We own the hybrid fiber and coaxial cable in our network as well as the equipment, head ends, hubs and certain other parts of the access network, including our long distance backbone. The physical infrastructure into which our cables are placed, such as ducts and poles, are either owned by us or by Orange. Ducts and poles used by us but owned by Orange are accessed under long term IRUs. See "*—Network History and Ownership*". Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment, without affecting the quality of service being provided.

We expect to continue to selectively deploy fiber on a continual basis, where a densification of our fiber network in France is necessary to improve service to our customers. We generally upgrade the network to EuroDocsis 3.0 when the network is upgraded to FTTB at the latest. We continuously upgrade and renovate B2B connections in order to remain in line with customer expectations and requirements.

We have increased the number of homes in France connected with FTTB/EuroDocsis 3.0 over the past several years. We upgraded 658,000 homes in the year ended December 31, 2010, 114,000 homes in the year ended December 31, 2011, 503,000 homes in the year ended December 31, 2012, 408,000 homes in the year ended December 31, 2013.

For our B2B customers, one of the advantages of our network in France is that it is scalable with both fiber and DSL providing a key technological edge. We are able to use our fiber network to establish a direct connection to customer sites that have very high capacity requirements, with an average capacity of greater than 125 Mbps and a growing number of gigabit sites, and DSL to secondary customer sites with lower capacity requirements.

Network History and Ownership. Our network was built through the acquisition and combination of entities which themselves had built cable networks under various legal frameworks, in particular the 1982 Cable Plan (Plan Câble) and the 1986 New Deal Plan (Plan Nouvelle Donne). For a detailed description of the history and ownership of our network, see "*Risk Factors—Risks Relating to Our Business, Technology and Competition—There are uncertainties about the legal framework under which we own and operate our network in France, Belgium and Luxembourg*" and "*—We rely on third parties for access to and the operation of certain parts of our network*", and "*Description of Our Business—Material Contracts—Agreements relating to the installation and operation of our cable network in France*".

Technical Characteristics. We use the backbone, which refers to the principal voice and data routes between large, strategically interconnected networks and core routers, to transport all digital signals to our subscribers throughout France. The total length of fiber cables that make up our national long-distance network is approximately 13,000 kilometers as of December 31, 2013, and September 30, 2014. Our data backbone is currently running "All IP" and carries all of our communications traffic by using dedicated specific bandwidths for each of our digital television, high speed broadband internet, B2B data and residential fixed line telephony services. The voice backbone carries our switched voice communications traffic. We consider this backbone to have full capacity to meet our subscribers' needs.

The part of our network that uses standard coaxial cable to provide analog and digital television to approximately 1.4 million homes, as of September 30, 2014, is not connected to our backbone.

Routers put in place before 2007 (i.e. before EuroDocsis 3.0) allow for download speeds of up to 100 Mbps, and routers with EuroDocsis 3.0 allow for download speeds of up to 400 Mbps.

The distribution of our services within dense metropolitan areas is supported by local loops which are connected to the backbone and can address increased capacity needs. We own the local loops connected to our network.

Our residential subscribers connect to the network through a coaxial cable connection from one of our nodes. On average, approximately 1,000 homes (for the portion of the network equipped with EuroDocsis 2.0) and 200 homes (for the portion of the network equipped with EuroDocsis 3.0) are served by one of the approximately 400,000 optical nodes in our network. In the portion of our network upgraded to EuroDocsis 3.0, approximately 43% of homes are located within approximately 100 meters from the fiber connection on average (with fewer than 100 homes per node on average), approximately 16% of homes are located within approximately 200 meters from the fiber connection on average (with between 50 and 100 homes per node on average) and approximately 41% of homes are located within approximately 300 meters from the fiber connection on average (with more than 500 homes per node on average).

Network quality can deteriorate as customer penetration rates on any particular node increase above a certain threshold. When required, the scalability of our network enables it to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes. We use amplifiers on a portion of our coaxial lines to strengthen both downstream and return path signals on the local loop, but not on the EuroDocsis 3.0-enabled portion of our network to which subscribers are connected by an FTTB connection. The FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' building, such as the basement in a multi dwelling unit, with the final connection to the individual living space being made via alternative, non optical means, typically through a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. However, as the number of subscribers in a building increases, FTTH can become necessary to ensure the same speeds.

We monitor the performance levels of our networks in France on a continuous basis. The backbone network has been designed to include redundant features to minimize the risk of network outages and disasters and reroute traffic in the opposite direction around the backbone in the event that a section of the backbone is cut. Even though we have insured our buildings, head end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, they are not insured against war, terrorism (except to a limited extent under our general property insurance) and cyber risks. We carry insurance on our fiber optic network and property damage insurance for our coaxial network up to a capped amount and subject to exclusions.

Israel

We provide our pay television, broadband internet infrastructure access and fixed-line telephony services through our extensive fully-owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.3 million households. The fiber-rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper-based xDSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e. a reduction in the strength of the signal) or distortion (i.e. a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network. We are in the final migration process of switching telephony customers from 4 Nortel CS2K telephony switches to the new telephony environment based on Genband (Class 4) and Broadsoft (Class 5) switches with advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network. Our network supports minimum capacity per household of 862MGhz in approximately 45% of our homes passed, 750 MGhz in approximately 40% of our homes passed, and 600 MGhz in approximately 15% our homes passed, respectively.

Our cable network enables us to deliver broadband internet infrastructure access, fixed-line telephony and other interactive services, such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0-enabled allowing us to provide ultra-fast broadband internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades to certain households, which involved replacing existing copper wires used for local loop connectivity with optical fiber to reach the end user's building or last amplifier. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VoD services, increase the number of television channels we are able to offer and increase the speed of our internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013, respectively, for services provided by Bezeq under these arrangements. For further details, see "*Description of Our Business—Agreements with Bezeq relating to installation and maintenance of portions of our cable network—Material Contracts*".

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which, as of December 31, 2013, comprised of approximately 635 network sites, and as of September 30, 2014, consisted of approximately 630 network sites, distributed throughout Israel providing nationwide coverage. In relation to the roll-out of our UMTS-based 3G mobile services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2015, coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016, coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017, coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and, by September 2018, coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We have expanded our UMTS network coverage through a combination of modifying our existing mobile network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. Our UMTS network already extends to approximately 56% of the inhabited territory of Israel and covers approximately 71% of the Israeli population. We have deployed approximately 1,000 sites as of September 30, 2014.

We believe that the Network Sharing Agreement between HOT Mobile and Partner will reduce the need for new sites, resulting in the slowing down of the roll-out of the new sites. Previously, we relied on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we used Pelephone's in- country roaming services to service our customers while we built out our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Furthermore, in December 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under Network Sharing Agreement. The Network Sharing Agreement has received approval from the Israeli Antitrust Authority (subject to certain conditions), but remains subject to final approval from the Israeli Ministry of Communications. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation- wide mobile coverage to our customers.

The Network Sharing Agreement with Partner is valid until December 31, 2028, and provides for automatic renewals in five-year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details see "*Description of our Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services*" and "*—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". Our Israeli cable-based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, the Israeli Ministry of Communications has initiated a tender process for a total of eight frequency bands in the area of 1,800 MHz that will enable delivery of mobile services using 4G-LTE technology. On November 18, 2014, HOT Mobile submitted its offer in response to the tender. On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval. In the event that such approval is awarded and we acquire such frequencies, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. The conditions to the 4G-LTE tender also clarified that a licensee may enter into a network sharing agreement with another licensee subject to certain conditions. As a result, HOT Mobile has updated its request for approval by the Ministry of Communication of the Network Sharing Agreement with Partner. It was also clarified that Golan Telecom and HOT Mobile may request to replace the deployment plan they attached to the tender for the UMTS frequencies with a deployment plan for 4G, provided investment in the 4G network is equivalent to investment in the original deployment plan they committed to, and that they will only use frequencies assigned to them in the 4G tender for the provision of 4G services.

We believe that, because of our extensive fixed-line network and our advanced UMTS network, upgrading our mobile network to the 4G standard will involve significantly less capital expenditure (or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner) than we incurred to roll- out our 3G network because our mobile network infrastructure will require minimal upgrading as compared to some of our competitors. We believe these factors will allow us to quickly market the latest 4G-LTE-based packages to our customers. The Ministry of Communications has allowed existing operators wishing to upgrade their systems immediately to temporarily use the frequency bandwidth of 5 MHz (X2) in the area of 1,800 MHz LTE technology (subject to certain conditions), and, as such, HOT Mobile is intending to launch such 4G-LTE services to customers in the coming months.

The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of mobile services.

Service Provider	**UMTS Bandwidth (Mhz)**	**GSM Bandwidth (Mhz)**
HOT Mobile	2,100	—
Pelephone	850 - 2,100	—
Cellcom	850 - 2,100	1,800
Partner	900 - 2,100	900 - 1,800
Golan	2,100	—

Portugal

In Portugal, we benefit from a state-of-the-art HFC cable network that passed 908,000 homes as of December 31, 2013, and 909,000 homes and covered certain Portuguese cities in over 13 districts and 70 municipalities, as of September 30, 2014. The company is licensed by ANACOM to provide public cable television services in 233 Portuguese municipalities, as well as public telecommunication network and fixed telecommunication services. We use this network to provide residential pay television, broadband internet access and fixed-line telephony services. It extends over 12,000 kilometers and includes 3,600 kilometers of optical fiber. We have upgraded approximately 99% of our network to Docsis 3.0 and expect to reach 100% following certain upgrades that are currently underway. We fully own our distribution networks, head-ends and drops, which gives us significant flexibility to deploy and constantly improve our product offering.

Our acquisition of ONI enriched our assets base with the second largest B2B cable network in Portugal covering approximately 85% of the Portuguese population. We operate a nationwide backbone supported by approximately 9,150 kilometers of fiber pairs and 431 points of presence supporting 9,605 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fiber pair with speeds between 155 Mbit/s and 10 Gbit/s. Radio links complement our access portfolio, with 172 point- to-point systems in service. In addition, our network is connected to Spain through the 10G SDH Iberian ring and a new 10G PTN connection. Furthermore, we use SDH to support Ethernet services using its wide coverage (1200 NE) and the intrinsic automatic protection in case of failure by switching to an alternative route in less than 50 ms. In the two main metropolitan regions, Lisbon and Porto, Packet Transport Network (PTN) technology backbones are providing native Ethernet clients accesses through optic-fiber, usually with 1 Gbit/s of bandwidth. Within the cities and in the B2B environment, FTTH is deployed with direct extension of PTN, enabling up to 100 Mbps and 1G VPN/VLAN services. A wider coverage is attained with xDSL technologies in operation in 139 co- location sites and, since June 2013, symmetric Ethernet services are supported through Ethernet Last Mile (EFM) technology with a theoretical reach of 120 Mbps but being deployed for 10 Mbps (four pairs).

Belgium and Luxembourg

We provide our pay television, broadband internet access and fixed telephony services to both residential and business customers who reside in our service area through our combined broadband HFC network which consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 860 MHz in Brussels and 550 MHz in Luxembourg. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which can be used to exchange all channels carried in France, Belgium or Luxembourg.

In Brussels, our network assets include approximately 513 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable.

Our fiber backbone is currently running All-IP and carries all of our communications traffic with dedicated bandwidth for the various types of traffic. Customers connect to the network through a coaxial connection from one of our nodes.

Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 171,000 homes in Brussels and 42,000 homes in Luxembourg are served by each of the approximately 240 optical nodes in the Brussels region, approximately 30 optical nodes in the AIESH region and approximately 96 optical nodes in Luxembourg. Network quality can deteriorate as customer penetration rates on any particular node increase above a certain number. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes.

In Brussels and in Luxembourg, we built our network pursuant to agreements with municipalities which authorized us to build and operate a television cable network over the territory of the municipality. In Luxembourg, in certain municipalities, we directly acquired the network from private owners, while in other instances the network is owned by the municipality which we operate pursuant to a concession agreement. Ownership of the network between the cable operator and the municipality during the term of the agreement can also depend on who originally invested in the network.

Our HFC cable network passed 171,000 homes in Brussels and 42,000 homes in Luxembourg as of December 31, 2013, and 171,000 and 42,000 homes as of September 30, 2014, respectively.

Our entire cable network in Brussels and Luxembourg is nearly fully EuroDocsis 3.0-enabled. Within the network we acquired in late 2012 in the County of Hainaut in Belgium, we have already upgraded approximately 100% of homes passed to triple-play capability, approximately 19% of our subscribers in the area are already subscribed to one of our multiple-play products and approximately 39% now receive digital services. We provide mobile services utilizing the mobile network of Mobistar in Belgium (the second largest mobile service provider in Belgium) pursuant to mobile virtual network operator ("MVNO") agreements.

French Overseas Territories

Following our acquisition of Outremer, our proprietary infrastructure in the French Overseas Territories now includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling us to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Our acquisition of Outremer also enriched our asset base with fixed-line xDSL networks, over which we provide internet, fixed-line telephony and IP television services which are available to most households in the region. In Guadeloupe, Martinique and La Réunion, our fixed-line xDSL network is supplemented by WiMAX capability enabling the delivery of last-mile wireless broadband internet access. In addition, we have invested in IRUs and leases of submarine cable capacity, which connect our terrestrial mobile and xDSL fixed-line networks to international routes.

In addition to mobile and fixed-line xDSL networks, we also own a HFC cable network in Martinique and Guadeloupe, which, as of December 31, 2013, passed 73,312 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 80,831 homes in Guadeloupe (covering approximately 53% of Guadeloupe by homes passed). As of September 30, 2014, our HFC cable network passed 73,601 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 104,663 homes in Guadeloupe (covering approximately 69% of Guadeloupe by homes passed). We are currently in the process of upgrading our network to EuroDocsis 3.0 and have upgraded 95% of our network as of September 30, 2014, compared to 49% as of September 30, 2013. We expect to complete this process by the end of the first half of 2015, following CMTS capacity roll-out over the second half of 2014.

It is expected that ARCEP will initiate an application process to award spectrum for the provision of 4G-LTE mobile telephony services in the French Overseas Territories in the final quarter of 2015 in the Caribbean area and by the beginning of the third quarter of 2015 in the Indian Ocean. In the event we are awarded such 4G-LTE spectrum, our ability to provide 4G-LTE mobile services to complement our existing 2G and 3G mobile services in the French Overseas Territories will depend in part on our ability to upgrade our mobile network and roll-out a 4G-LTE network, which could involve a significant amount of capital expenditure. Based on current plans, we expect that we would need to invest approximately €27 million (net of tax subsidies) from 2014 through to 2016 to upgrade our networks to roll-out LTE mobile services. In the Indian Ocean (Reunion and Mayotte), Outremer will dispose of its mobile operations. In those territories, expected 4G investments represented €6.5 million in 2015 and €5.1 million in 2016.

Dominican Republic

Through ODO, we own the highest quality 3G mobile network in the Dominican Republic, based on a public analysis by an independent consultant. Our previous capital expenditures have resulted in what we believe to be superior coverage and network reliability.

We offer our mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G-LTE mobile access network comprising approximately 1,205 antenna sites with approximately 1,378 2G GSM/GPRS base stations (BTS), approximately 880 3G UMTS/HSPA base stations (node-B) and, 180 4G-LTE mobile base stations as of September 30, 2014.

ODO has nationwide coverage through its high quality 2G network (96% and 96.4% population coverage as of September 30, 2014) which is fully EDGE capable. ODO installed five new 2G sites during the nine-month period ended September 30, 2014. Additional sites have also been identified for future installations. ODO achieved 77.1% population coverage through its 3G network as of September 30, 2014, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is on-going and ODO aims to cover approximately 80% of the population by 2015.

In July 2012, ODO became the first operator in the Dominican Republic to commercially launch its 4G-LTE network. However, certain disputes with competitors (over allegations of anti-competitive practices) resulted in restrictions being imposed on ODO's 4G-LTE network by Indotel, thus slowing its 4G-LTE deployment plans. These disputes have now been resolved and the Indotel-imposed restrictions have been removed, and as a result ODO now offers nationwide 4G-LTE services on mobile devices through the 4G-LTE spectrum it offered services through prior to the ODO Acquisition. It is our intention, once the ODO and Tricom merger receives the required regulatory approval, to migrate ODO's 4G-LTE services onto the spectrum in the 1,900 MHz frequency licensed to Tricom since the conclusion of the 4G-LTE public frequency auction in May 2014. Pursuant to this, ODO has filed a technical pilot application with the relevant regulatory body which, if approved, would allow ODO and Tricom to work on the technical logistics of the proposed 4G-LTE migration ahead of their merger.

As of September 30, 2014, ODO had 180 4G-LTE-enabled mobile sites (offering approximately 32% population coverage). In light of the favorable resolution of the spectrum capacity issues, ODO now plans to increase its 4G-LTE population coverage. ODO benefits from a scalable multimode 3G network, which is easily upgradable to 4G. The 4G-LTE roll-out has been predominantly driven by demand in the B2B segment, with the focus of coverage on the Santo Domingo and Santiago regions, where a majority of clients are based.

We are rolling out a backbone transmission optic fiber to connect high density areas and progressively decommission the SDH microwave links while sustaining future traffic growth. ODO owns an optical backbone that management believes will allow ODO to meet future increases in data traffic. Our transmission backbone includes underground fiber along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). Additionally, ODO has identified other high density traffic locations to be connected with fiber in the future. Fiber is being rolled-out both below and above ground, in an on-going effort to optimize cost and deployment time. At the same time, in remote areas where the deployment of fiber is expensive, ODO is making use of microwave backhaul.

Tricom provides its pay television, broadband internet and fixed-line telephony services through its HFC cable, xDSL and GPON networks. With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fiber technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of December 31, 2013, Tricom had upgraded 77% of its cable network to bi-directional capability. Tricom has upgraded a further 10% of its cable network to bi-directional capability as of September 30, 2014, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services. Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and where proprietary fiber optic is already present, offering growth potential. To this end, it relies on an in- house team which designs approximately 80 kilometers of network each month, as well as third-party construction teams which implement in-house design and build approximately 70 kilometers of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focused on maintaining its xDSL network to serve customers in areas not reached by its cable network.

Tricom provides its mobile telephony services separately through its wireless network and has 25 MHz of spectrum in the 850 MHz frequency, allowing it to offer its customers 3G mobile services, and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G-LTE mobile services. Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency where it offers some WiMAX coverage (East coast). Tricom launched 4G mobile services in May 2013. Tricom's network in the 850 MHz and 1,900 MHz frequencies cover approximately 86% and 60% of the Dominican Republic population, respectively, as of September 30, 2014. Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 70 Mbps and 3 Mbps, respectively.

Suppliers

While, historically, purchasing activities were typically carried out locally at the various entities comprising our business, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power. The purpose of our centralization efforts is to leverage the combined scale of the Altice Group operations located in different geographies and thus negotiate more favorable pricing and other commercial terms from suppliers of certain hardware, software, pay television content and other products used in all of our operations than each of our businesses could individually secure. In order to put the centralization process on a more formal footing, we are currently in the process of establishing a global purchasing subsidiary. We believe that the continued integration and streamlining of our global procurement processes will allow us to realize significant cost savings going forward.

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third-party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

We currently deploy the set-top box LaBox in our operations in Belgium, Luxembourg and Portugal, and we also introduced LaBox in Israel in March 2014. We purchase LaBox set-top boxes from Sagemcom for use across our operations. We also continue to procure set-top boxes for use in certain of our operations from Technicolor. The Altice Group generally weighs in on the negotiation of each individual contract entered into by our businesses in order to leverage its combined purchasing power and generally ensure the same terms and conditions are agreed upon across its operations. While we progress the globalization of our procurement functions, our businesses continue to purchase certain of the products and services required for their operation under locally negotiated contracts for a variety of reasons, including the need for such products and services being specific to each locality.

In our French residential business, our main hardware and software suppliers are Sagemcom, Castlenet and Netgear, which equip us with set top boxes and broadband internet routers in which we own the intellectual property rights; Cisco, which provides us with cable router termination systems (i.e. equipment typically located in the head end or hubsite which we use to provide high speed data services); Pro Cable, which supplies us with billing and related software and hardware; and Nagra France, which sells us its conditional access system. The main hardware and software suppliers of our French B2B segment are Cisco, which provides us with data network parts and customer premises equipment, such as servers; Huawei, which supplies us with voice network components and voice related customer services equipment; Genbad, which provides voice network maintenance; Ciena, which provides fiber and data network components; and Arbor, which sells us its billing software. Other than in respect of Nagra France, we do not believe we have any material supplier dependencies. Our contract with Nagra France was entered into in October 1999 and expired in 2007. Upon expiration, the contract is tacitly renewed for successive five year periods, subject to termination by either party upon six months' notice prior to the end of any such five year period. The last tacit renewal took place on January 1, 2012, and the contract will therefore be up for renewal again in December 31, 2017.

In Israel, our key infrastructure, hardware and software suppliers for our cable-based operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Genband, Bynet and BroadSoft which provide us with equipment and services relating to telephony switches; NDS Limited, a subsidiary of Cisco, which provides us with equipment and services relating to unified encryption systems; Technicolor and Sagemcom, which provide us with set-top boxes including, in respect of Sagemcom, the HOT Box; and Nagravision, which provides us with software for set-top boxes.

We have entered into a number of reciprocal interconnection agreements with fixed-line telephony providers in Israel, mobile operators in Israel and internal long-distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing-related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VoD service. We use a limited number of subcontractors to install broadband internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of the service provided by our subcontractors on a regular basis. With respect to our mobile operations, we have engaged Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which has provided us with in-country roaming services for our 3G mobile operations since we began offering mobile services in Israel in May 2012 and also have roaming agreements with several foreign mobile operators. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which has received approval from the Israeli Antitrust Authority (subject to certain conditions), but remains subject to final approval from the Israeli Ministry of Communications, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. In December 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause to which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network

Sharing Agreement with Partner once final regulatory approval by the Ministry of Communications is received. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management ("CRM") system for our 3G mobile operations. The main suppliers for our iDEN-based mobile operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility which manufactures end- user equipment for iDEN technology.

The suppliers to our residential business in Portugal include Portugal Telecom and EDP, which provide us with services relating to certain parts of our cable network which pass through ducts and poles owned by them; Fibnet and Aveicabo, which provide us with installation services and services relating to the maintenance of our network; Randstad, which provides us with contract and payroll management services relating to our sales agents as well as call center functions; as well as NSN and Genband, which provide us with hardware as well as maintenance and support for network equipment. For our recently-acquired Portuguese B2B business, we have a set of long-term contracts for our main infrastructure (sites and fiber) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibers, a contract for ducts and land with BRISA, the main Portuguese highway operator, and also leased circuits from PT Portugal. In Spain, we lease bandwidth and optical wave-lengths from British Telecom and UFINET enabling our presence in the Iberian Peninsula and Madrid. Further key suppliers of our Portuguese B2B business include Alcatel-Lucent, Cisco, Corient, Sonus.HP, Ruckus, Dell and Axis.

In Belgium and Luxembourg, Numericable France is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement we entered into with Numericable France on the date of the acquisition of Coditel by us, Numericable France provides us with technical, engineering and support services, while also allowing us to benefit from its purchasing power for equipment, in particular set-top boxes, content and IP traffic. Other key suppliers of our IT needs include InfoCABLYS, which provides us with hardware and the billing and customer care software "ProCable", and Sage, which provides us with support for its enterprise resource planning system that we use. In Belgium, we use subcontractors to install internet, fixed-line telephony and digital TV equipment in subscriber homes, in addition to having a small portion of installations performed by our own employees. In Luxembourg, we use both our own employees and subcontractors to perform installation services. Certain services can be self-installed by our customers but most require a professional installer. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange, SRR and Digicel to which we pay interconnection fees and purchase capacities from for both our cable-based and mobile activities. With respect to our recently acquired mobile operations, we historically source our handsets from Samsung and Alcatel and purchase our network infrastructure and 2G/3G base stations from ZTE. In anticipation of the potential release of frequencies for 4G-LTE, we requested quotes from major original equipment manufacturers. Regarding our cable-based operations, we purchase rights to broadcast channels on our network and content for our TV service and we use only one subcontractor, ERT, to install broadband internet, telephony and digital television equipment in subscriber homes. We procure our xDSL modems and set-top boxes from Pace (formerly known as Bewan) and Sagemcom, while we purchase our cable modems and set-top boxes from Numericable France which sources from Netgear and Technicolor, respectively.

In the Dominican Republic, ODO has entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others.

Material Contracts

The agreements described below are of material importance to our Group. The overview of each agreement set forth below is an overview of the material terms of such agreements as in effect as of the date of these Listing Particulars.

Agreements relating to the installation and operation of our cable network in France

Our overall cable network in France, which comprises a combination of networks we inherited from different French cable operators we acquired, is operated as a single network pursuant to long term agreements with Orange and certain public authorities for the use of Orange's ducts and the occupation of public domains, respectively.

Orange IRUs

We entered into non exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004, and December 21, 2004, in connection with the acquisition of certain companies that operated cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to us by Orange through these non exclusive IRUs. These IRUs each cover a specified geographical area and were entered into for a 20 year term. The IRUs are neither subject to early termination nor provide for automatic or tacit renewal. Under the IRUs, we are granted access to some of Orange's civil engineering installations to maintain and upgrade our network, provided we comply with certain predefined operating procedures, but are not permitted to extend our network by using such existing civil engineering installations. Furthermore, Orange remains in charge of the maintenance of its civil engineering installations.

In 2008, ARCEP ruled that Orange had to offer access to its ducts to other telecommunications operators to allow them to roll out their own fiber networks. The terms on which Orange makes its ducts available to other operators are less favorable than the terms we benefit from under the IRUs. On November 4, 2010, ARCEP ruled that the operational procedures of our IRUs should be modified and aligned with the operational procedures granted by Orange to other operators. Our IRUs with Orange were accordingly amended in December 2011.

Agreements with Public Authorities under the New Deal Plan

In 1986, the French government launched the New Deal Plan (*Plan Nouvelle Donne*) (Law 86 1067 of September 30, 1986, relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorize private companies to set up these networks. Several private companies (which we later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent approximately 38% of our overall network in France.

There is no form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long term agreements entered into with local authorities. We entered into approximately 500 agreements in connection with New Deal Plan networks.

In this context, law 2004 669 dated July 9, 2004, which implemented the 2002 European directives, "2002 Telecoms Package" (the "*Paquet Télécoms 2002*"), into French law, imposed an obligation to conform agreements through terminating exclusive rights over the installation and/or operation of networks.

In order to clarify the conditions for conforming the agreements currently in place with public authorities (primarily local authorities) in accordance with this obligation, in May 2010, we made a proposal to ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to us through a transfer process.

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

We have signed nearly 80 agreements, 25 of which follow the approach agreed to by ARCEP, with various local authorities, and we are currently in the process of negotiating the implementation of its proposal with certain other local authorities.

Ad hoc Agreements with Public Authorities

A limited portion of our current network in France (approximately 7%) is governed by legal agreements such as long term leases of public property, or *conventions d'affermage*, a type of operating concession through which we lease an entire network, or public land use agreements, or *conventions d'occupation du domaine public*, through which we install the necessary network equipment on certain public property with no underlying property transfer.

These agreements are entered into with local authorities, primarily municipalities, for terms ranging from 10 to 30 years. In accordance with the terms of Articles L. 2122 2 and L. 2122 3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, we must, in accordance with our contractual obligations, (i) return the entire network to the local authorities, in some cases against the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove at either our cost or at the cost of the local authorities the equipment installed by us on the local authorities' premises, (iii) transfer the network to another operator with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of our own network on public land.

Other Infrastructure and Network Agreements

We have entered into several agreements in connection with the maintenance, extension and upgrade of our network, including maintenance agreements, fiber lease agreements and use of dark fiber link agreements. Most of our maintenance agreements are with various French network construction and marketing companies in the context of delegation of public services (*délégation de service public*) agreements with public authorities, have a term of one to three years and are renewed either annually or for an indefinite term. Completel has entered into an IRU agreement with SFR expiring in 2021. The fiber lease and dark fiber link agreements have been set up mainly with other network owners in France, including Orange and SFR, and have a duration of three years or more. Certain of these contracts must be renewed within the next few years. In addition, we have entered into agreements with various suppliers for the delivery of hardware and software in connection with our continuous efforts to upgrades and modify our French cable network.

Agreement with the State of Israel relating to ownership of our cable network

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all rights and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Israeli cable consolidation process, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011, 2012 and 2013, and in the nine months ended September 30, 2014, we incurred expense related to the agreement with the State of Israel of NIS 57 million, NIS 58 million, NIS 58 million and NIS 41 million. We have provided a second ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS-based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel with a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every per cent. of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile is calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of mobile subscribers in the private sector; (ii) the ratio of the number of outgoing mobile call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing mobile call minutes (including call minutes in the same network) by all mobile subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all mobile subscribers in the private sector. In April 2013, HOT Mobile received a notification from the Israeli Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely "subscribers in the private sector", "number of outgoing mobile call minutes" and "revenues". The two measuring periods for market share gain run from the date of the license to September 26, 2013, and September 26, 2016, respectively and the remaining license fee, which is the lowest fee as calculated on each of the testing dates, would be payable three months after the second testing date. As a condition for the bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the mobile license and have entered into an insurance agreement to be insured for any such liability. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that entitles us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS

10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 million to an amount of NIS 80 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and $8.4 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

Agreements with Bezeq relating to installation and maintenance of portions of our cable network

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of the planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses. For further details regarding the term of our broadcasting licenses, see "*Regulatory—Israel—Television—Overview*".

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and connecting new neighborhoods. Bezeq is permitted to terminate the agreement if we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12-year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 46 million, NIS 48 million, NIS 47 million, and NIS 36 million in 2011, 2012, 2013, and the nine months ended September 30, 2014, respectively, for services provided by Bezeq under these agreements.

Agreement with Nokia Solutions and Networks relating to installation of the UMTS network

In June 2011 we entered into an agreement with NSN for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. NSN has also agreed to provide maintenance with respect to our mobile network.

In the first stage, completed in 2012, NSN met its requirement to complete the network with coverage extending to 20% of the Israel population according to our mobile license requirements regarding the first check point. During 2013 and 2014, several amendments were made to the agreement with NSN postponing payments due under the agreement, in return for a debt obligation which was issued in favor of NSN and guaranteed by HOT. In this framework of agreements HOT Mobile also confirmed receipt of a final installment of key parts in relation to the aforementioned project.

In July 2014, an agreement was signed between HOT Mobile and NSN for the provision of equipment, hardware and software. In addition, HOT Mobile acquired construction and integration services of the LTE core network for the provision of domestic roaming services and for adapting its network to the requirements of the Networks Sharing Agreement with Partner. Under this agreement, the maintenance agreement between HOT Mobile and the vendor was renewed for 2014-2015.

We expect that the total amount payable under the agreement with NSN to be lower than originally anticipated due to our Network Sharing Agreement with Partner as a result of which our need to build out a new UMTS network will reduce.

White Label Contracts in France

We are party to long term contracts with the French appliance retail company Darty (white label DSL and fiber contract) and the French telecommunications operator Bouygues Télécom (white label fiber contract), pursuant to which we sell certain of our television, broadband internet and/or telephony services to each of these counterparties, which then resell them as double play or triple play packages over our network under their own brand and to their own subscribers. We provide telephony services to Darty, who does not own a fixed network, but not to Bouygues Télécom. We continue to explore opportunities to enter into additional white label agreements.

Under our white label contracts, we are committed to certain standards of quality and efficiency, and penalties may be charged by our white label customers if these commitments are not met. Each of our white label customers pays us monthly fees based on the number of end users to whom they sell our bundled packages and, in the case of certain voice services contracts, based on usage. Additional fees are payable by our customers that require additional services, such as customer care and billing. The fees charged include (i) a fee per subscriber which depends on the type of package subscribed to, (ii) telephony charges and (iii) VoD charges. By way of exception, digital television services provided to Darty customers are invoiced by Darty on behalf of us and are paid directly by Darty to us.

We entered into our first white label contract in February 2006 with Darty. We entered into two subsequent white label contracts with Darty: (i) in October 2008, for the provision of very high speed broadband internet services, and (ii) in November 2009, for the distribution of television services. In addition, we entered into a white label fiber contract with Bouygues Télécom in May 2009 for very high speed broadband internet services. Our contracts entered into with Darty and Bouygues Télécom are due to expire in 2021 and 2019, respectively. Upon reaching the initial expiration date, the terms of each of the Darty contracts provide for automatic renewal for successive periods of five years, unless otherwise notified by either party upon 12 months' prior notice. The Bouygues Télécom contract provides that upon reaching the initial expiration date, the contract will be automatically renewed for an indefinite period, unless otherwise terminated by (i) Bouygues Télécom upon 24 months' prior notice, or (ii) us upon 12 months' prior notice.

In May 2012, Bouygues Télécom acquired Darty. Accordingly, our existing Darty and Bouygues Télécom white label contracts have been amended, most recently in December 2012, to reflect Darty and Bouygues Télécom's new commercial relationship.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the year ended December 31, 2013, on a historical consolidated basis, we incurred interconnection fees of €89.8 million (excluding France). In the nine months ended September 30, 2014, we incurred interconnection fees of €74.8 million (excluding France).

Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services

In November 2011, HOT Mobile entered into an agreement with the mobile operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement enabled us to provide 3G mobile services to our mobile customers while we continued to build-out our UMTS network in Israel. The cost for the services provided by Pelephone was based on agreed rates and depends on the actual usage of Pelephone's mobile network by our 3G customers in Israel. The agreement with Pelephone is scheduled to expire in December 2014, subject to notice.

In December 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. See "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*".

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 mobile networks. We are also in the process of negotiating and signing roaming contracts directly with individual mobile operators in various countries. Our roaming agreement with Vodafone enables our Israeli 3G mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

In November 2012, our French Overseas Territories business entered into an international roaming agreement with Belgacom International Carrier Services ("BICS") for the benefit of our 2G and 3G subscribers. The agreement is scheduled to expire in November 2015. The cost for the services provided by BICS is based on agreed rates and depends on the actual usage of BICS' mobile network by our customers travelling abroad.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our Israeli iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

Mobile Network Sharing Agreement with Partner in Israel

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the "Network Sharing Agreement") with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership ("JV Entity") that will hold, develop and operate an advanced shared mobile network for both companies. Each party is required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base.

The Network Sharing Agreement has received approval from the Israeli Antitrust Authority subject to certain conditions including, among others, the prevention of the transmission of business information and technology (which does not require joint activity), and conditions relating to the management of the JV Entity. The decision further stipulated that each party shall be entitled at all times, and at its sole discretion, to call a third party for provision of mobile communication services which are used in the core network of such party, and that the JV Entity will not be a party to the agreement and shall not be entitled to payments made thereunder.

Further, from May 22, 2021, or six years from the date on which final approval of the Ministry of Communications is given, whichever is earlier, the Commissioner may notify the membership in writing that the decision to approve the application for the Network Sharing Agreement is revoked if the Commissioner finds the partnership, its existence or its actions harms competition. The Network Sharing Agreement remains subject to final approval from the Israeli Ministry of Communications, the decision of which is expected to be made after the outcome of the 4G-LTE tender process is decided.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile is required to pay Partner a specified one-time amount by January 1, 2017, and, thereafter, each party will bear half of the capital expenditures required for the purpose of the establishment and upgrade of the shared network, while the shared network operational expenditures will be allocated in accordance with a prescribed mechanism based, *inter alia,* on the traffic volume usage of each party of the shared network. HOT has issued a guarantee for HOT Mobile's obligations under the Network Sharing Agreement and the Group may be required to provide an additional guarantee or a bank guarantee to Partner in the event of the downgrade of the Group's corporate rating by certain specified levels.

The Network Sharing Agreement with Partner is valid until December 31, 2028, and provides for automatic renewals in five-year increments after December 31, 2028 (unless either party notified its intention to terminate the agreement by 24 months' notice prior to each extension period). However, at any time after the eighth anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months' prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party's license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

HOT Mobile and Partner have also entered into a right of use agreement (the "RoU Agreement") granting HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers pending implementation of the Network Sharing Agreement. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have recently entered into an agreement with Pelephone pursuant to which we are no longer tied exclusively to Pelephone.

We expect that arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. We have already experienced savings relating to roaming costs under our RoU Agreement for the nine months ended September 30, 2014. However, there can be no assurance that we will be able to obtain the final, outstanding regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost-effective manner.

Agreement with NDS relating to purchase of a unified encryption system

In February 2007 HOT entered into an agreement with NDS ("NDS") pursuant to which NDS supplies certain software and services for the implementation of a unified encryption system which enables HOT to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although HOT has the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS in order to include encryption systems for a new type of set-top box provided by Technicolor. HOT is required to pay NDS an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT sent a notice of termination of the agreement to NDS. The notice was sent in view of negotiations between the Group and the Cisco group ("Cisco"), the parent of NDS, regarding a new global contract. In response to the notice, HOT received a letter from NDS on March 5, 2013, stating that in its view the agreement could not be cancelled before July 2015. The parties are currently in the process of negotiating revised terms.

We are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions. While we have not yet entered into a Group-wide supply contract with Cisco, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging the Altice Group's combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreement with Nagra France relating to the purchase of a unified encryption system

In October 1999, we entered into a contract with Nagra France for the purchase of a unified encryption system which expired in 2007. Upon expiration, the contract is tacitly renewed for successive five year periods, subject to termination by either party upon six months' notice prior to the end of any such five year period. The last tacit renewal took place on January 1, 2012, and the next renewal, if any, will take place in December 31, 2017. We believe that a failure on Nagra France's part to continue supplying us its unified encryption system could disrupt, and have an adverse effect on, our business in France.

Agreements with Technicolor relating to purchase of set-top boxes

In October 2007 HOT entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. HOT formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the "HD-PVR" set top-box. In consideration, HOT is obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

We are party to similar agreements with Technicolor for the purchase of set-top boxes across our operations. While we have not yet entered into a Group-wide supply contract with Technicolor, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging the Altice Group's combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreements with Sagemcom relating to purchase of equipment

In March 2011 in Israel, HOT entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, HOT is obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

In October 2011 in France, we entered into a supply agreement with Sagemcom for our most technologically advanced set top box to date, LaBox. The initial term of this contract is until April 2014, and it is automatically renewable for successive terms of five years, subject to prior notice of termination. It contains commitments from Sagemcom to deliver the ordered set top boxes within a set schedule and a non exclusive commitment from us to order minimum quantities of set top boxes over the term of the contract. Since August 2011, Sagemcom has been owned by Carlyle.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We introduced LaBox in Israel in March 2014. While we have not yet entered into a Group-wide supply contract with Sagemcom, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging the Altice Group's combined purchasing power and to ensure that the same terms and conditions are entered into by each of its businesses.

Sagemcom was acquired by funds managed by Carlyle on August 17, 2011. Carlyle currently owns less than 5% of the Issuer. We believe that the price we pay Sagemcom for the purchase of its set top boxes is a market price. Jonathan Zafrani represents Carlyle on Numericable's board of directors. In the context of his role at Carlyle, Mr. Zafrani is a member of the board of directors of a certain number of Carlyle investment portfolio companies, including Sagemcom Holding, the parent company of Sagemcom.

Agreement with Bezeq for the Provision of Transmission Services

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio mobile telephone services provided by HOT Mobile. The agreement's validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days' prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

Agreement with Comverse

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd.("Comverse"), pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of $12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of $500,000.

Content Purchase Agreements

Several different relationships govern the content that we provide to our cable television subscribers. Alongside original content produced for HOT, in Israel we also purchase transmission or retransmission rights for channels and content produced by third parties. We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers' usage of on-demand content.

In France, we generally enter into agreements directly with authors' rights societies, including ANGOA and SACEM, broadcasters and distributors. Our agreement with ANGOA was entered into in February 2011 and was renewed automatically at the end of its initial term on December 31, 2013, for a successive one year period. It will be automatically renewed for successive one year periods unless terminated by either party upon six months' notice. The fees charged by ANGOA are based on our overall revenues in France and are paid on a quarterly basis. We also guarantee a minimum fee per customer to ANGOA. We entered into a similar agreement with the SACEM in October 2003 that expired in December 2004, was extended until December 2009 and has since been automatically renewed for successive one year periods. Pursuant to this contract, we pay quarterly fees to SACEM based on our overall revenues in France. This contract can be terminated at the end of each renewal period by either party, subject to a three month notice period. In Israel, we have entered into agreements with two authors' right societies, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements, which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014. As of the date of these Listing Particulars, this agreement has not been renewed.

The terms and conditions of our contracts governing the payments and content providers of copyright fees to broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head-end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head-end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster's signal from the head-end station to our cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future.

Additionally, in Israel we purchase stand-alone programming from third-party content providers, for the purpose of including such programming in our "home" linear channels and/or our VOD services.

In France, on September 26, 2013, we entered into an agreement with the Canal+ Group. Pursuant to this agreement, Multithématiques, an affiliate of Canal+ France, licensed to us distribution and marketing rights, on a non exclusive basis, relating to certain television channels including CINE+, in SD and/or HD, and catch up television version, if such version is available. The financial terms set forth under this agreement expired on December 31, 2013, and have been amended. The agreement expires in July 2017, and does not provide for automatic renewal. The early termination option may be exercised upon two months' prior notice (i) by us in case of the rejection by us of the financial terms for the period from 2014 to 2017, and (ii) by Multithématiques subject to Canal+ obtaining the lifting of the injunction rendered by the French Competition Authority (*Autorité de la concurrence*) (decision number 12 DCC 100) requiring the Canal+ Group to make available to all distributors who so request, on a non exclusive basis, all of the movie channels that Canal+ Group operates or may operate (with the exception of the channels Canal+, Canal+ Sport, Canal+ Cinéma, Canal+ Décalé and Canal+ Family), and to maintain the quality of the unbundled channels. On November 12, 2013, we entered into an agreement with Canal + Group. This agreement takes effect retroactively from January 1, 2012, for a period of two years until December 31, 2014, without tacit renewal. Under this agreement, we must distribute on our network channels including Canal +, Canal + TV services, Canal + The Channel, Canal + weekend and certain football and rugby channels. As of the date of these Listing Particulars, the we are engaged in negotiations relating to the renewal of the agreement, though no new agreement has been made.

In addition to content purchasing, in Israel, we have co-developed shows and have also developed several show platforms for our HOT suite of channels. We believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings. Further, in October 2013, we acquired Ma Chaîne Sport and SportV, French and Luxembourg operators of sports-themed Francophone television channels which produce and assemble their content.

Content Distribution Agreements

In October 2013, we acquired Ma Chaîne Sport and SportV. Ma Chaîne Sport and SportV entered into agreements with Numericable, Valvision, as well as certain of our subsidiaries, for the non-exclusive distribution of Kombat Sport, Ma Chaîne Sport, Ma Chaîne Sport Extreme, Ma Chaîne Sport Bien Etre and Ma Chaîne Sport Tennis television channels in Belgium, Luxembourg, Portugal, France, Martinique and Guadeloupe. The contracts have a duration of five years with retroactive effect from January 1, 2013. Pursuant to these agreements, Ma Chaîne Sport and SportV receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma Chaîne Sport and SportV are entitled to advertising revenues received from the broadcast of their television channels. The contracts can be terminated by any party in case of a breach of the contract by the other party not remedied within 60 days.

Shareholders' Agreement between Altice France S.A. and Vivendi

On November 27, 2014, the Issuer, Altice France S.A. and Vivendi entered into a shareholders' agreement governing the relationship between Altice France S.A. and Vivendi as shareholders of Numericable (the "Altice Vivendi Shareholders' Agreement").

The Altice Vivendi Shareholders' Agreement provides, in particular, that (i) Altice France S.A. has the majority of seats on the Board of Directors of Numericable, (ii) Vivendi has limited veto rights as long as it holds a certain minimum percentage of the Numericable Group's shares and (iii) while Altice France S.A. holds the majority of the share capital in Numericable, Vivendi will vote as directed by Altice France S.A. on dividend distributions. The Altice Vivendi Shareholders' Agreement also provides that (subject to certain conditions being met) the parties will cause Numericable to distribute each year a minimum level of dividends.

In addition, Vivendi's governance rights are limited by Vivendi's commitments with respect to the review by the French Competition Authority of the acquisition of SFR by Numericable. The purpose of these commitments is to prevent Vivendi from obtaining commercially sensitive information, through the board members that it will appoint.

The Altice Vivendi Shareholders' Agreement also contains certain restrictions on the sale of shares held by Vivendi in Numericable (the "Vivendi's Numericable Group Shares") including (i) a lock-up period expiring 12 months after the completion of the 2014 SFR Acquisition and (ii) preemption rights for Altice France S.A. to purchase Vivendi's Numericable Group Shares for a specified period, these preemption rights being governed by specific arrangements in the event of block trades (such as accelerated book-building processes) or distributions of Vivendi's Numericable Group Shares to Vivendi's shareholders. In addition, Altice France S.A. has been granted a call option over Vivendi's Numericable Group Shares, exercisable within specified windows over a period of 43 months (it being specified that Vivendi will not be prohibited from selling shares outside the call option exercise windows, but subject to Altice France S.A.'s preemption rights as mentioned above). The call option price will be based on the market price of the Numericable's stock, subject to certain specific arrangements (including certain minimum price provisions). Should Altice France S.A. not exercise any of the options, it shall nonetheless retain a right of first refusal exercise upon Vivendi selling any Vivendi's Numericable Group Shares.

The Altice Vivendi Shareholders' Agreement grants Vivendi (i) a proportional tag-along right and (ii) a full tag-along right exercisable in particular (x) if Altice France S.A. no longer controls Numericable, and (y) in case of a merger between the Issuer and Numericable. Further, until the expiration of the call options and preemption rights mentioned above. Altice France S.A. may not acquire for cash shares in the Numericable's stock from other shareholders (as an exception, Altice France S.A. may freely acquire the Numericable's shares held by the former shareholders of Fiberman).

HOT Minority Shareholder Agreements

In October 2010, Cool Holding entered into separate agreements with Yedioth Communications Ltd. ("Yedioth") and companies from the Fishman Group (collectively, "Fishman" and, together with Yedioth, the "HOT Minority Shareholders"), pursuant to which (i) Cool Holding acquired 4,565,493 shares of HOT from Fishman in March 2011 and 10,012,003 shares of HOT from Yedioth in November 2011 and (ii) Cool Holding agreed that, until the date that is three years from each such acquisition date, Cool Holding would not take any action which would cause HOT to become a private company or for its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each HOT Minority Shareholder (the "Take-Private Consent Right").

On November 5, 2012, in connection with the Take-Private Transaction, Cool Holding entered into separate agreements (each a "HOT Minority Shareholder Agreement") with the HOT Minority Shareholders, pursuant to which (i) Cool Holding agreed to acquire directly or through one of its subsidiaries from each of the HOT Minority Shareholders all of their respective shares in HOT, representing approximately 11% of the outstanding shares of HOT (the "HOT Minority Shareholder Shares"), in consideration for a payment of NIS 41 per share, (ii) each of the HOT Minority Shareholders agreed to waive its Take-Private Consent Right, and (iii) as additional consideration for the waiver of the Take-Private Consent Right, Cool Holding granted each HOT Minority Shareholder the right to purchase the HOT Minority Shareholder Shares from Cool Holding or one of its subsidiaries (the "HOT Minority Shareholder Call Options") at a price per share equal to NIS 48 (the "Call Consideration") during the 24-month period commencing on the first anniversary of the Take-Private Transaction. The Take-Private Transaction was completed on December 27, 2012. The HOT Minority Shareholder Call Options may be exercised by the relevant HOT Minority Shareholder in up to three transactions, each of which shall cover at least 30% of the shares sold by such HOT Minority Shareholder to Cool Holding or one of its subsidiaries in the Take-Private Transaction.

The HOT Minority Shareholder Agreements contain anti-dilution rights and consent rights with respect to changes in business prior to the exercise of the HOT Minority Shareholder Call Option and certain minority shareholder rights, which will become applicable if the HOT Minority Shareholder Call Options are exercised after the Take-Private Transaction, including tag-along rights with respect to any sale of HOT shares by Cool Holding; pre-emptive rights with respect to issuance of HOT shares; restrictions on HOT's ability to effect transactions outside of the ordinary course of business (including a transaction resulting in the sale by HOT of a material asset); subject to certain exceptions, restrictions on entering into transactions with any shareholder, director or officer of HOT or any affiliate thereof; restrictions on the incurrence of any material indebtedness; and, subject to certain exceptions, the right to require HOT to re-register and list its shares on the Tel Aviv Stock Exchange. In addition, Cool Holding has certain drag-along rights with respect to the shares sold to the HOT Minority Shareholders upon the exercise of the HOT Minority Shareholder Call Options.

French Overseas Territories

On July 5, 2013, Altice International, through its wholly owned subsidiary Altice Caribbean consummated the Outremer Transaction. In connection with the Outremer Transaction certain members of Outremer's management at the time (the "Outremer Minority Shareholders") received certain equity interests in Altice Blue Two.

In addition, on January 15, 2014, Altice Blue Two completed the Mobius Acquisition. In connection with the Mobius Transaction certain members of Mobius' management (the "Mobius Managers") received certain equity interests in Altice S.A. Pursuant to contribution agreements dated January 30, 2014, (i) the Mobius Managers have contributed to Altice S.A. vendors' notes they hold against Altice Blue Two, against Ordinary Shares of Altice S.A., and (ii) in March 2014, the Outremer Minority Shareholders contributed to Altice S.A. the shares they hold in Altice Blue Two (other than ratchet shares described further below) against Ordinary Shares in Altice S.A. valued at the Offer Price, i.e. €28.25 (the "Managers' Roll Over). The contribution agreements also contemplate a 2014 financial-performance-based earnout payable to the Outremer Minority Shareholders by way of an additional issue of Ordinary Shares of Altice S.A. in early 2015, up to a value of €10 million. As a result of the above, Altice S.A. issued approximately 2,111,909 new Ordinary Shares subscribed by the Outremer Minority Shareholders and the Mobius Managers, leading to a dilution of Altice S.A. shareholders by approximately 1.0%.

In addition, Altice S.A., the Outremer Minority Shareholders and the Mobius Managers have entered on March 11, 2014, into agreements pursuant to which (i) the Outremer Minority Shareholders transferred ratchet shares tracking the performance of Altice Blue Two to Altice Caribbean, in exchange for warrants issued by Altice Caribbean and tracking the performance of Altice Caribbean and its subsidiaries (together with the underlying shares, the "Altice Caribbean Warrants"), (ii) Altice Caribbean Warrants were awarded to the Mobius Managers, and (iii) existing shareholders' arrangement at the level of Altice Blue Two were replaced by shareholders arrangements at the level of Altice S.A., Altice Caribbean and Altice Blue Two (the "New Outremer Shareholders' Arrangements").

The New Outremer Shareholders' Arrangements include certain limitations on the rights of the majority shareholders of Altice Caribbean and of Altice Blue Two (but not of Altice) to transfer the shares of the relevant entity and grant liquidity rights to the Outremer Minority Shareholders and the Mobius Managers (collectively referred to below as the "ABT Managers"), including those described below.

At the level of Altice, the New Outremer Shareholders' Arrangements provide (i) for specific lock-up commitments on the shares held by the ABT Managers in the Company (lapsing partially in 2016 and 2017, and in full in 2018) and (ii) a pre-emption right on those shares in favor of Next L.P. The New Outremer Shareholders' Arrangements do not provide for specific rights in favor of the ABT Managers relating to the corporate governance of Altice.

At the level of Altice Caribbean, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Holding's rights as a majority shareholder of Altice Caribbean, including specific veto and consent rights in favor of the ABT Managers. Further, Mr. Jean Michel Hegesippe (who is one of the ABT Managers), shall be appointed as CEO of Altice Caribbean. The New Shareholders' Arrangements also contain certain restrictions to the transfer of Altice Caribbean's shares (including the Altice Caribbean Warrants) and, in particular, (i) an inalienability period lapsing in 2019 on shares held by the ABT Managers (subject to certain exceptions), (ii) the prior approval by Altice Holdings of any transfer of shares of Altice Caribbean held by the ABT Managers, (iii) a pre-emption right in favor of Altice Holdings, (iv) a proportional tag along right in favor of the ABT Managers and (v) a drag along right in favor of Altice Holdings (and, as from 2018, in favor of the ABT Managers) in case of a contemplated transfer of at least 95% of Altice Caribbean's capital. The New Outremer Shareholders' Arrangements also provide that all investments of the Altice group in an area covering the Caribbean, the Indian Ocean and Mauritius shall be completed through Altice Caribbean (or one of its subsidiaries). Further, the New Outremer Shareholders' Arrangements contain put and call arrangements exercisable on the Altice Caribbean Warrants in 2018, at a price determined in order to allow the ABT Managers (subject to certain bad leaver situations) to capture a fraction of the potential value-added to the investment of the Altice group in Altice Caribbean since July 2013 (or, regarding the Mobius Managers), since March 2014.

At the level of Altice Blue Two, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Caribbean's rights as a majority shareholder, including specific veto and consent rights in favor of the ABT Managers.

Dominican Republic Acquisitions

Tricom Acquisition Shareholders' Agreement

Pursuant to an agreement dated October 31, 2013, between Altice Caribbean (a wholly-owned indirect subsidiary of Altice International) and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, (the "Tricom Purchase Agreements"), on March 12, 2014, Altice Caribbean, through one of its subsidiaries purchased all of the outstanding equity interests in each of Tricom S.A. and Global

Interlinks Ltd. (together, "Tricom") from the Tricom Sellers (the "Tricom Acquisition"). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition was $405 million. The Tricom Sellers agreed to reinvest approximately $20 million of proceeds of the Tricom Acquisition in Altice Bahamas, through the subscription of Class B Shares representing 2.8% of the outstanding shares of Altice Bahamas. Furthermore, the Tricom Sellers entered into a shareholders' agreement with Altice Caribbean which, among other things, included certain restrictions on the transfer of Class B Shares, as well as put and call options on all of the Class B Shares held by the Tricom Sellers, exercisable three, four and five years after the execution of the shareholders' agreement.

Agreements with Orange in the Dominican Republic

Brand License Agreement

In respect of our use of the "Orange" brand in the Dominican Republic, in November 2013 (in connection with our acquisition of ODO) we entered into a brand license agreement with Orange Brand Services Limited. Under the terms of the agreement, we have a license to use the Orange brand for three to five years effective from the completion of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of acquiring ODO. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis. The brand license agreement may be terminated by either party in certain circumstances, including if we or Orange Brand Services Limited commit a material breach of the agreement, if we do not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

It is our intention to negotiate the extension of the Brand License Agreement with Orange Brand Services Limited such as to allow the inclusion of new services to be provided by ODO (and therefore outside the scope of the Brand License Agreement) in the Dominican Republic.

Transitional Services Agreement

Pursuant to the ODO Acquisition, ODO, Altice Dominican Republic II, S.A.S. and Orange S.A. entered into a transitional services agreement (the "Transitional Services Agreement") on April 9, 2014. The Transitional Services Agreement identified those products and services provided by Orange S.A. (and its related entities) prior to the ODO Acquisition which were to be maintained, modified or terminated, as well as set forth the conditions under which certain products and services were to continue to be provided. Such products and services included, amongst others, intra-group inter-operator roaming services (and related tariffs), the supply of international voice services over VoIP, carrier services, connection services, and back-haul services.

The Transitional Services Agreement automatically terminates twelve months following completion of the ODO Acquisition, unless otherwise agreed by the parties, and as such is valid until April 9, 2015.

Service Agreements in the Dominican Republic

We have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others. Certain of these agreements terminated upon the consummation of the ODO Acquisition due to change of control clauses included therein, as a result of which we switched suppliers or have entered into negotiations for renewal. Our service agreements with TechComm and Transunion S.A. did not contain a change in control but both required us to notify TechComm and Transunion S.A., respectively, in the event of a change of control in our corporate structure. On the consummation of the ODO Acquisition we successfully notified TechComm and Transunion S.A. of the change in our control and both parties have continued their respective performance under each contract.

Supply Agreements in the Dominican Republic

Following the completion of the ODO Acquisition, the supply agreements entered into by Orange S.A., on our behalf, with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices have. We are currently working to establish new centralized sourcing agreements for all vendors. We are still in the early stages of negotiations, and in the meantime we are working on individual purchase order basis until new contracts are agreed.

MVNO Agreements

In France and Belgium, we offer mobile telephony services to our customers as MVNO operators.

In 2010 in France, we entered into several MVNO agreements with Bouygues Télécom for voice and data transmission, pursuant to which we introduced our quadruple play offering in 2011. The agreements relating to voice transmission services are due to expire in 2017 and will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiration dates. Upon renewal, they will be valid until further notice and may be terminated by either party upon twelve months' notice. The agreements relating to data transmission services expired in 2012, but were renewed at their expiration for an indefinite term. They may be terminated by either party upon twelve months' notice.

The financial terms of these agreements include a flat fee that corresponds to minimum levels of consumption by our end customers and a variable fee based on actual consumption (i.e. number of end customers, amount of voice and data transmission services used). Bouygues Télécom must use its best efforts to comply with its obligations under these MVNO agreements and has a right to unilaterally modify these agreements should it be become unable to perform all or part of its obligations due to technical or regulatory reasons.

In Belgium, we offer mobile telephony services to our customers as MVNO operators. Our MVNO agreement with Mobistar is valid for an initial term of three years expiring at the end of December 2014. We have entered into an MVNO agreement with BASE to provide us with MVNO services as from the date of the expiry of the Mobistar agreement. The term of the agreement is for three years, with it being valid until December 2017.

Shareholders' Agreement between Next L.P., Penta and Valemi .

Next L.P., Penta and Valemi entered into a shareholders' agreement prior to the initial public offering of the Issuer pursuant to which each of Penta and Valemi agreed to grant to Next L.P. a right of first refusal with respect to any proposed transfer of ordinary shares of the Issuer by Penta and/or Valemi. Other members of management may also become parties to this shareholders' agreement and grant to Next L.P. the same right of first refusal with respect to ordinary shares held by them.

Seasonality

Although our businesses are not subject to significant seasonal effects, revenue from our pay television, broadband internet access and fixed-line telephony operations tend to be slightly higher in the fourth quarter of the year and slightly lower in the third quarter of the year.

Intellectual Property

We use a variety of trade names and trademarks in our business, including "HOT" in Israel, "Numericable" and "Coditel" in Belgium and Luxembourg, "Numericable" and "ONLY" in the French Overseas Territories, "Cabovisão" and "ONI" in Portugal, "Orange" and "Tricom" in the Dominican Republic and, in each case, several associated trademarks. We use the "Numericable" brand, a trade mark belonging to Numericable France, in Belgium, Luxembourg and the French Overseas Territories, pursuant to a trademark licensing agreement. Other than "Numericable" and certain associated trademarks, we own all of the trademarks we use. All of our trademarks are protected in the jurisdictions in which we operate. We license the "Altice" brand from our founder and executive chairman Patrick Drahi for a nominal annual fee.

In respect of our use of the "Orange" brand in the Dominican Republic, in November 2013 (in connection with our acquisition of ODO) we entered into a brand license agreement with Orange Brand Services Limited that has now become effective as of the completion of the ODO Acquisition. Under the terms of the agreement, we have a license to use the Orange brand for three to five years effective after the closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of the acquisition date. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis. The brand license agreement may be terminated by either party in certain circumstances, including if we or Orange Brand Services Limited commit a material breach of the agreement, if we do not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

We do not possess any material patents, nor do we believe that patents play a material role in our business.

We license some of the television programming content for our pay television offering from third-party providers. In addition, in Israel, we co-develop shows and have also developed several show platforms for our "HOT" suite of channels. Further, we have acquired Ma Chaîne Sport and SportV, French and Luxembourg producers of sports-themed pay television content which they distribute via their television channels. We own the copyright that subsists in the content developed or co-developed by us.

Employees

The following tables show our employees by country of employment.

	As of September 30, 2014	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
France	2,158	2,077	1,910	1,599
Israel	2,372	2,677	5,121	5,814
Belgium and Luxembourg	70	70	82	83
Portugal	465	491	561	719
Switzerland	99	87	81	81
French Overseas Territories	998	930	830	910
Dominican Republic	2,111	3,078	3,078	2,838
Total	**8,273**	**9,410**	**12,573**	**12,044**

Certain of our subsidiaries also use contract and temporary employees, which are not included in the above number, for various projects.

We are subject to various labor laws in each of the jurisdictions in which we operate. Labor laws typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees currently belong to organized unions and works councils. In France, we have faced several strikes by our personnel between 2005 and 2007 when, in connection with our merger with former cable operators, we completed several rounds of headcount optimization; in early 2009, when we terminated the employment of a number of our salespersons; and during the spring of 2010 in response to our amendment of certain of our door to door salespersons' employment terms and conditions. The strikes which took place in 2009 disrupted our headquarters' operations and generated adverse publicity. In France, we plan to negotiate with the unions representing Numericable and Completel to create a group committee out of the existing workers' committees. As such, there would be an additional level of negotiation with the unions at the Numericable Group level, which we expect would lead to Numericable Group level agreements on matters of common interest that would apply to all of the Numericable Group's companies. As a result, a subsidiarity principle would be applied and any areas not addressed at the Numericable Group level would be negotiated at the level of each of the Numericable Group entities and Completel.

In Israel in August 2013, Power to the Workers, a democratic workers organization, claimed a collective dispute and requested declaratory reliefs that Power to the Workers is the representative organization of HOT (not including HOT Mobile), and that the group must conduct negotiations regarding a collective bargaining agreement. On September 11, 2014 the labor tribunal gave its verdict, ruling that Power to the Workers did not sign the minimum number of employees required by law (33.3%) in order to become a representative workers organization in HOT (either including or excluding HOT Mobile).

On September 23, 2014, the Regional Labor Court in Tel Aviv ruled that the relevant entity for negotiation with respect to the Collective Agreements Law, 5717-1957 (the "Collective Agreements Law") is HOT Mobile and that the representative organization is the New General Histadrut of Employees (the "General Histadrut"). It was further determined that HOT Mobile breached the provisions of the Collective Agreements Law in a series of actions that were intended to harm its employees' freedom of assembly, and HOT Mobile was ordered to pay compensation of NIS 1 million to the General Histadrut. HOT Mobile has filed an appeal of this judgment to the National Labor Court.

On October 29, 2014, the National Labor Court dismissed, by consent of the parties, the motions filed by the General Histadrut and Power to the Workers, seeking to prevent HOT Mobile from entering into negotiations regarding a collective agreement with the General Histadrut, after HOT Mobile gave notice that it recognized the General Histadrut as a representative organization.

Other than as disclosed in these Listing Particulars, we consider our employee relations to be good.

Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at 3, boulevard Royal, L-2449 Luxembourg. With respect to our French operations, our main corporate offices are located in Paris, France. With respect to our Israeli operations, our main corporate offices are located in Yakum which is located in proximity to Tel Aviv. With respect to our Belgian operations, our main corporate offices are located in Brussels, Belgium. With respect to our Luxembourg operations, our main corporate offices are located in Strassen, Luxembourg. With respect to our Portuguese operations, our main corporate offices are located in Lisbon, Portugal and Palmela, Portugal. With respect to our operations in the French Overseas Territories, our main corporate offices are located in Paris, France. With respect to our operations in the Dominican Republic, our main corporate offices are located in Santo Domingo.

We believe that our properties meet our present needs and are generally well-maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in these Listing Particulars in "*Risk Factors—Risks Relating to Our Business, Technology and Competition—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment*".

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the LaBox represents a significant advance, since it combines several functions (Blu-Ray TM reader, TV-HD decoder and removable hard drive).

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. In certain of our geographies, including France and Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third-party liability, products liability and professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of our Group executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, but we believe we are covered in Israel by the Property Tax and Compensation Fund Law 1961.

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date of these Listing Particulars, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have, or have had, over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

Litigation Relating to Coditel Network in Luxembourg

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel's network operation agreements. Coditel refused to comply with the municipalities' request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending.

Coditel is involved in a number of other legal proceedings in the ordinary course of its business.

Tax Matters in France

The French tax authorities have conducted audits on various companies of the Numericable Group since 2005 with respect to the VAT rates applicable to the Numericable Group's multiple play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, and to 10% as of January 1, 2014, while internet and telephony services are subject to a 20% VAT rate, up from 19.6% due to an increase effective January 1, 2014. When marketing multiple play offerings, the Numericable Group allocates a price reduction compared to the price it would charge for such services on a stand alone basis. This price reduction is primarily applied to the Numericable Group's internet and telephony services in multiple play offerings, because such services are newer products. As a result, the VAT the Numericable Group charged to its multiple play subscribers was lower than the VAT that would have been charged if it had deemed the price reduction to apply primarily to the television services portion of its packages.

The French tax authorities assert that these price reductions should have been computed pro rata of the stand alone prices of each of the services (television, broadband internet, fixed and/or mobile telephony) included in the Numericable Group's multiple play packages and proposed adjustments for the fiscal years 2006 to 2010.

The Numericable Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Numericable Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Numericable Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.1 million (not including penalties of 40%) for fiscal years 2006 to 2009 were communicated to the Numericable Group at the end of August 2012.

Furthermore, in 2012, the tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013 for a total amount of €6.1 million (except penalties of 40%). The Numericable Group responded on August 21, 2013, in order to contest the proposed assessments. The tax authorities responded to our observations in October 2013 maintaining their position with respect to the proposed adjustments. To date, no tax audit has been initiated for 2011 and subsequent years.

The tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million (out of the €17.1 million mentioned above for the 2006-2009 period)). The Numericable Group asked for a payment deferral and filed a complaint in September 2012 which was rejected by the tax authorities on June 27, 2013. The Numericable Group filed an additional request on August 20, 2013.

VAT rules applicable to multi play offerings changed as of January 1, 2011. For a description of the practices and situation of the Numericable Group since January 1, 2011 (*Risk Factors—Risks Relating to Legislative and Regulatory*

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

Finally, in 2013, the tax authorities initiated tax audits on the Altice B2B France and Completel entities in respect of fiscal years 2010 and 2011, giving rise to proposed adjustments on December 19, 2013. These proposed adjustments relate to certain charges for services the companies received in 2009, 2010 and 2011. In addition, the proposed adjustments resulted in a €28.5 million reduction of reportable deficit. The Group contested all of the proposed adjustments on February 17, 2014. On December 31, 2013, a tax provision for a total amount of €36.3 million was recognized covering all VAT risks (excluding €7.1 million of penalties) in respect of proposed adjustments for fiscal years 2006 to 2010 (€23.2 million) and the risks associated with the proposed adjustments with respect to charges for services rendered in fiscal years 2009 to 2011 (€11.4 million).

European Commission's in-depth inquiry into the transfer of cable infrastructure by certain municipalities in France

On July 17, 2013, the European Commission announced that it had opened an in depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to the Numericable Group was in accordance with European competition laws on State aid. The European Commission, in announcing the opening of the inquiry, noted that it believed the transfer of public goods to a private enterprise without appropriate compensation provides such enterprise with an economic advantage from which its competitors did not benefit and thus constitutes state aid under European Union rules, and that the free transfer of cable networks and ducts to the Numericable Group effected by approximately 45 French municipalities, according to the estimates of the Numericable Group, conferred such an advantage and thus constituted state aid. The Group firmly contests the existence of any state aid. In addition, this inquiry relates to a relatively small number of network plugs (approximately 200,000), the bulk of which have not been upgraded to EuroDocsis 3.0 and provide access only to a limited number of its pay television services. The European Commission's decision of July 17, 2013, was published in the Official Journal of the European Union on September 17, 2013. The case is currently in a comment period during which we and third parties may make observations in relation to the allegations, with the Group still firmly contesting the existence of any state aid.

Disputes with Orange in France

The Numericable Group entered into four non exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004, and December 21, 2004, in conjunction with the Numericable Group's acquisition of certain companies which operated cable networks built by Orange. These cable networks, which are only accessible through the civil engineering installations, including primarily ducts, of Orange, are made available to the Numericable Group by Orange through these non exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a 20 year term.

Following ARCEP's decision 2008 0835 of July 24, 2008, Orange published on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators could roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms the Numericable Group benefited from under the Orange IRUs. As a result, Orange requested the Numericable Group to comply with the general procedures regarding the access to Orange's ducts to maintain and upgrade its network. ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010, and June 23, 2011, respectively. The Numericable Group appealed the decision in the French Supreme Court (*Cour de Cassation*) but on September 25, 2012, the Court upheld, for the most significant part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated a sanctions procedure against the Numericable Group for not having complied with its November 4, 2010 decision. Consequently, in December 2011, the Numericable Group executed amendments to the IRUs in order to comply with the November 4, 2010, ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in Orange's generic technical and commercial offer.

In the meantime, the sanctions procedure initiated by ARCEP was not settled with the execution of the amendments to the IRUs and the Numericable Group was sentenced on December 20, 2011, to a fine of €5.0 million for noncompliance with ARCEP's November 4, 2010, decision. This fine was paid in its entirety in 2012. The Numericable Group appealed this decision before the *Conseil d'Etat*. On October 21, 2013, the *Conseil d'Etat* annulled the penalty.

Further, the Numericable Group initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010, and before the ICC in Paris on October 22, 2010, claiming damages in the total amount of €3.1 billion (€2.6 billion before the Commercial Court and €542 million before the ICC) for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Numericable Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. The ICC rendered a final award on February 25, 2013, dismissing Numericable Group of its claims and ordering Numericable Group to pay the arbitration costs and other related costs in a total amount of €1.2 million. By judgment rendered on June 20, 2014, the Court of Appeal of Paris confirmed the first instance judgment issued by the Commercial Court of Paris and awarded €90,000 to Orange for damages and court costs. Numericable Group filed an appeal before the French Supreme Court, the decision of which is expected to be rendered sometimes during the first quarter of 2016. Both the Court of Appeal of Paris and the ICC dismissed Orange of its claims in the amount of €100 million for abusive legal action.

Dispute with Free relating to the advertising of mobile services in France

On August 3, 2011, Free filed a claim against Numericable SAS and NC Numericable before the Commercial Court of Paris following the launch of a mobile offer by the Numericable Group in Spring 2011 through an advertising campaign entitled "The mobile revolution".

Free, who used the term "revolution" to refer to its initial launch of mobile phone services and whose latest offering was named the "Freebox Revolution", argues that the Numericable Group's campaign led to customer confusion and damaged its brand and image. Free claims €10.0 million in damages.

After the hearing, the Court asked the opinion of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (the "DGCCRF") as to whether Free's assertions were justified with regard to the laws of advertising.

The DGCCRF issued an opinion in which it indicated that the Numericable Group's campaign did not constitute misleading or irregular advertising inconsistent with applicable advertising law. However, despite this opinion, the Commercial Court of Paris rendered a decision in December 2013 awarding damages of €6.0 million to Free. The Numericable Group has duly filed an appeal on December 20, 2013. The ruling of the Court of Appeal is expected by the end of 2015. At this stage, Free has not filed any submissions with the Court.

Dispute with the Ligue de Football Professionnel (Professional Soccer League)

On April 26, 2013, the *Ligue de Football Professionnel* (the "LFP") asked the Commercial Court of Nanterre to rule that Numericable and NC Numericable had abused their dominant position and breached their non discrimination obligation to the LFP when the LFP was producing its channel CFoot. The LFP is claiming €4.1 million in damages. More specifically, the LFP is complaining of the low level of remuneration received to market its CFoot channel by comparison with the remuneration of certain sports channels marketed in its bundles. Numericable will file its submission with the Court by January 22, 2015. The Commercial Court of Nanterre is expected to render its decision during the second quarter of 2015.

Disputes with various providers of value added services ("VAS") in France

By related complaints dated February 19, 2013, five providers of added value telephony services that offer their services to the public through Completel's premium rate (0899) telephone numbers commenced litigation against Completel, in the Commercial Court of Nanterre, requesting that Completel be ordered to pay a total of €350,000 in repayment of amounts withheld by Completel out of amounts collected on their behalf. Completel withheld these amounts in response to the practices of these companies, which in Completel's view violate their agreements with Completel as well the industry's ethics rules. Moreover, these companies seek a total of € 12 million in damages for prejudice they claimed to have suffered as a result of the withholding of amounts due by Completel.

In addition, because Completel decided in November 2012 to terminate this activity, it suspended certain repayments and applied various contractual penalties to companies marketing this type of value added telephony service. Certain of these companies brought action against Completel in various commercial courts, asking for payment of the amounts withheld by Completel or the cancellation of the penalties applied by Completel. The total amount claimed is approximately €400,000, including primarily amounts collected on behalf of the providers.

Actions of Colt, Free and Orange before the General Court of the European Union Regarding DSP 92

Colt, Free and Orange, through three distinct actions, sought for the General Court of the European Union to annul the September 30, 2009 decision of the European Commission (decision no. C (2009) 7426), which considered that the granting of €59 million in compensation for the public service costs for the establishment and operation of a network of very-high-speed electronic communications in the Hauts de Seine department did not constitute state aid under the rules of the European Union. The Numericable Group was not a party to these actions; however, its subsidiary, Sequalum, intervened in the proceedings, as did the French State and the Hauts de Seine department. By three orders dated September 16, 2013, the General Court of the European Union rejected the claims of the three claimants and confirmed the aforementioned decision of the European Commission approving such public financing. Free and Orange duly appealed the decision.

Claim by Bouygues Télécom against Numericable, Completel, and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable received a letter from Bouygues Télécom claiming damages with respect to the white label contract entered into on May 14, 2009, initially for a period of five years and extended once for an additional five years, among these companies and Bouygues Télécom, for the supply to Bouygues Télécom of double-play and triple play high-speed services. In this letter, Bouygues Télécom claims damages in a total amount of €53 million including (i) €17.3 million for pre contractual fraud (provision of erroneous information prior to the signature of the contract), (ii) €33.3 million for breaches by the Company in the performance of the contract, and (iii) €2.4 million for harm to Bouygues Télécom's image. Numericable Group considers Bouygues Télécom's claims unfounded, both factually and contractually, and contests both Bouygues Télécom's allegations as well as the amount of damages claimed. However, Numericable intends to continue operational discussions that occur regularly between the parties relating to the performance of the contract. In this respect, Bouygues Télécom has also requested certain modifications to the contract as part of its claims. Notwithstanding the above, the diary collaboration between the parties remains similar to the pre October 2013 schedule. This contract, which runs until 2019, generated €37.3 million of revenues in 2012, representing 49.6% of total B2C white label revenues in France of € 75.3 million and 2.8% of total Numericable revenues.

Investigation by the Regional Chamber accounts of Ile-de-France DSP 92

In November 2013, a number of articles reported that the Regional Chamber Accounts of Ile-de-France has opened an investigation into the management of the Hauts de Seine region between 2004 and 2007. The articles reported that the investigation would focus primarily on project DSP 92 granted to Numericable and in particular a grant of €59 million to Numericable in compensation for public service costs for the establishment and operation of an electronic communications network at very-high-speed in the region. We have no information about the object or the timing of this investigation, its exact nature or its potential impact on the Group. However, we note that the DSP 92 project has been validated by the French administrative court, the European Commission and the Court of the European Union to which the DSP 92 has been referred to for review and, in addition, the Regional Chamber Accounts of Ile de France has no power to act against non governmental entities.

Dispute Settlement Proceedings Concerning the DSP 92

A dispute arose between the department of Hauts-de-Seine and Sequalum concerning the conditions of execution of the Service Concession agreement entered into on March 13, 2006, between Sequalum, a subsidiary of the Group and the department of Hauts-de-Seine. This public service concession arrangement is aimed at building a high-capacity fiber network throughout the department of the Hauts-de-Seine. As of September 30, 2014, the net book value of the network built by Sequalum represents approximately €123 million and the Group received €25 million of subsidies from the department of Hauts-de-Seine.

During its assembly on October 17, 2014, the department of Hauts- de-Seine decided to terminate the Service Concession agreement signed with Sequalum for "fault and full responsibility of the delegatee". The department of Hauts-de-Seine also asked Sequalum to pay penalties for a total amount of approximately €45 million euros, arguing there were delays in the construction of the network, a claim which is contested by Sequalum.

Within the framework of the Service Concession Agreement, the department of Hauts-de-Seine also asked the financial institution involved to implement the guarantee granted by Sequalum for €10 million, this amount corresponding to the maximum amount that could be guaranteed with respect to the Service Concession Agreement. So far, the bank has not responded favorably to this request, arguing that the request was not sufficient, in terms of its form and documentation, to allow the implementation of the guarantee.

The penalties were contested through a request recorded by the administrative court on September 3, 2014. The execution and the payment of the penalties are suspended until a decision is made on this litigation.

The decision of the department of Hauts-de-Seine to terminate the agreement has not yet been notified to Sequalum who intends to contest it before the competent courts. Sequalum continues to perform the contract, subject to potential requests the delegator may impose. Should the courts decide in favor of the department of Hauts-de-Seine, Sequalum could be obliged to reimburse the grants it has received. The department of Hauts-de-Seine, for its part, would receive all the assets built within the framework of the DSP 92 on July 1, 2015. The department of Hauts-de-Seine would have to indemnify Sequalum at a level corresponding to the net book value of the assets.

On October 16, 2014 Sequalum made a request before the administrative court of Cergy Pontoise seeking to end the Service Concession agreement due to "force majeure" in the context of irreversible changes in the contractual economy.

The Group's management have examined the risks relating to these procedures and have found, at this stage, that there are too many uncertainties to measure the ultimate risk they pose to the Group.

Dispute with Call In Europe

On October 24, 2014, Call In Europe filed a claim against Completel before the Commercial Court of Nanterre on the grounds of unfair competition. Call In Europe is claiming €6.0 million in damages. In its submissions, Completel is claiming 500,000 euros for abusive legal action. Call In Europe will file its submissions with Court by December 19, 2014.

On November 17, 2014, Completel filed a complaint before the Public Prosecutor of Nanterre for blackmail.

Certain class action suits in Israel

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of these Listing Particulars, a settlement agreement including a contribution to the community valued at NIS 7.5 million and certain benefits to subscribers was filed to the Central District Court but has been denied by the Central District Court. A motion to appeal on the same decision was filed to the Supreme Court. On September 1, 2013, the Court decided to appoint an auditor to examine the settlement agreement. The auditor recommended approval of the settlement agreement, subject to certain changes, and, in July 2014, HOT and the plaintiff submitted an amended agreement in accordance with the auditor's recommendations. The Israeli Attorney General filed an objection to the amended agreement, and HOT intends to submit its response to the Government's position. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging the following month. The applicant has estimated damages in the suit of NIS 433 million. In June 2014, the Central District Court denied the suit and the motion to approve it as class action. In September 2014, the applicant filed a motion to the Supreme Court to extend the date to file an appeal on the case and to replace the plaintiff. The matter is still pending.

On December 11, 2011, HOT received a claim and request to certify a class action filed with the Central District Court. The applicant claims that HOT violated its license and was unjustly enriched because it collected from subscribers "handling fees" in connection with the collection of debts higher than allowed by law. The Applicant asked the court to approve the class action and to rule in favor of the group in which the reliefs sought, including compensation totaling NIS 27.3 million or any other amount at the discretion of the Court. On September 2, 2012, the Court filed its reply to the request and on October 22, 2012, held a preliminary hearing request, and stated that there is no need to process evidence and that the parties submit their summations. The matter is still pending.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. Following preliminary proceedings, on January 14, 2013, the Court decided that the hearing of the case will be delayed until a decision is reached with regards to the class action which was filed on December 11, 2011, as detailed above.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. On January 16, 2014, the Court was asked to approve the settlement agreement. The matter is still pending.

In November 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of its board of directors in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012, challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction was unfair and asking the court to appoint an expert to determine a fair price. This claim sought total damages of up to NIS 195 million. In December 2014, HOT approved a settlement agreement with the plaintiffs in the aforementioned class actions. The settlement agreement, which was approved by the Audit Committee and the Board of Directors as fair and reasonable under the circumstances, states that against full and final waiver and dismissal of the claim, the plaintiffs will be paid an amount of NIS 2 (including legal fees and VAT) for every share that was purchased in the merger agreement, that one plaintiff will be refunded part of the VAT applicable to it and that both plaintiffs' legal fees will be paid. The total amount of the settlement is approximately NIS 30 Million. The Company and the controlling shareholder will share the settlement equally without admitting or agreeing with any allegation raised by the plaintiffs in their legal statements. The terms of the final settlement agreement remain subject to Court approval.

In November 2013, a class action suit was filed against HOT and certain other telecommunications operators by Roli Kleiman and certain others, alleging breach by HOT and the other defendants of certain Israeli laws including the Equality Law, the Regulations of Equality for People with Disabilities, the Torts Ordinance and the Consumer Protection Law by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. The plaintiffs are representing all people with disabilities who were customers of HOT and the other defendants during the period at issue. The compensation being sought from HOT is NIS 97 million. The proceedings are still pending.

In November 2013, HOT received notice of an application for a class action suit, whereby the applicant is seeking to represent every customer who received telephone calls from HOT representatives that amounted to harassment during the 7-year period preceding the date of the claim. According to the applicant, HOT's sales representatives harass potential customers through the volume of telephone calls it places, which allegedly resulted in a breach of HOT's obligation stipulated in the Communications Act (Telecommunications & Transmissions), 5742-1982. The applicant is also claiming invasion of privacy and a breach by HOT of its good faith duty at the pre-contract stage. The applicant estimates the damage to each member of the class action suit to be no less than NIS 250. In addition, the applicant has requested an injunction, prohibiting HOT from continuing to make telephone calls that amount as harassment. HOT is studying the details of the claim and application for a class action. The matter is currently in its preliminary stages.

On December 12, 2013, HOT received notice of an application for a class action suit, filed by two of its customers ("the application" and "the applicants", respectively) in the Tel Aviv District Court. The applicants wish to represent all of HOT's customers who do not benefit from the monthly discount on VOD services ("the monthly television discount") or a discount on certain channels. According to the applicants, HOT offers various benefits selectively to some of its customers, in order to retain them or incentivize them to subscribe to more of its services, contrary to HOT's obligation pursuant to the provisions of the license for cable broadcasts granted to HOT, to offer its services on equal and non-discriminatory terms. In addition, the applicants allege that HOT is misleading its customers regarding the accepted price by not revealing the existence of the aforesaid benefits. The amount of the claim is NIS 100 million. The applicants are seeking to obtain a declarative junction. The matter is still pending, and HOT is studying the details of the claim and the application for this class action suit.

On January 16, 2014, HOT received notice of a claim filed in the Jerusalem District Court by B-Point Systems Ltd against HOT, HOT Telecom, HOT Net, Tel Aviv Telecom Ltd and their respective officers and controlling shareholders. According to B-Point Systems Ltd, under an agreement to supply HOT and its associated companies with installation and maintenance services, HOT, its associated companies and its and their respective officers breached the agreement by acting in bad faith and negligently, and unlawfully enriching themselves. The amount of the claim was estimated at approximately NIS 45 million. Pursuant to such claim being filed, both parties agreed to resolve the matter through mediation which has not yet taken place.

On October 7, 2014, HOT Mobile received a claim, and a motion to approve it as a class action, filed by customers of HOT Mobile at the District Court in Tel Aviv. The Plaintiffs claim that on September 28, 2014, HOT Mobile did not provide a necessary time synchronization service for its cellular devices, and failed to updated devices to "winter" time at the necessary time. They claim that HOT Mobile should have prepared in advance for the synchronization and repair the system defect and/or notified them in advance regarding the possibility of the occurrence of the failure. The Plaintiffs allege causes of action in contracts law, tort, unjust enrichment and breach of legal obligation under the Consumer Protection Act. The Plaintiffs estimate that each of the group members suffered damage of an average of NIS 500. The group includes half of the company's customers. The entire claim is estimated by the plaintiffs to be NIS 175 million. HOT Mobile is studying the details of the claim and the motion.

On December 18, 2014, HOT received a claim, and motion to approve it as a class action, filed against it in the District Court in Tel Aviv. The plaintiffs allege that HOT breached its statutory obligations, its duty of good faith and contractual faithfulness and has been unlawfully enriched at consumers' expense by linking the price of its services to subscribers to CPI and increasing costs accordingly. The plaintiffs include all those who have been charged by linkage to CPI in monthly invoices during the last seven years and claim damages totaling NIS 70 million plus linkage and interest payments. HOT is studying the details of the claim and the motion.

Dominican Republic Legal Proceedings

On October 1, 2013, Servicio Ampliado de Teléfonos, C. por A. ("Satel") filed a complaint for damages against ODO in the Dominican Republic, claiming violation by ODO of Satel's spectrum entitlements relating to frequencies 941-960Mhz and an alleged violation of articles 105, 103 of Law 153 98 and Article 47 of General Regulation of Use of the Radioelectric Spectrum No. 128 04. Satel sought $298 million DOP in damages from ODO, however, on October 23, 2013, Satel voluntarily withdrew its claim and filed it again for $373 million DOP in December 2013. A settlement was reached among the parties and executed on April 8, 2014. On October 8, 2014, Satel and ODO entered into an Assignment Agreement in favor of Fundacion Prodigio, a trust set in favor of Satel, Juan Ramon Gomez Diaz and Corporacion Rafa for purpose of executing a first payment.

The payments relating to the abovementioned settlement in favor of Fundacion Prodigio will be triggered after execution of an amendment to the assignment agreement the purpose of which is to reflect tax obligations of Satel and Juan Ramon Gomez Diaz. The schedules of payments is to pay 42% of the settlement consideration to Prodigio once the amendment is executed. The remaining 58% (minus the tax obligations owed by Satel and Juan Ramon Gomez Diaz) are owed once the conditions precedents set forth in the settlement agreement are satisfied. We are currently in the process of negotiating the amendment to the assignment agreement.

DESCRIPTION OF PT PORTUGAL'S BUSINESS

In this section, references to "we", "us" and "our" refers to PT Portugal and its subsidiaries.

Overview

We are the largest telecommunications service provider in Portugal. Our operations are mainly conducted through two key subsidiaries: PTC (which generated €1,765.8 million of revenues on a standalone basis, the contribution of which, after intercompany eliminations, represents 60.7% of our *pro forma* combined revenues in the year ended December 31, 2013) and Meo, Serviços de Comunicações e Multimédia, S.A. ("*Meo, S.A.*") (which generated €1,064.3 million of revenues on a standalone basis, the contribution of which, after intercompany eliminations, represents 36.4% of our *pro forma* combined revenues in the year ended December 31, 2013). PTC provides fixed line services, Pay- TV services (through IPTV, FTTH and DTH platforms), ISP services to residential customers and small and medium size companies ("SMEs") and small office/home office ("SOHOs"), as well as data transmission services and is also an ISP for large commercial clients. Meo, S.A. provides mobile services under a GSM license, a UMTS license, and a fourth generation mobile license ("4G license") through the Long Term Evolution ("LTE") technology.

We manage our business along customer segments with cross-functional collaboration to deliver the best customer experience. We provide telecommunication services in the following customer categories:

- *Residential services*, which are mainly provided by PTC and include integrated networks inside the customer's home enabling the simultaneous connection of multiple devices, including fixed line telephones, TVs (including Internet Protocol Television and direct-to-home satellite Pay-TV services), game consoles, PCs, laptops, tablets and smartphones.

- *Personal services*, which are provided by Meo, S.A. and include mobile telecommunications services, including voice, data and internet- related multi-media services across several access devices, such as mobile phones, smartphones and tablets, as well as wireless datacards and dongles (devices that attach to the USB port of a laptop/computer to provide mobile broadband service) for internet access.

- *Enterprise services*, which are provided by PTC and Meo, S.A. include Corporate and SME/SoHo services, which provide our corporate and medium and small business customers with data and business solutions, as well as IT/IS and business process outsourcing (BPO) services:

    - *Corporate services*, which targets large companies and provides data, internet, video and voice communications, services, fixed-mobile convergence solutions and selected information technology services, network managing and outsourcing; and

    - *SME/SoHo services*, which targets (i) SMEs, providing vertical data and business solutions that are similar to our corporate services and (ii) SOHOs, customers and provides cost-effective data and business solutions for those working in small businesses or at home.

- *Wholesale and other services*, which are essentially provided by PTC, and primarily include wholesale telecommunications services to other telecommunications operators, public pay telephones, the production and distribution of telephone directories and other services in Portugal.

For the year ended December 31, 2013, we had over 12.6 million RGUs, and our *pro forma* combined operating revenues and EBITDA were €2,627.4 million and €1,026.4 million, respectively. For the nine months ended September 30, 2014, we had over 13.1 million RGUs, and our *pro forma* combined operating revenues and EBITDA were €1,900.9 million and €746.6 million, respectively.

History

PT Portugal was incorporated by Portugal Telecom SGPS, S.A. in March 2006 as part of a corporate reorganization of the Portugal Telecom group's businesses into geographic areas. In connection with this reorganization, in September 2006, PT Portugal subsequently acquired the investments in PTC and Meo, S.A., which were previously held by Portugal Telecom. In 2009, Portugal Telecom continued the reorganization of its group by geography by transferring to PT Portugal the Portuguese support companies (which render services mainly to PTC and Meo, S.A.), in order to improve the corporate structure and obtain efficiency gains in the businesses managed by PT Portugal. In connection with this 2009 reorganization, PT Portugal acquired the investments in PT Cloud e Data Centers, S.A. ("PT Cloud e Data Centers"), PT Inovação e Sistemas, S.A. ("PT Inovação"), PT Pro—Serviços Administrativos e de Gestão Partilhados, S.A. ("PT Pro"), PT Sales—Serviços de Telecomunicações e Sistemas de Informação, S.A. ("PT Sales") and

PT Contact—Telemarketing e Serviços de Informação, S.A. (“PT Contact”), which were previously held by Portugal Telecom.

PTC renders fixed line services, initially under the provisions of the Concession Contract entered into with the Portuguese State on March 20, 1995, in accordance with Decree Law 40/95, for an initial period of thirty years, subject to renewal for subsequent periods of 15 years. On December 11, 2002, according to the terms of the Modifying Agreement to the Concession Contract, PTC acquired the property of the Basic Network of Telecommunications and Telex (“Basic Network”). Both these contracts were revoked by the Decree Law 35/2014 of March 7, 2014, effective as of June 1, 2014. On May 9, 2014, ANACOM issued to PTC a declaration that allows PTC to continue providing those fixed line services. PTC also renders Pay-TV services, through IPTV, FTTH and DTH platforms and Internet Service Provider (“ISP”) services to residential and small and medium size companies, as well as data transmission services and is also an ISP for large clients.

Meo, S.A. renders mobile services under a GSM license granted by the Portuguese State in 1992 for an initial period of 15 years, which was renewed in 2007 until March 16, 2022, and a UMTS license obtained on December 19, 2000 for an initial period of 15 years, renewable for an additional period of another 15 years. In March 2012, Meo, S.A. acquired a fourth generation mobile license (“4G license”), under which it provides services as from 2012 through the Long Term Evolution (“LTE”) technology, which represents an evolution from the GSM technology that allows for higher levels of bandwidth and speed. This license has an initial period of 15 years, renewable for an additional period of another 15 years.

In January 2013, PT Portugal launched the first quadruple play offer, through the brand name M_4O, representing a fixed-mobile convergent service, including television, internet, and fixed and mobile telephone services.

On May 5, 2014, Portugal Telecom subscribed to a share capital increase at Oi, S.A. through the contribution in kind of its 100% interest in PT Portugal and, as a result, PT Portugal is since a wholly-owned subsidiary of Oi, S.A.

Our Services

Primarily through PTC and Meo, S.A., we offer our services to each of four customer segments: residential services, personal services, enterprise services, and wholesale and other services.

Residential

Our residential services, which are mainly provided by PTC, focus on offering customers (both fiber and satellite) a differentiated TV experience, which capitalizes on the increased capacity of our new generation access network. We provide integrated networks inside the customer’s home, anchored on premium content and a multi-screen strategy which enables simultaneous and seamless access to content on multiple devices (including PCs, TVs and smartphones). Our triple-play service, *Meo*, offers a differentiated customer experience through (i) a non-linear experience with video-on-demand, pause and restart-TV, (ii) a complete ecosystem for TV apps (Facebook, games, music, Kids and Sapo), (iii) interactive features providing additional depth over key channels and contents, and (iv) user generated content with *Meo Kanal*, an application that allows users to produce, edit and share multimedia user content on television with other *Meo* customers that created the first network effect on TV. We also successfully launched a quadruple-play service, M_4O, which offers Pay-TV, broadband internet, fixed telephone and mobile telephone services. Our television services and fixed line services are further described below.

Pay-TV Services

Our television strategy is based on a multiplatform concept that aims to provide similar content and user experiences across television, PCs and mobile phones. Launched in 2008, *Meo* is our TV brand across the various platforms, primarily at home (through IPTV and satellite), through mobile telephones (through *Meo Go! Mobile*) or through personal computers (through *Meo Go!*). *Meo* provides access to a comprehensive content offering, with more than 160 TV channels and thousands of video-on- demand titles. We offer tiered packages of channels, as well as on-demand availability that can be subscribed for, in real time, directly through the TV set. *Meo* also provides access to advanced features, such as digital recording and pause live-TV. The set-top boxes in the *Meo* service are all HD-compliant, using MPEG4. We were the first operator in Portugal to introduce HDTV and have the most extensive video-on-demand offer in the market. As of December 31, 2013, *Meo* had 1,315 thousand customers and a 41.5% market share, according to ANACOM.

In January 2013, we announced the launch of a quadruple-play offer of converged fixed-mobile services by *Meo*, which includes TV, internet, fixed telephone and mobile telephone services under the brand M_4O. We designed this product after studying recent trends in the Portuguese market, which revealed rising consumer preference for quadruple-play services all reflected on the same invoice, a desire to include the entire family in a single plan, and the importance of high- quality connectivity to the internet. *M_4O* offers 120 TV channels, 100 Mbps broadband speed, unlimited calls and two to four mobile SIM cards, including free of charge calls and text messages to all wireline and wireless networks, using our 3G and 4G networks. The launch of *M_4O* enabled us to reach a household penetration of 1.7 million RGUs and to promote customer migration from prepaid to post- paid by approximately 190 thousand customers.

Meo continues to innovate and, in the first quarter of 2013, added a new exclusive channel, *Correio da Manhã* TV, in partnership with Cofina, the owner of several newspapers and magazines in Portugal, including *Correio da Manhã*. These channels are available on several platforms, including PCs, smartphones and tablets, through the *Meo* GO! service. *Meo*'s content offering also includes thousands of video-on-demand titles and includes interactivity based on anchor programs (e.g. *Idols*, *Secret Story*, *Biggest Loser*). With respect to content, we continue to focus on the intensification of partnerships with content providers, on two-way collaborations to improve content quality, and on the renegotiation of existing content deals aimed at further adapting the content cost structure to the current environment and thereby generating savings in content costs.

Meo also offers advanced interactive applications accessed through the remote control and covering multiple categories, such as (i) News, including a personalized newscast app, developed in partnership with RTP, the state-owned free-to-air channel, and the *Sapo Kiosk* application featuring the daily covers of all local and several international newspapers and magazines, (ii) Sports, including a soccer app, a surf app and specific sports channel applications, such as the *BenficaTV* app and the *SportTV* app, (iii) Music, including *MusicBox*, a multiscreen music streaming service, *Meo Radios*, a radio streaming app, and *Meo Karaoke*, an application that offers *Meo* customers the ability to subscribe and sing from a wide catalog of local and international hits, (iv) Kids, including a comprehensive children's portal where kids can access video-on-demand content, music clips, karaoke, games and tailored educational content, (v) Convenience, including apps for weather, traffic and pharmacies and (vi) Personal content, including an online photo storage app. In 2012, *Meo* launched eight new apps of this type, including *Sapo Voucher*, the first interactive TV app allowing financial transactions and interactions with TV advertisements.

In line with our strategy for content differentiation through interactivity that *Meo* has been pursuing since its launch, we initiated two new "red button" interactive applications in the third quarter of 2013, linked to two popular TV programs in Portugal: (i) "X Factor," developed in partnership with SIC, and (ii) "I love it", a youth TV series, developed in partnership with TVI. Leveraging the fourth edition of "Secret Story," a reality show on TVI, *Meo* launched an exclusive Secret Story channel in late September 2013, airing live 24 hours a day from the Secret Story house, with an interactive application that allowed customers to select the camera from which they wanted to follow contestants in the show and delivered exclusive content.

In January 2013, *Meo* also launched *Gravações Automáticas*, a recording feature that allows customers to record programs and access those recordings up to seven days after the programs were broadcast. We have also developed new and innovative interactive solutions, such as *Meo Energy*, a service for monitoring home energy consumption, which includes rate recommendations based on one's actual consumption profile and suggestions on how to lower a consumer's energy bill.

Fixed Line Services

We had approximately 3,830 thousand fixed retail accesses in service as of December 31, 2013, excluding external supplementary lines, direct extensions and active multiple numbers. Within retail accesses, we track and report:

- traffic-generating lines held by subscribing customers;
- carrier pre-selection lines, which are lines of competitors for which those customers have elected to use our services;
- fixed broadband retail lines; and
- IPTV, FTTH and DTH customers using our *Meo* Pay-TV services.

As of September 30, 2014, we are able to reach 2.1 million homes in Portugal with our FTTH network, after giving effect to the fiber sharing agreement with Vodafone (which is further described below under "*—Material Contracts—Fiber Sharing Agreement with Vodafone Portugal*"). Our network, which is developed in urban areas, is a strategic investment to improve our competitiveness among residential customers, where we can offer distinctive Pay-TV and bundled offers.

Over the last decade, total traffic on our fixed line network has decreased, primarily because consumers have increasingly used mobile services instead of fixed line services and because of the migration of dial-up internet users to Asymmetric Digital Subscriber Lines ("ADSL"). The number of active mobile cards (the mobile equivalent of main lines) exceeds the number of fixed line main lines in Portugal. We have responded to this trend by encouraging the use of our fixed line network for bundled services, including triple-play packages that include fixed-line telephone services, broadband internet access and Pay-TV services.

Additionally, we are required to provide carrier selection to our customers for all kinds of traffic. See "*Regulatory—Portugal—Areas of Recent Regulation and Updates—Number Portability and Carrier Selection*." Carrier selection has been an additional factor that has contributed to the reduction in traffic on our network.

Personal

Through Meo, S.A. in our personal services customer segment, we offer a range of products and services, including (i) a variety of voice and data tariff plans, both prepaid and post-paid, designed to integrate unlimited voice and data plans targeted at high-value post-paid customers and, in the prepaid market, to discourage migration to low-value tariff plans by offering additional voice and data services; (ii) a portfolio of approximately 50 smartphones, including exclusive handsets, with the capability to use an array of value-added and convergent services (mobile TV, music on demand, navigation app, social network aggregator, cloud storage, etc.); and (iii) mobile broadband offers of up to 150 Mbps speed, using 4G technology and offering free access to our national Wi-Fi network. We were the first operator in the world to offer prepaid services, and our prepaid and discount products remain popular. As of December 31, 2013 approximately 75.4% of our subscribers were using prepaid products.

We launched a 4G offering in 2012, and we continuously invest in new services. Our 4G offering currently allows (i) speeds of up to 150 Mbps; (ii) access to live TV channels through Meo Go!, a service that allows access to live TV channels on PCs, tablets and smartphones; (iii) a music streaming service through *Meo Music*, a multiplatform music streaming service, providing access to a catalog of millions of music tracks, which recently underwent a platform upgrade, (iv) *Multi-SIM*, for sharing of traffic among various devices, including PCs, through wireless dongles, tablets and smartphones and (v) *Meo Drive*, a navigation app available in iOS and Android Marketplaces.

At its launch in March 2012, our 4G service was available to 20% of the Portuguese population and was expanded to 93% of the population by the end of 2013. We market our 4G mobile broadband services through *Meo*'s *4G* and *Meo 4G* brands. These offerings range in speed from 50 Mbps to 150 Mbps, with monthly retail prices starting €34.99 (with discounts for early subscribers under a month loyalty program) and include *Meo Music* for free. *Meo 4G* or *Meo 4G* customers that are also *Meo* customers have free access to more than 60 live *TV* channels through the *Meo Go* service.

In January 2013, following the launch of the *M_4O* quadruple-play offering, *Meo* repositioned its voice and data tariff plans. In the post-paid category, unlimited plans now have four different price points, or sizes: (i) the *unlimited S*, for €15.9 per month, offers 600 MB of mobile internet (*internetnotelemóvel*), unlimited Wi-Fi access plus 100 minutes or SMS on all other networks; (ii) the *unlimited M*, for €29.90 per month, offers 1 Gb of mobile internet, unlimited Wi-Fi access plus unlimited voice and SMS, and 120 minutes or SMS on all other networks; (iii) the *unlimited L*, for €39.90 per month, offers 1 Gb of mobile internet and unlimited Wi-Fi plus unlimited voice and SMS on all other networks; and (iv) the *unlimited XL*, for €69.90 per month, offers 5 Gb of mobile internet and unlimited Wi-Fi access plus all net unlimited voice and SMS. All of these plans include the *Meo Music*, which is otherwise priced at €4.99 or €6.99 per month, depending on whether it is an existing *Meo* customer.

In the prepaid market, *Meo* extended the all-day version of the "*e nunca mais acaba*" tariff plan to include unlimited all-day voice and SMS for *Meo* and fixed networks, while being able to apply, monthly, the equivalent of €20.00 toward voice minutes and SMS on other mobile networks. This tariff plan also includes unlimited in-network video calls and can be configured with a 500 MB mobile internet option for €25.00 per month. *Meo* also extended the *Moche* offering, for customers younger than 25 years of age, to include 1 Gb of mobile internet in the case of the monthly fee, and if the customer recharges the card with at least €11.00. The *Moche* tariff plans also include SMS options with respect to other networks. These changes in *Meo*'s tariff structure were in response to price movements in the market and were aimed at maintaining *Meo*'s competitive position in the market.

Pricing

We believe that mobile services in Portugal are priced lower than the European average and are among the lowest in Europe. Fixed-to-mobile and mobile-to-mobile interconnection charges are regulated by ANACOM and have a significant impact on our business. Since 2005, when ANACOM declared all mobile operators to have significant market power in call termination in mobile networks market, ANACOM has accordingly imposed price controls on interconnection rates for the termination of calls on mobile networks. Since the imposition of price controls, interconnection rates have been reduced steadily. ANACOM has issued successive decisions that have reduced mobile termination rates over time. Most recently, in March 2012, ANACOM issued a final decision reducing mobile termination rates progressively to €0.0127 by December 2012. These reductions have had, and are expected to continue to have, a significant impact on our interconnection revenues and consequently our cash flows and earnings.

Enterprise

Our enterprise services which are provided by PTC and Meo, S.A. comprise (i) network and voice services, which include fixed voice services, fixed and mobile convergence services, broadband data, Ethernet services, digital leased lines and VSAT services, business high band fiber-based internet, VPN accesses and applications, and global services for multinational customers; (ii) IT services, which include data center services (such as housing and hosting), cloud-based solutions (primarily public and private virtual servers, remote backup and storage, hosted e-mail and web hosting), security managed services based on a Security Operations Center, business continuity services and disaster recovery, IT infrastructure outsourcing and IT and security consultancy; and (iii) business solutions and applications, which include unified communications, IP Centrex and voice servers, digital signage—Corporate TV, messaging and interaction solutions, business video communications and telepresence solutions, machine-to-machine managed connectivity and vertical end-to-end solutions, business process outsourcing (BPO), vertical solutions for special business market customer categories (health care, the public sector), special bundling services for small and medium-size enterprises, using the "Office Box" brand name, and outsourcing.

We provide these services to our enterprise customers using a three-tiered approach: (i) *Residential+* customers, with an offering based on the convergence of voice and broadband services, (ii) *Connected+* customers, served mainly with multi-employee connectivity services, including mobility solutions for traveling employees, and simple software solutions and (iii) *Integrated+* customers, served with a full range of telecommunications and technological services, such as unified communications, outsourcing of information and communications technology ("ICT") services, application integration, machine-to-machine and specific IT/IS solutions, BPO and IT consultancy.

The provision of services to our corporate customers is guided by the following strategic objectives: (i) maximize value from traditional telecommunications services by upselling additional services, including fixed- mobile convergence on FTTH, VPN, LAN management and video services, (ii) IT transformation accelerated by cloud computing, where we aim to build upon partnerships with key suppliers to enable business process transformation and cost reductions to our corporate customers, with a special focus on "system on a chip," ("SOC"), based security solutions, (iii) capture mobile data growth through 4G-based solutions and new machine-to-machine projects, (iv) use specialization to achieve gains from scale, including by focusing on outsourcing and BPO to improve productivity and (v) introduce a business consulting approach in order to extend the services provided to corporations to video, multiscreen and other convergent services.

As part of our enterprise services, we provide a broad offer of integrated and vertical solutions. We continue to market our *Office-box* product for SMEs, which allows integrated solutions with one bill and on a pay-per-employee basis bundling voice and data communication needs: (i) connectivity: mobile and fixed voice and broadband, (ii) devices: PCs, phones and mobile phones, routers and switches and (iii) mobility: cloud solutions including customized domains, e-mail accounts, hosting sites and optional software. We provide vertical solutions through our *Office- box* product which includes tailored software systems for health clinics, restaurants, hotels, including access to an online marketing and booking system and a full suite of hotel-management software. For large corporations, we provide (i) integrated solutions, bundling customized connectivity and IT needs coupled with dedicated account managers, and (ii) a unified communications integrated offering without requiring capital expenditures on a pay-per-employee basis, including a flat voice rate, customer equipment and a full set of collaboration functionalities. Our secure cloud offering provides a broad portfolio of services, including (i) web services, such as webhosting, instant website, database hosting and e-mail relay, (ii) security services, comprising e-mail security, remote backup, video surveillance and clean pipes, and (iii) IT resources, including remote desktop, public and private servers, SAP HANA and virtual drives. We have developed this end-to-end offering with strategic partnerships that enable us to leverage our technological skills and integration capacity in key markets in Portugal, Brazil and Africa.

The IT and business process outsourcing for corporate customers leverages PT Cloud and Data Centres, a wholly-owned subsidiary of PT Portugal, which provides an integrated ICT service and IT/IS outsourcing capabilities, and PT Pro, *Serviços Administrativos e de Gestão Partilhados*, S.A., or PT PRO, a wholly owned subsidiary of PT Portugal, which allows the provision of BPO and shared services. See "*—Shared Services Companies*."

Wholesale

In addition to the services we provide through PTC and Meo, S.A., in our primary customer categories of residential services, personal services and enterprise services, we provide wholesale services to other telecommunications operators and generate a small amount of revenue from other activities, such as public pay phones and the production and distribution of telephone directories. We report revenues from these services and products, together with eliminations for transactions among our residential, personal and enterprise customers, as "Wholesale, other and eliminations" in our consolidated financial statements.

Wholesale services provided €469.9 million, €476.0 million and €461.7 million to our operating revenues in 2011, 2012 and 2013, respectively. Our wholesale services consist of: (i) domestic and international interconnection telephone services that we provide to other telecommunications operators in Portugal; (ii) provision of carrier pre- selection and number portability; (iii) leasing of domestic and international lines to other telecommunications services providers and operators; (iv) provision of ADSL (including "naked" DSL) on a wholesale basis to other ISPs; (v) provision of unbundled access (including shared access) to metallic loops and sub-loops to provide broadband and voice services to other telecommunications operators in Portugal; (vi) provision of wholesale line rental to other telecommunications service providers in Portugal; (vii) provision of co-location services and access to ducts, submarine cable landing stations, poles and associated facilities to other telecommunications operators in Portugal; (viii) transmission of television and radio signals for major broadcast television companies in Portugal; (ix) narrowband internet access origination services, which we provide to ISPs; (x) international carrier services (transport, transit and/or termination) for international switched traffic; and (xi) other services provided to telecommunications services providers and operators, such as IP international connectivity.

Interconnection Traffic.

Interconnection traffic comprised about 40% of our wholesale business in terms of revenues in 2013. The service providers who purchase interconnection services include fixed and mobile network operators, voice and data communications service providers, ISPs, value-added service providers and service providers whose international calls are terminated on or carried by our network. Providing interconnection services means allowing third parties to connect their networks to our network, and vice versa. We have interconnection rates primarily for call termination, call origination, transits and international interconnection.

Interconnection Prices.

Domestic interconnection revenue per minute for calls terminated on our network decreased around 72% as of October 2013, from €0,0040 to €0,0011. International interconnection revenue per minute for wholesale operators' outgoing traffic decreased by 18% in nominal terms in 2013 compared to 2012 and decreased by 8% in 2012 compared to 2011. In accordance with EU and Portuguese regulations, our national interconnection prices are cost-oriented, applying a pure Bottom Up Long-Run Average Incremental Cost, or BU-LRIC, cost model for call termination.

Leased Lines.

We lease lines to other telecommunications providers for fixed, mobile and data communications services, including our competitors. Leased line services involve making a permanent point-to-point connection with dedicated and transparent capacity between two geographically separate points. We offer both national terminating segments and trunk segments at the wholesale level. We also lease international circuits to national and international operators to allow them to complete their circuits (often circuits that pass through Portugal before linking to other countries), and we sell segments of international circuits to international operators. The three current mobile telephone operators in Portugal, which include our subsidiary *Meo*, Vodafone Portugal and NOS, are among our wireline business's largest leased line customers.

Telephone Directories

Under a Concession Contract dated February 20, 2014, we provide telephone directory universal services. We subcontract to Páginas Amarelas for the publication and distribution of telephone directories throughout Portugal in return for an annual payment of approximately 78% of its gross revenues from the sale of advertising space. Our revenues from our directories business amounted to €25.2 million, €34.7 million and €45.9 million in 2013, 2012 and 2011, respectively. We completed the disposal of our 25% interest in Páginas Amarelas to a third party in January 2014.

Digital Terrestrial Television Services

In 2008, pursuant to the European Commission's proposal to cease analogue transmissions in all member states by 2012, ANACOM launched a public tender to grant the rights of use of frequencies allocated to the transmission of digital terrestrial television, or DTT, signals. Following a public tender launched by ANACOM in 2008, our subsidiary PTC was granted the frequency usage rights for DTT associated with the transmission of the signal for free-to-air television programs (the RTP1, RTP2, SIC and TVI broadcast channels), the so-called "Multiplex A" or "Mux A". In 2008, the Portuguese media regulatory authorities (*Entidade Reguladora para a Comunicação Social* (ERC) and ANACOM) notified us of their final decision to grant us a license to act as a TV distribution operator. As a consequence, ANACOM assigned a right of frequency use to PTC. This right allows us to have national geographic extension and is valid until December 2023. There is a coverage obligation associated to the right of frequency use, namely 87.2% of national territory covered by terrestrial platform (Mux A) and 12.8% by complementary means (satellite). On July 10, 2014, ANACOM published a draft decision related to the coverage obligations above, specifically on the evaluation methodology and technical parameters to be measured. The final decision, expected in 2015, may result in PTC bearing additional costs and undertaking additional investments. Moreover, as early as May 2013, ANACOM decided that the Single Frequency Network ("SFN"), due to changes in spectrum international planning (700 MHz band), will evolve to a Multi Frequency Network ("MFN") topology. Migration is to be concluded by 2017 and may also result in additional costs. In September 2014, when adopting the temporary licensing of four transmitters, ANACOM determined the presentation of a plan relating to the installation of additional MFN transmitters in areas with coverage problems. So far, the Authority has not yet formally ruled on the plan.

We launched DTT (using DVB-T, or terrestrial signals) in 2009, initially covering 29 municipalities and over 40% of the population. By the end of 2011 we achieved 100% coverage of the Portuguese population (approximately 90% using DVB-T and 10% using DVB-H (satellite)). The switch-off of the analogue television network in Portugal occurred on April 26, 2012.

DTT only encompasses broadcasting of free-to-air television programs, while our *Meo* offer comprises both free-to-air television programs, as well as Pay-TV channels, being provided over FTTH, ADSL and DTH technologies.

Marketing and Sales

We market our services through several different distribution channels, so as to meet our different customer segment needs and expectations.

From 2012 onwards, the focus of our marketing strategy has been on the brands in our personal segment. *Meo* is our primary and pre-existing brand and a leader in mobile telecommunications in Portugal, which we expect to continue using to serve the broader market and focuses on the growth of our post-paid base through dedicated tariff plans and attractive pricing policies in smartphones. *Meo* marketing campaigns continue to draw attention in the Portuguese Pay-TV market. In the third quarter of 2013, *Meo* aired a new campaign, *Mundo Meo*, to strengthen its market position as an innovative brand. This campaign describes *Meo*'s key differentiating features: (i) *Meo Kanal*, an application that allows users to produce, edit and share multimedia user content on television with other *Meo* customers; (ii) *Meo* Karaoke; (iii) PVR-experience; (iv) interactive apps, and (v) *Meo Music* (formerly *Music Box*), a music streaming service. Following our continuous investment in the *Meo* brand, in September 2013, *Meo* was named the brand of the year by *Meios e Publicidade*, an independent Portuguese specialized magazine.

We developed *Moche*, our new youth brand, to encourage a broad-based use of mobile internet. *Moche* employs a different business model and is supported by a new brand positioning and values and is tailored to the target youth demographic. We market personal services through more than 3,179 points of sale, including our sales force, retail shops, supermarket chains and independent dealers.

On January 27, 2014, we announced that all services rendered by TMN—Telecomunicações Móveis Nacionais, S.A. ("TMN") would be provided under the *Meo* brand and that TMN had changed its corporate name to *Meo—Serviços de Comunicações e Multimédia*, S.A. This change is part of our convergence strategy and builds on our 2013 launch of *M_4O*.

We also have a low-cost brand, Uzo that targets low-cost subscribers and uses our GSM network. Uzo focuses primarily on selling SIM cards and low-cost mobile phones to its customers. Uzo's products and services are offered through the internet, Uzo's call centers (which are separate from *Meo*'s call centers) and independent news stands and shops located throughout Portugal.

Customer Contract, Billing and Customer Service

We typically enter into standard form contracts with our residential and personal customers. The terms and conditions of our contract, including duration, termination rights and the ability to increase prices during the life of the contract differ across our segments. We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. We provide our residential and personal customers with access to technical support help desks which operate at substantially all times. For our enterprises services, our institutional and business customers are also served by dedicated business service and customer care centers.

Network

For our fixed line network, we are focused on increasing our investment in FTTH, with 1.6 million homes passed in Portugal as of December 31, 2013, which represented about 46% of the population. As of September 30, 2014 we had 2.1 million homes passed in Portugal, after giving effect to the fiber sharing agreement with Vodafone (as further described below in "*—Material Contracts—Fiber Sharing Agreement with Vodafone Portugal*").

The deployment of new access technologies and networks continues to be an overriding trend across the sector, with operators announcing plans, trials and investments in Next Generation Access Networks ("NGAN"), namely fiber-to-the-home (FTTH) networks in the fixed business and Long Term Evolution in the mobile business. Both technologies offer more speed, lower latencies and higher reliability. FTTH improves customer experience by providing higher and guaranteed speed, download and upload symmetry and lower latency. Moreover, fiber investment also supports an enhanced mobile network, with high-quality fiber connections for mobile base stations.

We provide mobile telephone services using the GSM, UMTS, and LTE technologies (2G, 3G and 4G, respectively). Within our GSM offering, we provide services in the 900 MHz and 1800 MHz band spectrums. GSM, UMTS and LTE are European and worldwide standards using digital technology.

In March 2012, ANACOM formally allocated to *Meo* rights to the following spectrum for 15 years following a multiband auction for the provision of electronic communications services based on LTE technology:

- 2 × 10 MHz in the 800 MHz band for a final price of €90.0 million;

- 2 × 14 MHz in the 1800 MHz band for a final price of €11.0 million; and

- 2 × 20 MHz in the 2.6 GHz band for a final price of €12.0 million.

Meo chose to pay these amounts in installments, as set forth in the auction regulation, which provided for an initial payment of €83.0 million, with the remainder €30.0 million being paid in five equal instalments for five-year period, from January 2013 to January 2017, and covered by a bank guarantee valid for that same period. This guarantee is released partially, on an annual basis, according to the payments made by *Meo*.

These rights are reflected in a license that includes and supersedes the previous GSM and UMTS licenses issued by ANACOM. The license imposes certain requirements on *Meo*, including the following:

- Mobile network obligations for 800 MHz: *Meo* must enter into agreements with Mobile Virtual Network Operators and national roaming agreements with operators with rights of use on frequencies greater than 1 GHz.

- Coverage obligations for 800 MHz: For each lot of 2 × 5 MHz in the 800 MHz band, *Meo* must cover a maximum of 80 parish areas out of 480 parish areas without adequate broadband coverage.

For more information about our licenses, see "Regulatory—*Portugal—Our Concession and Existing Licenses and Authorizations*".

We paid spectrum fees in 2013, 2012 and 2011 of €14 million, €15 million and €17 million, respectively, for the use of our 900 MHz and 1800 MHz GSM network and our UMTS network. These spectrum fees are recorded as an operating expense in our consolidated financial statements.

In addition, through roaming agreements, our subscribers can make and receive mobile calls throughout Europe and in many other countries around the world. Roaming agreements between operators allow their subscribers to make and receive voice calls automatically, send and receive data, or access other services when traveling outside the geographical coverage area of the home network, by using the networks of other operators abroad. As of the end of 2013, we had entered into GSM roaming agreements with a total of 631 operators (in 231 countries) and 312 UMTS roaming agreements (in 139 countries).

In our Enterprise segment, we provide services over the largest IP/Multiprotocol Label Switching backbone in Portugal. We have a fully owned fibre backbone, with a total capacity of more than 100 Tbps and high speed 100 Gbps interfaces, and a metro network with 2,658,000 km of fibre and 761 points of presence covering all major cities throughout Portugal, and we link our network to our customers' premises through switches and access points that we own. This broadband data transmission network provides high capacity, flexibility and security and can progressively incorporate current voice and data infrastructures at lower costs than alternative networks. We also provide high speed internet access through ADSL and Ethernet.

Suppliers and Partnerships

We have implemented a multi-sourcing procurement policy for some technologies and continually monitor the role of suppliers in the chain.

In our Residential segment, for our fixed line network and Pay-TV services in 2013, we obtained telephones and equipment for our voice, broadband and Pay-TV services from several suppliers, including Novabase, Alcatel- Lucent and Motorola, and we obtain television content, including premium channels, from several national and international suppliers.

We do not manufacture handsets for our Mobile services, but we have agreements with a number of manufacturers to sell handsets in Portugal, including Nokia, Samsung, ZTE, Huawei, Apple, Sony, LG and RIM.

In our Enterprise segment, we have a strong and competitive position in the development of information technology solutions where communications are an integral part of the services provided. To reinforce our position as a leader in this area, we are pursuing a partnership strategy with the primary information technology suppliers in the market, particularly software and hardware providers.

We offer services in partnership with leading operators and service providers such as Telefónica, British Telecom and Orange. We use systems and networks in partnership with Nokia Solutions and Networks Portugal, Alcatel- Lucent, Ericsson, Huawei, Cisco Systems, Nortel Networks, Critical Software, Microsoft and SAP, among others. In 2012, we pursued partnerships with Microsoft and SAP, and in 2013 with Ericsson towards developing, implementing and continuously launching new services in our cloud computing offer, *SmartCloudPT*, which is intended to help companies adopt more efficient business models by reducing costs related to information technology.

In connection with the opening of the data center in Covilhã (further described below), we entered into a partnership with the University of Beira—Interior, and we are committed to attracting start-ups and technology companies into the Covilhã region in order to build an ecosystem of technological development that will turn our data center initiatives into an engine for business growth. Furthermore, we are also party to a number of EU grant agreements (including by way of accession to an existing grant agreement between the EU and a third-party, such as universities), each relating to a specific project, pursuant to which the EU agrees to provide grants towards the implementation of such projects.

Material Contracts

Fiber Sharing Agreement with Vodafone Portugal

In July 2014, we signed an agreement with Vodafone Portugal to deploy, swap of capacity and share fiber networks beginning in December 2014, for an initial term of 25 years. The initial term will be automatically renewed in additional periods of four years each, unless a party objects in writing to a renewal at least two years in advance of the termination date. The agreement includes sharing of dark fiber in approximately 900,000 homes, where each party grants to the other party an exclusive Indefeasible Right of Use (IRU) for certain PON network cells it owns (totalling approximately 450,000 homes each). Since the model is based on a swap of capacity through IRUs, the title to the PON network cells remains with the granting party, which allows both parties to maintain total autonomy and flexibility in designing retail offers, including the provision of RF (analogue) TV signal, and will ensure confidentiality of customer information. With this agreement, we expect to reach an additional 450,000 homes with fiber to the home technology by December 2015.

During the first ten years of the agreement, there is an undertaking of partnership between the parties for the construction of new PON network cells. A party must notify the other party if it wishes to build new PON network cells in any geographical area which does not correspond to the PON network cells already covered by the agreement. If the other party is also willing to build new PON network cells, both parties must then commit to the construction of new PON network cells in partnership with each other. This undertaking from each party does not apply after the first ten years of the agreement, nor does it apply when a party decides to build PON network cells in partnership with another operator (provided that such PON network cells are not covered by the agreement).

Additionally, each party to the agreement may transfer the entirety (but not part) of its PON network cells covered by the agreement to a third-party purchaser, provided that such purchaser also assumes the obligations of the selling party under the agreement. The non-selling party has a pre- emption right where the third party purchasers is a retail operator in the broadband market, which is not in the same 'economic group' as the seller. If the selling-party does not comply with the conditions to transfer and the pre-emption right, it will be subject to a penalty. In the event of a material and/or continuous default of one party, the other party may unilaterally terminate the agreement by exercising a call option.

Seasonality

Although our revenues and costs fluctuate from quarter to quarter, we do not experience large fluctuations due to seasonality. We tend to have higher revenues in the fourth quarter due to promotional campaigns centered on the Christmas holiday. To a lesser degree, promotional campaigns at the time of the Easter and Mother's Day holidays also tend to increase our revenues in the second quarter. In addition, our revenues from our operations tend to be lower during the third quarter when the Portuguese summer holidays occur.

Intellectual Property

We use a variety of trade names and trademarks in our business, including "*Meo*" and "*M_4O*", and several associated trademarks. All of our trademarks are protected in Portugal. Some of these trademarks also enjoy protection in the European Community and in African Portuguese speaking countries like Angola, Mozambique and Cape Verde. We possess a certain number of patents, designs and copyrights, but we believe that such industrial and intellectual property rights do not play a material role in our business. We license some of the television programming content for our pay television offering from third party providers. Certain of these licenses contain change of control provisions at the level of the operating subsidiaries, and certain licenses require the third party providers' consent should we wish to assign such licenses to other parties (with certain carve-outs for assignments to affiliates).

Employees

As of December 31, 2013, we employed 11,025 full-time permanent employees. As of September 30, 2014, we employed 10,751 full-time permanent employees. We also employ contract and temporary employees for various projects.

We are subject to various labor laws in Portugal, which govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti discrimination laws and other conditions of employment. PTC, MEO—Serviços de Comunicações e Multimédia, S.A., PT Cloud e Data Centers, S.A., PT Inovação e Sistemas, S.A., PT ACS—Associação de Cuidados de Saúde, PT Centro Corporativo, S.A. and Fundação Portugal Telecom are also subject to a collective bargaining agreement executed between these companies and several trade unions.

We are also liable for certain post-retirement benefits, including: (i) pension supplements, (ii) healthcare, and (iii) remuneration of employees under suspension and pre-retirement agreements (which remuneration paid on a monthly basis until such suspended/pre-retired employees reach the statutory retirement age). Under several defined benefit plans, PTC and PT Cloud e Data Centers, S.A. are responsible to pay pension supplements to a group of employees. In order to finance these obligations, PTC incorporated various funds, which are supervised by the *Instituto de Seguros de Portugal* (Portuguese Insurance and Pension Funds Supervisory Authority) and are not entirely capitalized. Additionally, under a defined benefit plan, PTC and PT Cloud e Data Centers are responsible to pay health care expenses to a group of employees and its relatives. This health care plan (covering 23,402 beneficiaries, approximately 23% of which are still in service) is managed by Portugal Telecom—Associação de Cuidados de Saúde ("PT-ACS"). In 2004, the Group established PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A. ("PT Prestações") to manage an autonomous fund to finance these obligations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the PT Portugal Group—Post Retirement Benefits*". Further, we are generally required to provide severance pay upon the dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the Portuguese government.

Data Centers and Other Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at Avenida Fontes Pereira de Melo, Lisbon, Portugal. We believe that our properties meet their present needs and are generally well—maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

Our data center network consists of seven data centers located in Lisbon, Oporto, the Azores, Madeira and Covilhã (which was opened in September 2013). The opening of the data center in Covilhã, a large, efficient and sustainable facility, is the culmination of five years of transforming our cultural, technological and business model. The center provides the base infrastructure for offering solutions that will serve the needs of national and international individuals and businesses, and we believe it marks a milestone in our transformation into a global operator. Against the backdrop of exponential growth in global data usage, we believe the Covilhã data center provides us with the technological means to respond to what customers want: coverage, speed, reliability and security. Furthermore, the opening of the data center in Covilhã also represents a boost for Portuguese technology and growth of cloud solutions in Portugal.

The Covilhã data center occupies a total area of 75,500 square meters and increases the total IT room space from 14,000 square meters to 26,000 square meters, the number of servers from 6,000 to 56,000, capacity storage from 3 Pbytes to 33 Pbytes. This data center is connected to our backbone network (100 Gbps), enabling the export of data storage capacity and technological services abroad. From a sustainability and energy efficiency point of view, the data center saves 144 thousand tons of CO2 and 40% in energy consumption, while using environmentally responsible cooling (free cooling) systems for 99% of the year and solar energy.

Environmental

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in these Listing Particulars in "*Risk Factors—Risks Relating to Our Business, Technology and Competition—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.*"

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. We also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third party liability, products liability & professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of our executive management. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage.

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by regulators.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss and the amount of such a loss can be reasonably estimated. Other than as discussed below or elsewhere in these Listing Particulars, as of the date of these Listing Particulars, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have or have had over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

Tax Proceedings

Claims for Municipal Taxes and Fees

Pursuant to a statute enacted on August 1, 1997, as an operator of a basic telecommunications network, we were exempt from municipal taxes and rights- of-way and other fees with respect to our network in connection with our obligations under our concession. The Portuguese government has advised us in the past that this statute confirmed the tax exemption under our concession. The Portuguese government has advised us it will continue to take the necessary actions in order for us to maintain the economic benefits contemplated by our concession.

Law 5/2004 of February 10, 2004 established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. This regime was implemented in 2005, but some municipalities interpret Law 5/2004 as having no effect on their authority to establish other taxes but rather interpret Law 5/2004 as affecting only federal and regional taxing authorities. In 2009, Decree Law 123/2009, of May 21, 2009, clarified that no other tax should be applicable by municipalities in addition to the regime established by Law 5/2004 of February 10, 2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in several cases. Some municipalities, however, continue to hold the position that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain. We continue to be parties to legal proceedings in some municipalities regarding this matter.

Tax Contingencies

Certain of our subsidiaries are subject to tax claims that relate primarily to the deductibility of certain financial costs incurred between 2004 and 2010 (€241.0 million). As of September 30, 2014 we strongly disagree with these assessments and believe, based on the opinion of our tax advisors, that there are solid arguments to oppose the position of the tax authorities. We do not consider the losses related to these tax contingencies to be probable or possible.

Regulatory Proceedings

ANACOM

We are regularly involved in regulatory inquiries and investigations involving our operations, including from ANACOM regarding our compliance with applicable laws and regulations. See "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business—Portugal*" and "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—We can only operate our business for so long as we have licenses from the relevant authorities in the jurisdictions in which we operate"*. As of September 30, 2014, we had on-going administrative offence procedures initiated by ANACOM in an aggregate amount of approximately €42.6 million (though the maximum possible fine for an individual proceeding is capped at €5 million), for which we have provisioned approximately €2.9 million.

In addition, the European Commission regularly make, and the Portuguese Competition Authority may make, inquiries and conduct investigations concerning our compliance with applicable laws and regulations, as further described below in "*—European Commission Investigations*".

We believe that we have consistently followed a policy of compliance with all relevant laws. We continually review our commercial offers in order to reduce the risk of competition law infringement. We believe that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses. However, if we are found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, we could become subject to penalties, fines, damages or other sanctions.

European Commission Investigations

In January 2011, the European Commission opened an investigation into an agreement between Telefonica and Portugal Telecom SGPS allegedly not to compete in the Iberian telecommunications markets. In January 2013, the EC adopted a decision finding that Portugal Telecom SGPS, S.A. and Telefonica had infringed Article 101 of the Treaty on the Functioning of the European Union with reference to Portugal Telecom's July 28, 2010 agreement with Telefònica concerning the acquisition by Telefonica of Portugal Telecom SGPS., S.A. stake in Brazilian operator Vivo. In accordance with this decision, Portugal Telecom SGPS., S.A. was fined in the amount of €12.29 million. The January 2013 decision ended the investigation which began in January 2011, in which the European Commission analysed the relationship between both companies since 1996.

On April 9, 2013, Portugal Telecom SGPS brought an action for annulment before the General Court of European Union (the first level of appeal of the EU courts) and will continue to vigorously defend the matter. The matter is now waiting to be tried before the General Court. We note that the EU appeal courts have unlimited jurisdiction to review decisions where the EC has fixed a fine (including cancelling, reducing or increasing the fine).

Although the European Commission's decision was addressed to Portugal Telecom SGPS, PT Móveis, S.G.P.S, S.A. was expressly mentioned in the decision as being involved in the alleged infringement (even though it is not the addressee of the European Commission decision). Portugal Telecom SGPS is therefore solely responsible for the payment of the fine. While the appeal is pending the payment of the fine was secured with a bank guarantee (with an initial term of one year that is automatically extended for additional periods of one year each). While this bank guarantee is in place, the European Commission will not enforce their decision in order to collect the fine. Accordingly, no provision has been recorded with regards to this matter.

Civil Proceedings

Potential Claims

PTC is subject to a potential compensation claim of approximately €16.8 million by Estradas de Portugal relating to PTC's use of a technical road channel between 2007 and 2014. Portugal Telecom Data Center, S.A. is also subject to a potential compensation claim of approximately €16.2 million by ACE Opway/Somague concerning alleged losses relating to works carried out in Covilhã's Data Center. As of the date of these Listing Particulars no formal legal proceedings have been initiated with regards to these claims.

Sonaecom Claim

On March 19, 2010, Sonaecom—Serviços de Comunicações, S.A. ("Sonaecom") filed a claim against Meo, .S.A., in relation to interconnection agreements between Sonaecom and Meo, S.A. Sonaecom alleged that PTC's statement of compensation regarding the Optimus—Comunicações, S.A.'s credits assigned by TMN—Telecomunicações Móveis, S.A., are invalid. Sonaecom claimed an amount of approximately €25.4 million from Meo, S.A. PTC joined the proceedings as a defendant as it accepted the assignment of credits. We are currently waiting for the date of the final hearing to be set. Meo, S.A. has made a provision for approximately €9 million.

Zon TV Cabo Claim

On 2 November 2011, Zon TV Cabo Portugal, S.A. ("Zon TV Cabo") filed a claim against PTC, claiming compensation for damages arising from PTC's alleged refusal of portability requests between 2008 and 2009. The claim is for approximately €22.4 million, and we have not made any provisions for it. The proceeding is currently on-going.

Caixa Geral de Aposentações Claim

On July 26, 2010, Caixa Geral de Aposentações ("CGDA") filed an administrative procedure claim against PTC, alleging that PTC failed to pay monthly contributions to the pension fund equivalent to 3.75% of the salaries of staff subject to the quota discount, in an aggregate amount of approximately €16.3 million. On December 20, 2010, PTC acknowledged the debt and agreed to pay approximately €17.8 million to settle CGDA's claim. Additionally, PTC also agreed to pay approximately €1.8 million to settle a tax claim included in CGDA's filing. We are currently awaiting judicial decision on the extinction of the proceedings.

TV TEL Claim

In March 2004, TV TEL Grande Porto—Comunicações, S.A. ("TV TEL"), a telecommunications company based in Oporto, filed a claim against PTC in the Lisbon Judicial Court. TV TEL alleged that PTC, since 2001, has unlawfully restricted and/or refused access to the telecommunications ducts of PTC in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL alleges that PTC intended to favor both itself and TV Cabo. TV TEL claimed an amount of approximately €15 million from PTC for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. In addition, TV TEL demanded that PTC be required to give full access to its ducts in Oporto. PTC submitted its defense to these claims in June 2004, stating that (1) TV TEL did not have a general right to install its network in PTC's ducts, (2) all of TV TEL's requests were lawfully and timely responded to by PTC according to its general infrastructure management policy and (3) TV TEL's claims for damages and losses were not factually sustainable. The trial was concluded in 2011, and a judicial decision was issued which required PTC to accept all the access requests which were previously denied. Both TV TEL and PTC appealed the decision. On June 6, 2014, the Court of Appeals of Lisbon decided in favor of PTC, but also ordered a re-trial with regards to a specific set of new facts relating to the proceedings. The parties are currently waiting for the date of the re-trial to be set. We have made a provision of €1 million for this proceeding.

Optimus Claim

In March 2011, Optimus—Comunicações S.A. ("Optimus") filed a claim against PTC in the Judicial Court of Lisbon for the payment of approximately €11 million. Optimus supported its position by arguing that they suffered losses and damages as a result of abuse of dominant position and margins squeeze regarding the gross market of broadband. We are waiting for the trial to begin. Based on the opinion of our internal and external legal counsel, we have not recorded any provision for these matters.

DESCRIPTION OF SFR'S BUSINESS

In this section, references to "SFR", "it", and other similar terms are generally used to refer to the business of SFR. Revenues are with respect to the SFR Combined Group.

Overview of SFR's Business

SFR is the largest French alternative telecommunications operator to the incumbent Orange, with total revenue of €10.2 billion and EBITDA of nearly €2.8 billion for the year ended December 31, 2013, and total combined revenue of approximately €7.4 billion and EBITDA of approximately €1.8 billion for the nine months ended September 30, 2014. Created in 1987, SFR has gradually become an integrated operator offering diversified fixed and mobile telephony and internet services to residential ("B2C"), business ("B2B") and wholesale ("Wholesale and Other") customers. SFR's B2C market consists of individuals and businesses with fewer than three employees in mainland France, while SFR's B2B market consists of large accounts, SMEs, VSEs and governmental authorities in mainland France. Wholesale and Other includes (i) services offered to mobile virtual network operators ("MVNOs") or to foreign mobile operators whose customers use SFR's network; (ii) voice and data transmission services; (iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and internet access providers.

As of September 30, 2014, SFR had more than 21.4 million mobile customers and more than 5.2 million broadband internet customers.

SFR's B2C activities generated revenue of €6.9 billion (67% of SFR's total revenue) for the year ended December 31, 2013, and € 4.8 billion (65% of SFR's total revenue) for the nine months ended September 30, 2014. SFR offers a full range of mobile and fixed services to consumers. Mobile services include contract and no-contract mobile subscriptions, prepaid plans and data-only mobile internet plans, while fixed-line services include fixed internet plans and associated services. In addition, SFR offers a range of convergent quadruple-play offers integrating fixed and mobile telephony, high speed and very-high-speed internet and television. It also offers additional services such as home automation and cloud computing, through SFR Cloud. This product diversity has enabled SFR to develop a substantial customer base (almost 14.2 million mobile customers and more than 5.2 million broadband internet customers, including almost 249,000 FTTH customers in mainland France as of September 30, 2014).

SFR's B2B activities generated revenue of €1.8 billion (18% of SFR's total revenue) for the year ended December 31, 2013, and € 1.3 million (18% of SFR's total revenue) in the nine months ended September 30, 2014. SFR offers its business customers a wide range of mobile services, including voice, data, Machine-to-Machine ("MtoM") and management services, as well as fixed-line services, including internet, switched telephony and Voice over Internet Protocol ("VoIP"). SFR has integrated additional features into its existing packages to meet its business clients' increasing need for unified communications, security, cloud applications and mobility. This broad offering covers the various customer segments (corporate, SME/VSE and governmental authorities in mainland France) more efficiently and has given SFR a base of over 160,000 business customers at December 31, 2013.

SFR's Wholesale and Other activities generated revenue of €1.5 billion (15% of SFR's total revenue) for the year ended December 31, 2013, and €1.2 million (16% of SFR's total revenue) in the nine months ended September 30, 2014. Wholesale and Other includes revenue from (i) SFR's operator customers; (ii) SRR, which opeates in La Réunion and Mayotte; and (iii) local governmental authorities, through SFR Collectivisès and its subsidiaries. Inter-segment eliminations are also accounted for in this market. The size and quality of SFR's networks, together with its experience of over 15 years working with wholesale customers, have helped it attain significant market share, with more than 200 operator customers (both French and international). SFR offers its operator customers traffic routing services (fixed and mobile data and voice), infrastructure (hosting, bandwidth), call terminations in France and internationally and MVNO white label products. These offers enable SFR to optimize the use of its fixed and mobile network infrastructures through the resale of traffic to third party operators, while benefiting from economies of scale.

SFR's solid positions on the different segments of the telecommunications market (B2C, B2B and Wholesale), both in fixed and mobile, provide it with diversified sources of revenues and make it an integrated operator, which has the technologies and know-how needed to meet its customers' digital needs.

- As of September 30, 2014, in the fixed and mobile B2C market, SFR has over 20 million customers (14.2 million mobile customers, approximately 0.8 million fixed telephony (no internet) customers and over 5.2 million fixed internet customers), which represents a market share (in volume) of 23.2% on the mobile market and 20.5% on the high-speed internet market (source: ARCEP). SFR believes it is also one of the leaders of convergent mobile and fixed telephony, internet and television offers.

- As of September 30, 2014, in the B2B market, SFR has approximately 160,000 customers, including large accounts, SMEs and governmental authorities. Over 90% of CAC 40 companies are customers of SFR. SFR believes its value market share at the end of 2013 was approximately 33% on the mobile market and 14% on the fixed market, as of September 30, 2014.

- On the Wholesale market, SFR believes it is one of the leaders, benefiting from the confidence of over 200 customers including the main French and foreign operators; it serves 16 MVNO operators on its network. SFR believes its volume market share on the MVNO market to be more than 50% at the end of June 2014.

Created in 1987 by the *Compagnie Générale des Eaux* (CGE), SFR has evolved to become a convergent operator. Several external growth transactions together with internal developments have enabled SFR to successfully position itself as an integrated operator with high quality fixed and mobile networks.

In order to adapt to recent changes on the market (intense competition related to the arrival of a fourth operator on the mobile market in January 2012, decreases in call termination rates), SFR decided to launch a global transformation plan in 2012 aimed at adapting to these market changes and anticipating their impact on its business. This transformation plan is aimed at simplifying SFR's economic model and adapting it to the digital world.

SFR has redefined its catalogue of offers and services. SFR has streamlined its offers, with a reduction in the number of pricing plans and mobile handsets proposed (which were divided by two between 2011 and 2013). In parallel, in order to better respond to customer demand, the value of SFR's offers has been rearticulated around three principal axes: modification of the pricing and an enrichment of the content of its "Carrés" offers for the premium market, launching of "no-frills" offers under the "RED" brand for customers who are sensitive to price and less interested in additional services, and reinforcement of its partnerships (for example La Poste Mobile) to target specific markets.

SFR has also reviewed and simplified its interactions with its customers at each step of the customer journey (research of information, subscription, payment, account management, customer service, renewal, etc.). It has also optimized the use of its different distribution circuits while strengthening the digitalization of customer relations (in particular through the development of electronic billing and self-care customer service). IT platforms and systems as well as internal processes have been rationalized in order to increase operational efficiency and optimize costs. Finally, in 2013, SFR reviewed its internal organization and finalised a voluntary redundancy plan, which concerned 873 employees.

The first effects of these different initiatives were seen in 2013 on the B2C market with a return to a positive dynamic in fixed and mobile marketing. This transformation plan also contributed to a more than €1 billion reduction in operating costs between 2011 and 2013.

With respect to the mobile B2C market, SFR has been able to recruit new customers in 2013, with a customer base that is up 279,000 over the year, (excluding a technical purge of 92,000 inactive lines in relation to a migration of the B2C billing system), thanks in particular to a strong increase in the market share of net new customers (6% market share of net new customers in the fourth quarter of 2013 compared to a loss of 17% in 2012). In the nine months ended September 30, 2014, total mobile B2C subscribers slightly decreased by 66,000 subscribers.

With respect to the fixed B2C market, SFR has adapted to the strong competition thanks to its fiber optic network with the migration of a part of its ADSL customer base and the recruitment of new customers. As of September 30, 2014, SFR had approximately 249,000 fiber customers. Furthermore, the Numericable Group plans to provide wholesale services to allow for very-high-speed white label access so that SFR may provide IPTV and multi-play services to end-users.

With the objective of always offering a richer service to all of its customers, SFR is not satisfied with maintaining its recognized position in its core activities of telecommunications services. It has put an innovation policy in place aimed at improving the digital experience of its customers, both in its traditional services and it related sectors. This selective diversification focused on emerging uses, based on both internal development and key partnerships, positions SFR as a key actor able to better accompany its customers in the digital transportation and capture expected growth.

SFR has privileged partnerships (exclusive in certain cases) with OTT providers (namely those that use the infrastructure installed by others, including operators, to provide services which include, among others, the diffusion of audio and/or video streams), which has enabled it to provide innovative offers to its customers:

- in mobile, SFR has made additional content, in certain cases exclusive, available in its offers, contributing to SFR's image as an innovative operator that is attentive to customer needs. For its premium offers, these services include a digital newspaper stand (SFR Presse), a real-time digital road information service (iCoyote) and music (Napster), video (CanalPlay) and game (SFR Jeux) offers. Its no-frills range also has been enriched through SFR's partnership with YouTube, which allows for unlimited viewing of YouTube videos through the RED 5 Gb 4G offer.

- in fixed, SFR launched an innovative digital offer with the Google-play television set-top box, intended mainly for homes that do not have access, due to limited debit speed, to ADSL television offers, which represent one-third of French homes (source: ARCEP). This offer also provides access to the SFR Group's television services (TNT, television on demand, Club Vidéo SFR) and to Google's services (search engine, Chrome, Play Store applications). In June 2014, a convergent offer combining this set-top box and the Red mobile offer, "Red + Box" was launched, targeting the young and technophile ("Digital Natives"). In June 2014, SFR also launched "Box Home de SFR", a premium offer including the Triple-Play Evolution offer and the "Home" security and automation service (described below) as well as a selection of premium content or unlimited calls to mobiles in Europe.

SFR has also developed its own innovative solutions, after having tested them with a community of more than 60,000 technophiles in the Atelier SFR an SFR Web community platform of testing and co-creation on innovation and new uses:

- SFR has launched a new offer for its B2C customers related to the digital transformation which takes place in their home and which made SFR the first to launch a B2C home automation offer: Home by SFR, for homes that are looking for an integrated solution to home automation and security (in partnership with Europ Assistance and Legrand);

- In order to make information accessible at all times and in all places and from any terminal, SFR has enriched its offering of new services through the Cloud as well as convergent solutions, which erase the borders between fixed and mobile. SFR's fixed B2C customers have access to the SFR television service remotely from any terminal.

Description of SFR's Business

The SFR Group offers mobile telecommunication and internet/fixed services across three markets: B2C, B2B and Wholesale. As of September 30, 2014, SFR had approximately 21.4 million mobile customers and more than 5.2 million broadband internet customers.

The table below shows the changes in SFR's mobile customer base and broadband internet customer base between 2011 and 2013 (data is as of December 31, 2011, 2012 and 2013, respectively) and between September 30, 2013, and September 30, 2014:

	As of December 31,			As of September 30,	
	2013	2012	2011	2014	2013
	Customer base (in thousands)				
Mobile	21,354	20,690	21,463	21,414	21,144
% evolution compared to N-1	*3.2%*	*3.2%*		1.3%	
Broadband Internet[(a)]	5,257	5,075	5,019	5,271	5,209
% evolution compared to N-1	*3.6%*	*1.1%*		1.2%	
Of which B2C high-speed Internet	*5,209*	*5,309*	*4,994*	5,217	5,163
Of which Fiber	*197*	*126*	*97*	249	172

(a) Broadband internet base at December 31, 2011, has been restated to reflect a decrease of 23,000 customers following the deconsolidation of the Akeo 1P and 2P customers.

The table below shows the revenues of each of SFR's markets. Wholesale and Other also includes revenue generated by SRR (SFR's subsidiary in La Reunion and Mayotte, which serves B2C and B2B customers) and by SFR Collectivites and its subsidiaries, as well as inter-segment eliminations.

The table below shows the change in each market's revenues between 2011 and 2013 and between September 30, 2013, and September 30, 2014:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
B2C	6,873	7,974	8,982	4,831	5,156
Percentage change compared to previous year/period	*(13.8)%*	*(11.2)%*		(6.3)%	
B2B	1,789	1,871	1,868	1,349	1,341
Percentage change compared to previous year/period	*(4.4)%*	*0.2%*		0.6%	
Wholesale and Other	1,536	1,442	1,333	1,217	1,120
Percentage change compared to previous year/period	*6.5%*	*8.2%*		8.7%	
Total combined revenue	**10,199**	**11,288**	**12,183**	7,396	7,616
Percentage change compared to previous year/period	*(9.6)%*	*(7.3)%*		(2.9)%	
% of combined revenue represented by B2C	*67%*	*71%*	*74%*	65%	68%
% of combined revenue represented by B2B	*18%*	*17%*	*15%*	18%	18%
% of combined revenue represented by Wholesale and Other	*15%*	*13%*	*11%*	16%	15%

SFR's Products and Services

B2C Services

As of September 30, 3014, SFR had nearly 14.2 million B2C mobile customers and more than 5.2 million B2C broadband internet customers in mainland France, including approximately 5 million ADSL customers and approximately 249,000 fiber customers. SFR also offers convergent quadruple-play and related services, including cloud-based and home automation services, to its B2C customers. Finally, in order to attract and serve residential customers, SFR has implemented multi-channel distribution and customer relations.

The following table shows the changes in SFR's B2C revenue between 2011 and the nine months ended September 30, 2014:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Revenue—B2C	6,873	7,974	8,982	4,831	5,156
Change compared to prior year/period	*(13.8)%*	*(11.2)%*		(6.3)%	

Mobile Offers

SFR does business primarily in the post-paid subscriptions market, which represented 80% of its mobile customer base as of September 30, 2014. In response to recent changes in the market, SFR has differentiated its offerings and enriched its premium services. However, as the largest integrated alternative operator, SFR nevertheless serves the entire B2C market, including the no-frills segment.

Premium post-paid offers—"Formules Carrées"

The "*Formules Carrées"* consist of SFR's premium post-paid mobile telephony offers, which are divided into eight plans. Prices vary from €9.99 per month (including VAT) (the price for a SIM-only device for Carré 2H+50 MB with a 12-month commitment) to €149.9 per month (including VAT) (for Carré International Premium with a new subsidized device and a 24-month commitment). These offers all include unlimited SMS and MMS texting, but have voice and data limits that vary by plan. All subscribers benefit from SFR's very-high-speed internet network (Dual Carrier and/or 4G). The "Formules Carrées" provide the customer with a discounted device and a suite of services, including exclusive "Extra" content of their choice for eligible packages (iCoyote, Napster, CanalPlay, SFR Jeux, Le Kiosk, L'Equipe) and access to SFR cloud (with storage capacity of 10 or 100 Gb, depending on the plan). Some of the offers include SFR TV (access to direct or on-demand television from a mobile phone) or MultiSurf (additional SIM cards enabling data sharing with other devices). "Services Carrés" (Silver, Gold or Platinum) cover a collection of services or benefits such as loaned mobile phones or attractive renewal terms that vary by plan. Some of these offers are also available with capped call plans. Lastly, "Formules Carrées" customers receive "Multi-Pack" discounts if they also subscribe to an SFR box offer.

“No frills” post-paid offers—“RED”

SFR offers customers four post-paid RED plans with no commitment or device, and for which subscription and support are available primarily via a website. These plans are offered at between €4.99 and €25.99 per month, including tax. RED plan customers have access to the same network technologies as the “Formules Carrées” customers. In particular, they may opt for the RED 5 Gb plan, which offers access to the 4G network and unlimited access to YouTube videos. However, RED plan customers do not receive the services associated with the “Formules Carrées” and are not eligible for the “Multi-Pack” discounts.

Pre-paid offers—“SFR La Carte”

SFR offers prepaid packages at attractive prices under the “SFR La Carte” brand. The customer purchases a SIM card at a price of €9.90, including tax, and can then recharge the card by telephone, on the internet, by purchase of recharge coupons or tickets at a physical point of sale, or at ATM machines of SFR’s partner banks. Several lines of prepaid recharges are available to clients: they include voice, SMS and MMS as well as data plans. These cost between €5 and €95, depending on their type and on the period of validity of the credits (from one week to five months).

Remote access offers—“Connecté Partout (Connected Everywhere)”

SFR offers two plans for tablets giving customers access to its very-high-speed mobile network (Dual Carrier and/or 4G), as well as unlimited use of SFR WiFi. These offers include a selection of tablets at reduced prices (with a 24-month commitment and including the SFR TV option). With no commitment or tablet, they are offered at €14.99 per month for 5 Gb of data use (€24.99, including tax, for 12 Gb). With a 24-month commitment and a reduced-price tablet, they are offered at € 24.99, including tax, for 5 Gb of data use €34.99 including tax for 12 Gb).

SFR also offers a prepaid package for tablets intended for occasional use. The user buys a SIM card at a price of €7.99 including tax, and receives a 1 Gb credit that can be used for two weeks and recharged thereafter.

Finally, SFR offers prepaid “ready to surf” internet keys and kits (SFR “Connecté Partout” recharges).

Fixed telephony offers

As of September 30, 2014, approximately 762,000 of SFR’s customers were households in mainland France receiving fixed telephony services without associated internet access. SFR offers two types of services:

- Pre-selection offers (call-by-call selection or automatic pre-selection), in which customers keep their telephone-line subscriptions with Orange; and

- Offers that include the telephone-line subscription, in which customers obtain their telephone subscription from SFR rather than from Orange.

SFR’s fixed telephony offerings include options such as voicemail, three-way conference calls, telephone number portability, call forwarding, a call answering system and blocking of anonymous calls.

Fixed internet offers and related services

As of June 30, 3014, SFR had more than 5.2 million B2C broadband internet customers in mainland France, which have subscribed either to a high-speed connection (“LaBox de SFR” through either ADSL or VDSL, subject to eligibility) or a very-high-speed connection with download speeds of up to 1 Gbps (“La Fibre de SFR”, subject to eligibility). All of SFR’s fixed internet customers have unlimited access to the internet.

Stand-Alone Internet (single-play)

SFR offers stand-alone fixed internet, which provides high-speed internet access with pre-selection telephony service (without pre-selection, additional cost of 5 (taxes included) per month.

Bundled Internet and Telephony (double-play)

In addition, SFR offers internet access services as part of bundled double-play offers, which also include unlimited telephony services to fixed-line telephones in mainland France, in a number of France’s overseas departments (including, French Guiana, Guadeloupe, Martinique, La Réunion, Saint Barthélemy, Saint Martin, and Saint-Pierre-et-Miquelon), and to more than 100 destinations internationally, including mobile phones in China, the United States and Canada.

Customers may also opt for unlimited telephone calls to mobile phones in mainland France and the overseas departments (not including Mayotte) for €5 per month, with no commitment period, and a "2 hours Algeria" option that permits calls to fixed and mobile calls for an additional €7.50 per month, with no commitment period.

Bundled Internet, Telephony and IP Television (triple-play)

Two triple-play offers provide IPTV service in addition to internet and telephony services. The "LaBox de SFR" package costs €29.99 per month including tax for unbundled customers and €34.99 per month including tax for customers that are not unbundled, plus either €2 or €3 per month depending on the television option chosen. The triple-play offer "La Fibre de SFR" costs €39.99 per month including tax (of which € 3 is for television service). There are four television options at €2 or €3 including tax per month for customers subscribing for this triple-play offer:

- the €3 per-month Evolution package offers more than 170 channels, including 36 in HD; allows the television to be used as a Media-center platform; and includes an intuitive 3D navigation interface, a set-top box that enables remote digital recording on a 500 Gb hard drive as well as time shifting;

- the standard television offer is intended for customers who have subscribed online for SFR's box offers, for a set-top box rental fee of €2 per month. This offer does not permit time shifting or recording;

- the satellite television offer, available for €2 per month, includes more than 80 channels; and

- the Google Play television offer serves customers for whom enriched television services are unavailable due to the technical characteristics of their line (also included in the offer Red+Box). The dedicated "SFR with Google Play" set-top box, offered for €3, provides DTTV access to 25 channels, as well as to premium television services such as television and video on demand and a radio and television program guide. This offer also enables use of Google Play, YouTube, Google Chrome, Google Photos and the Google search engine, as well as of applications in the Google Play store and of monthly plans for BeIN SPORTS, Canal Play and Netflix VOD.

In addition, customers may subscribe for additional premium television services, including more than 200 additional channels, television on demand/replay, video on demand, program guide, radio, and games on demand.

All of these packages also permit access to television from a computer and access to the application SFR TV, through which customers can access television services from their mobile devices. The majority of SFR's internet customers have opted for triple-play. As of September 30, 2014, SFR had approximately 3.3 million subscribers to its television services (i.e. more than 63% of its high-speed and very-high-speed internet customers).

Since November 18, 2014, the "SFR Box TV Fibre" offer is available at €46.99 per month including tax. This package provides high-speed internet access, includes unlimited telephony services to fixed-lines in mainland France, in a number of France's overseas departments and to more than 100 international destinations, HD TV with more than 200 channels, 10 Gb online storage and other services. This offer relies on a wholesale contract between SFR and Numericable. A premium offer also including "Home by SFR" service (detailed below) is also available at €51.99 per month including tax.

Fixed/Mobile convergence (quadruple-play)

SFR offers quadruple-play packages to residential customers, through a catalogue of flexible offers for customers who wish to have both fixed and mobile premium subscriptions. These offers are competitively priced through the "Multi-Pack" discounts.

Additional services

SFR Cloud: All of SFR's mobile "Formules Carrées" and fixed internet packages offer an online storage service called "SFR Cloud" enabling customers to store their multimedia content (including music, photos and videos) in the cloud and to retrieve it on their connected devices (such as computers, smartphones and tablets) as well as to share it. SFR believes that its online storage space, which is hosted in France, is secure and confidential.

Home by SFR: SFR was the first telecommunications operator to offer automation to residential customers, with its innovative "Home by SFR" offering. Home by SFR works with all internet boxes, including those from other operators, and includes two subscription packages: the Home Security package, at €5 including tax per month, and the Premium Home Security pack at €10 including tax per month, which offers additional services such as video in real time or 24-hour on-site services, in addition to the services included in the basic package—(break-in prevention, unlimited alerts, and remote operation).

Box Home de SFR: In June 2014, SFR launched "Box Home by SFR", a premium offer including triple-play Evolution services, the "Home" automation and security services as well as a choice of premium content or unlimited calls to mobile phones in Europe. The complete offer is marketed at €45.99 per month (of which €2 or €3 is for television services) in unbundled zones (plus an additional €5 per month in unbundled zones).

Sales and Marketing

SFR markets its products through several distribution channels in order to meet customers' differing needs.

Espaces SFR

As of September 30, 2014, with respect to the B2C market, SFR managed (through distribution agreements) a retail network of approximately 743 brick-and-mortar stores in France, called "Espaces SFR" (SFR Spaces), including 8 "Experience stores" (stores of more than 150 square meters located in high-traffic and visibility zones, offering demonstrations and tests of the latest products and innovations). SFR continually invests to modernize this network and maintain the quality of the in-store customer experience.

SFR also offers the service "web to shop", which allows customers to order a product (for example, a mobile handset as part of subscription to an offering or the renewal of an offering) on-line, either on the web or by phone, and to go pick it up in the closest Espace SFR. Based on the availability of the product, it may be picked up within 48 hours (launched in 2013) or in two hours (launched during 2014).

SFR has also developed an "e-propale" service, which enables the issuance of estimates through all of the channels of customer contact. These estimates can then be used in a sale by the customer on-line or through all of the sales channels. This service has been available since November 2014.

Points of sale through partnerships with large French retailers

SFR also maintains a point-of-sale distribution network through partnerships with large French retailers, including specialized stores, general retail and convenience stores. For example, SFR has entered into a partnership with Fnac to distribute SFR products in a dedicated space inside Fnac's 24 largest stores.

Website

SFR sells its products on its website (www.sfr.fr), which receives more than 120 million visits per month. This website showcases all of SFR's B2C offerings and offers exclusive promotions on subscription offers and on mobile devices and accessories. SFR believes that this website is an effective tool, enabling SFR to respond to its customers' needs, both for premium offers (the "Formules Carrées") and for no-frills offers ("RED").

Telephony

Some offers are sold through call centers.

SFR is committed to enhancing synergies between the different networks it has developed to respond to its clients' different needs and expectations. For example, SFR has established an online ordering service for products which can then be picked up from a store.

B2B Market

Recent trends in the B2B market highlight the increasing importance of performance, reliability and, security. Increases in business travel, telecommuting and collaborative work have led to growth in B2B data use (in particular mobile data use) overall customer devices, and created a new need for application and data virtualization. SFR has responded to these needs through a catalogue of standardized solutions available to all of its business customers.

The following table shows the changes in SFR's B2B revenue between 2011 and the nine months ended September 30, 2014:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Revenue—B2B	1,789	1,871	1,868	1,349	1,341
Change compared to prior year/period	*(4.4)%*	*0.2%*		0.6%	

While certain trends are present throughout the B2B Market, different customer segments also have different needs. SFR's customers are divided into large accounts, SMEs/VSEs (with VSEs including businesses with between three and 19 employees) and local governmental authorities in mainland France.

- For large accounts, SFR's in-house sales force offers customized, reliable and secure solutions, based on a combination of standardized products and additional targeted services. Similar reliability and security solutions are offered within standardized products in the business sector through partner distribution networks;

- The high-potential SME/VSE segment is served through standardized, efficient and reliable solutions offering cost predictability.

The nature of business customers' activities and the growth in their complexity are leading to simplification of supplier offerings. SFR has responded fully to these needs through its unified "all-in-one" communications offerings.

Finally, SFR has developed a series of additional services to complement its standard offerings, as part of its strategy of targeting high-growth segments, such as cloud-based services and MtoM.

Voice and data offers

SFR's mobile offers for all segments of the B2B Market include five mobile voice and data packages and follow the same pattern as the B2C market offers, with additional options that include unlimited SMS/MMS texting and multiple data-use options, as well as four data-access packages for tablets and computers offering internet access ranging from 5 Mb to 12 Gb (and 4 Gb from Europe, Overseas France and the USA).

Management and telecommunication monitoring offers

SFR offers telecommunication-monitoring services to its business customers (i.e. the sale of the right to use SFR's optical fiber lines to other operators). These services provide simple tools such as a dashboard showing expenses and telecommunications use, enabling businesses to effectively manage their fleet of devices.

Device management and security services are offered to all customers. Mobile Device Management ("MDM") enables customers to manage and secure their smartphone and tablet fleets remotely, in particular by erasing business information in the event of theft. Devices are configured centrally through a cloud-based platform.

Fixed voice offers

SFR offers fixed telephone packages in the SFR Office line. These packages include calls to fixed telephones and mobile phones in the business' internal SFR fleet, with special support including dedicated customer service, guarantee of repair within less than four hours (including an onsite technician if necessary), and a choice of single, consolidated, or separate invoicing.

Fixed data offers

SFR offers all of its clients two fixed data packages:

- SFR DSL, an adapted high-speed internet solution that includes mono-site ADSL internet access up to 20 Mbps, as well as supply of a wireless router; and

- SFR Connect, which offers access to dedicated fiber or mono-site SDSL, with symmetric speeds guaranteed up to 1 Gbps in fiber or 16 Mbps in SDSL, and a primary router (router Cicsco IPv6 ready). The SFR Full Connect offer includes application visibility services and a second SDSL backup access.

Voice and data specific to SMEs/VSEs

For professionals and VSEs, SFR offers packages that parallel its B2C packages. The "Formules Carrées" also include specific additional benefits adapted to the needs of professionals and VSEs, such as priority appointments at SFR stores, dedicated customer service, Femto technology, a free second SIM card and a 10% reduction on each mobile line after the second line subscription to Carrée 4G.

Mobile offers for SMEs also provide professional telephony services (such as business directory services, fleet management customer areas, usage alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

Fixed Services for SMEs/VSEs

SFR offers a Pro version of its internet box for small businesses, which includes services adapted to the needs of this market segment. SFR also offers SMEs/VSEs high-speed and very-high-speed internet access solutions, with security services adapted to the needs of businesses, including connection security and filtering rules, availability of access with emergency access, and application visibility. Finally, the Cloud Business Store gives customers access to a catalogue of applications specifically intended for their business sector.

Solutions for Large Accounts

The SFR Ipnet offer for large accounts and businesses includes multi-site access in France and internationally (a virtual private network with guaranteed routing and prioritized data traffic). It enables businesses to transfer and secure data among all of the business' sites in France and abroad, thus improving the performance of its applications.

The SFR Ethernet offer, designed specifically for large accounts, includes access to a LAN enabling companies to link their local networks through a very-high-speed medium. This permits business customers to divide and share network resources (such as through LAN and servers) and to connect their primary sites (such as offices and data centers) through flexible point-to-point architecture, with an exhaustive line of speeds and access (from 6 Mbps to 1 Gbps).

Unified Communications Offers ("All-in-One")

SFR offers three unified communications solutions in the form of packages, guaranteeing a solution entirely hosted by SFR, with a centralized mono-site or multi-site telephone switchboard and fixed/mobile convergence services.

Corporate Business Pack

The Corporate Business Pack is offered specifically to large accounts. This is a unified cloud-based telephony and communications package, which can be adapted for each business, based on three primary characteristics: rich unified-communications functionality, payment based on usage, and the guarantee of a single contact person for the simplest possible management. This package is a global offer including a platform of services in the core network and centralized-operator voice access, built on the customer's SFR Ipnet network. It offers personalized end-to-end design, deployment and operational support, advanced business telephone functionalities, a unified messaging system, a single number to be used for both fixed and mobile, and softphone service. This package also gives access to high value-added functionalities including a unified messaging service and continuity of service regardless of the fixed or mobile device used. It also permits remote and mobile access.

Enterprise Business Pack

The Enterprise Business Pack includes availability of a dedicated project head during on-site placement and installation by licensed technicians. In addition to the advantages offered by a telephone switchboard (call transfer, call forwarding, conference calls, etc.), this package offers a series of innovative IP telephony services. SFR offers a single fixed and mobile message service, a single number to be used for both fixed and mobile, as well as a complete convergence service at a price of €53.10 excluding tax per month (including a telephone), and €32.4 excluding tax per month per additional line (based on a 48-month commitment).

Entrepreneurs Business Pack

The Entrepreneurs Business Pack, offered to VSEs, focuses on telecommunication and Cloud-based solutions. It is designed for businesses of fewer than 20 employees and is offered at a price of €159 excluding tax per month, with a 36-month commitment. Each fixed-line user beyond the first line costs €36 excluding tax per month, while each additional mobile user costs €59 excluding tax per month.

Related Services

Conference and Call-Sharing Offers

SFR offers a variety of conferencing and call-sharing solutions, adapted to the needs of its customers of all sizes:

SFR Business Audioweb Offer

The SFR Business Audioweb offer is an audio-conference service that also permits document sharing and transfer. It may also be combined with SFR Business Conferencing Visio, which includes unlimited video conferencing, sharing and transfer of documents, high-definition equipment (screen, camera, and microphone), and equipment operation and maintenance.

SFR Business Sfere Offer

SFR Business Sfere is offered to large account customers. It includes internet hosting and professional messaging. A business client may thus access site-visit statistics and have a complete business-messaging environment available anywhere, including email box, calendar, contacts and personalization of email addresses.

Machine-to-Machine offers

Machine-to-Machine offers ("MtoM") permit a group of fixed or mobile machines to exchange information using a central server. Examples include geolocation services and credit-card payments.

MtoM Connectivity Solutions

SFR offers standard connectivity services. To respond to specific needs tied to critical, sensitive and/or high-volume projects, SFR has developed an industrial management system of MtoM SIM cards, enabling it to offer different rates and functionalities for each phase of the customer's project and thus to optimize its chances of success.

MtoM Business Solutions

SFR offers packaged solutions for credit-card payment.

- The "Money Store" package offers fixed-location businesses a complete fixed or mobile payment solution including an electronic payment device. It offers an unlimited number of transactions, a monthly communications fee as well as maintenance service including 24-hour device replacement. These services are available for €34.90 excluding tax per month with a device.

The "Money-n-Go" package, designed for out-of-store payments, is also available at the same rate of €34.90 excluding tax per month. m-Alert Absolu Solution

SFR also offers security services for property and individuals. The "m-Alert Absolu" solution is a geolocation-based pocket alert system using a mini-GPS and intelligent networks installed by SFR. This innovative device is intended for all professionals in risky professions, for isolated professionals (such as travelling professionals, travelling technicians, doctors and/or nurses) and for dependent persons, who can be located if necessary. The m-Alert Abolu pack is available for €25 excluding tax per month for 24 months.

Cloud: Infrastructure and IaaS/SaaS offers

SFR is present on the cloud market both through its own offerings and through its investment in the Numergy "sovereign cloud" project, a consortium among SFR, Bull and the Caisse des Dépôts et Consignations in which SFR holds a 46.7% stake.

An on-demand IaaS service called Cloud Infrastructure Suite is offered to clients, in particular to large accounts. The offering is composed of a hosting service on virtual servers in a shared environment. It enables a business to manage, optimize and evolve a portion or even all of its information system structures on demand as needed. Thus, it externalizes computing resources in a secure environment. This IaaS solution covers Public cloud and Private cloud needs. Public cloud refers to application and/or website hosting in a secure environment intended for third-party use, while Private cloud refers to an infrastructure reserved for the exclusive use of a single organization in a secure and compartmentalized environment.

SFR offers a turnkey hosting service as well as content-acceleration and managed services. In addition, through its partnership with Hewlett-Packard, SFR is the largest French supplier of overflow services (when internal capacity is saturated) in the cloud for its customers using Hewlett-Packard technology.

SFR offers a cloud Storage Suite that responds to business' needs for secure data storage, sharing and safeguarding. This all-in-one solution, invoiced by usage, includes three complementary services:

- SFR Storage, a data storage service that works with the ergonomics of the business applications to which the business is accustomed;
- SFR Sync, an automatic data-synchronization service for businesses, made available at all workstations and for all employee work tools. Files are backed up and access to files is secured; and
- SFR Backup, an automatic data-backup service for businesses that makes data available from any device. Data security is ensured by an encryption service for access and storage, for optimum confidentiality.

Among its cloud-collaboration solutions, SFR also offers Collaboration Office 365, which regroups the Microsoft Office tools (professional email, conference and instant messaging, online document-sharing, and office management applications) and makes them available online at any time.

The Cloud Business Store is a sales portal for Saas (Software as a Service) solutions intended for companies, VSEs and professionals. It gives them access to an on-line catalogue of innovative and effective software solutions. In addition to office technology solutions (Microsoft Office 365), businesses and professionals can find client relationship management solutions, accounting, archiving, marketing, e-mailing, security solutions and even solutions for translating phone conversations. These solutions can be deployed flexibly, on all handsets and as mobile applications. These solutions include a system for sending 100% electronic registered letters (E-velop by SFR), an internet browsing security system (SFR Proxy cloud), a multichannel message broadcasting service (SFR Push Contact), a simplified web site publication tool (SFR Mon Site Business) and a cloud virtual office (SFR Explorateur de cloud).

Cybersecurity offers

Computer security is a core business of telecommunications and cloud operators. Bolstered by its experience in this field, SFR has constructed a security services catalogue.

Internet access protection and security

SFR launched its first managed internet access protection and security services in 2005. It now offers integrated and managed services and SaaS internet security solutions such as internet filtering (Proxy SaaS). It works in close collaboration with security specialists to meet its clients' security requirements. SFR also offers secured-device and remote-access management solutions with virtual private networks (VPN) and secured authentication services, particularly in connection with cloud-based solutions.

Reinforced protection for business data

SFR offers data synchronization, storage and backup solutions. SFR also provides responses to so-called "evolved threats" such as attempted system intrusions and denial of service attacks.

SFR's packaged computer data security service offers are structured around four themes: devices, networks, internet and cloud. SFR offers support and assistance by engineers certified by the creators of SFR's partners' solutions.

Customer Relations Offers "Special numbers"

SFR has been a "special numbers" (i.e. toll-free and special-rate numbers) operator for approximately 15 years, first via Cegetel and then through Neuf Cegetel. Some 6,000 companies are special numbers clients of SFR (No. 08AB, No. 09, No. 3BPQ, Proxinum). In all, over 150,000 active numbers in the SFR network have totalled over 2 billion minutes in 2013.

Telephone answering: Voice Portal range

The Voice Portal product range was designed to support and assist businesses in their effort to optimize and automate their telephone answering operations. It includes a set of packaged solutions adapted to the needs of each client and available through numerous offers (Contact Package, Interactive Package, VXML Package and Vocal Premium Package).

Call centers: "Genesys by SFR" solutions and "Cross-Channel Contracts Centre"

The "Genesys by SFR" and "Cross-Channel Call Center" solutions cover, respectively, call centers for very large accounts (over 1,000 call center agents) and middle market segment (50 to 500 call center agents). These hosted solutions allow businesses to manage their incoming contacts consistently whatever the channel used by the client (particularly telephone, e-mail, mail, fax, chat, social networks or avatars). Offering a 360-degree client view, these solutions require strong integration with the client's information system. They are thus highly personalized, on-demand solutions.

The Cross-Channel Call Center solution is also available in a packaged, non-customizable version for SMEs (fewer than 20 call center agents).

Marketing campaign management

SFR offers three solutions for managing multi-channel outgoing marketing campaigns: the "Diffusion MultiCanal" offer, intended for large corporations; the "Diffusion" package, for SMEs; and SFR Push Contact, marketed to professionals and VSEs. These three offers make it possible to send messages (unitary or in direct marketing mode) via the channel most suited to the target: SMS, MMS, email, fax or voice ads. These campaigns are managed via an on-line extranet or application programming interface.

The E-velop offer provides customers with a fully digitized registered letter service, with acknowledgement of receipt, to facilitate administrative management. A digitized registered letter sent using this service has the same legal effect as a traditional registered letter with respect to the execution or performance of a contract. Registered letters are sealed and identified by a unique identifier.

Integration Services

SFR offers integration services, in particular through the intermediary of Telindus France, which was acquired in the second quarter of 2014.

Telindus offers advisory, integration and operating services to businesses in the areas of business networks (LAN, WiFi), data centers (virtualization and operation), IT and unified communications security. Telindus' services are provided principally on-site and complete the services of SFR (unified communications, Iaas, Saas, cybersecurity) mainly in hosted mode ("cloud") and allow for growth in hybrid or integrated service offers.

Wholesale and Other

SFR is active in the Wholesale market, providing operators with service offers (fixed and mobile voice and data) for routing traffic or for providing "white label" products to the operators' own clients. In addition to service offers, SFR provides infrastructure offers (hosting, sheathing and fiber).

The table below shows the changes in Wholesale and Other revenues between 2011 and the first nine months ended September 30, 2014:

	Year ended December 31,			Nine months ended September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
	€ in millions				
Sales Wholesale and Other	1,536	1,442	1,333	1,217	1,120
Change compared to prior year/period	*6.5%*	*8.2%*		8.7%	

SFR believes that the scope and the quality of its networks, combined with its 15 years of experience in the market, make it a leading operator for both fixed-device and MVNO solutions. A wide range of offers has been designed to meet operator needs: voice and data transfer and collection, termination of calls in France and to other countries, fiber network, DSL access, IP and Ethernet services, bandwidth and hosting.

These services are completed by the historical and privileged partnership with Vodafone, which enables SFR to continue to benefit from the same commercial, economic, technological and information sharing advantages as the local operators controlled by Vodafone.

Fixed voice solutions

SFR meets national and international voice transfer needs through transit, collection and call termination offers. These solutions allow third-party operators in France or abroad to use SFR's network to connect to networks of other operators to which their client is not connected directly.

SFR also offers turnkey options to innovative local players ("switchless" in particular) for pre-selection, fixed voice unbundling, reselling of subscriptions and value added services (08xx numbers) that allow them to be the sole points of contact for their client while managing its entire voice bill. SFR rounds out its proposal to these operators with VoIP offers (Voice over IP, telephone calls over the internet) and internet access that allow them to offer comprehensive solutions to meet the telecommunication needs of their corporate end clients.

Solutions for mobile operators

SFR provides solutions to mobile virtual network operators ("MVNOs") (operators who do not have their own networks but wish to offer mobile services). SFR has offers for full-service MVNOs (providing mobile voice, SMS and data collection), for non-full-service MVNOs (providing end-to-end mobile services such as national and international calls and roaming), and for MVNO integrators who supply turnkey solutions. SFR currently has 16 contracting MVNOs including three full MVNOs (Virgin Mobile, NRJ Mobile and Mundio).

MVNOs and foreign operators: roaming

SFR's mobile network accommodates the customers of foreign operators through roaming, providing them with continuity of voice and data service while in France. SFR's 571 agreements with foreign mobile operators allow SFR to offer an equivalent service to its own customers when they travel outside France, covering 275 destinations.

Data, bandwidth, hosting and infrastructure solutions

To meet internet connectivity needs, SFR offers end-to-end internet access to residential and business customers. These solutions allow other operators to take advantage of the SFR network and support. SFR also offers IP transit/Peering options.

SFR responds to the connectivity needs of international operators when their international clients want to connect their points of presence in France. This allows international operators to construct seamless offers integrating France in their offerings (International VPN IP).

Finally, SFR markets computer equipment and telecommunications hosting capabilities to international players, in addition to its connectivity and data transfer services. Its infrastructures offer also includes the marketing of access to its sheaths or the availability of fiber.

Based on its deployment of local FTTH loops, SFR plans to develop its wholesale services based on its fiber infrastructure via the sale of IRU offers in less dense populated areas. In very densely populated areas, SFR is active as a building operator, deploying fiber vertically in buildings and providing other operators with access to this infrastructure.

Activities of Société Réunionnaise du Radiotéléphone (SRR)

Société Réunionnaise du Radiotéléphone, an SFR subsidiary, operates on Reunion Island and in Mayotte in the B2C and B2B markets. In mobile, this subsidiary holds a GSM license (second generation) and a UMTS license (third generation) and covers approximately 99% of the population on Reunion Island with 2G and 96% of the population on Reunion Island with 3G.

SRR offers fixed and mobile B2C services. Its mobile offers under the brand "SFR Reunion" (as of September 2014) include four Formules Carrées plans, two capped Carrés plans, and a prepaid card. A prepaid card and capped plan are also offered under the NRJ Mobile brand targeting mainly the youth market.

- The Formules Carrées plans are available with or without commitment, and with or without a device. Rates (with a 12-month commitment and a device) range from €19 to €89, taxes included, per month, depending on the voice, SMS/MMS and data package.

- SFR also offers two capped Carrés plans, also available with or without commitment and with or without a device, at rates ranging from € 19 to €29, taxes included (with a 12-month commitment and a device).

- The prepaid, no commitment La Carte and NRJ Mobile cards cost € 15.
- Finally, SFR offers remote access options: the Carré tablet and key and SFR La Carte internet.
- Fixed offers for the B2C market include a triple-play offer at the rate of 49.90, taxes included, per month, as well as an offer that includes a telephone subscription and internet access for €24.90, taxes included, per month (with calls to landlines in mainland France and Reunion Island billed at €0.09 per minute).

SRR markets several B2B voice offers: the Carrés plans, ranging from € 19 to €89, excluding tax, per month (with mobile and commitment) and the Evidence meter for device fleets of fifteen or more lines. SRR also offers data options, which include MtoM solutions as well as Carrés plans for tablets and internet keys. Seven of its stores ("SRR Espaces") also have specific facilities dedicated to businesses.

Furthermore, via the internet site redbysfr.re, SRR offers no-frills offers including a customizable plan and a 1 Gb all-inclusive plan.

SRR also serves the B2C and B2B markets in Mayotte. In mobile, it covers more than 99% of the territory (more than 99% of the population) for 2G service, and more than 72% of the territory (more than 87% of the population) for 3G+ service. In the B2C market, under the SFR Mayotte brand, SRR has mobile (Halo capped or unlimited plans, capped 976 Mobile plan, prepaid Yangou La Carte cards and 976 Mobile cards, 3G+ internet key) and fixed offers (Neufbox offers, including a triple-play offer). In the B2B market, SRR offers voice (Halo Pro) and data solutions (3G+ mobile internet, MtoM internet) under the same brand as the one used in the B2C market.

Activities of SFR Collectivités

SFR Collectivités, a subsidiary dedicated to local governmental authorities, was created to support and assist SFR's networks and services deployment strategy to serve the needs of local authorities. Beyond the cooperative relationship between SFR and these local authorities, SFR Collectivités also manages major long-term partnerships such as the Public Initiative Networks. These physical networks, built by the governmental entities with the participation of the private sector, are for the most part managed as public service concessions (DSP). SFR Collectivités handles the deployment of fixed and mobile infrastructure networks in order to expand the attractiveness and coverage of the local areas and can support and assist communities from design through operation of these telecommunication networks. As of the date of these Listing Particulars, SFR is the leading operator in the field of public initiative networks, with 25 public initiative networks.

Activities of Equity-Accounted Affiliates

The main equity accounted affiliates are:

La Poste Telecom

SFR holds 49% of La Poste Telecom, which markets telephony subscription and prepaid offers under the La Poste Mobile brand, in the network of post offices. La Poste Mobile is an MVNO on the SFR network.

Synérail

SFR holds a 30% interest in Synérail, alongside Vinci (Vinci Energies and Vinci Concessions) and AXA (AXA Infrastructure Investissement SAS, AXA UK Infrastructure Investissement SAS, AXA Infrastructure Partners FCPR) (each at the 30% level) and TDF (which has a 10% interest). Synérail signed a public-private GSM-R partnership agreement with RFF. This agreement, which has a fifteen-year term from March 24, 2010, for a total amount of €1 billion, for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network that will permit voice and data communications between trains and regulation teams on the ground in conference mode. It will enable the setting up of a European network with a unique communication system which is compatible and standardized across the rail networks, and replacing the existing national radio systems. This contract provides for the progressive deployment of this network, over 14,000 kilometers of traditional and high-speed rails in France. SFR also plays a part as services provider in the construction and exploitation phase of the GSM-R network through Synérail Construction and Synérail Exploitation held jointly with Vinci Energies.

Numergy

SFR holds a 46.7% interest in Numergy, in association with Bull (20%) and the Caisse des Dépôts (33.3%). The purpose of the company is to develop, operate and market cloud computing services.

SFR's Network

Through its network, SFR's objective is to provide a quality high-speed and very-high-speed experience to all of its individual, professional and business clients, for both fixed and mobile services, whatever the device used.

To this end, SFR has invested in its own network infrastructure in order to be able to develop quality innovative and convergent services, while at the same time controlling costs. These networks route fixed and mobile voice and data traffic over the entire French territory, and are also connected to networks worldwide through interconnection agreements or via forwarders.

SFR intends to continue to invest in cutting-edge technologies that anticipate market developments and cover future traffic needs. This strategy can be seen in SFR's mobile business, particularly via the deployment of 4G. As a result of recent investments in this technology, approximately 50% of the populations now have access to SFR's 4G network. This strategy is also evident in its fixed-line business through the development of very-high-speed fiber networks. In order to continue to control its costs while improving network coverage and quality, SFR relies on network-sharing partnerships relating to very-high-speed fixed networks (particularly with Orange) and more recently for mobile networks (with Bouygues Telecom).

General Presentation of SFR's Network

To offer its customers the best possible experience high quality, SFR has developed its own long-distance network to route all of its fixed and mobile traffic. This network is based on a modern backbone infrastructure and a best-in-class mobile and fixed access network and was made possible by SFR's investment in the deployment and maintenance of its networks over many years.

SFR owns one of the three major backbones in France (alongside Orange and Numericable-Completel). This backbone includes a long-distance network of nearly 50,000 kilometers of fiber, making it possible to connect more than 160 MAN in France. It is accompanied by a dense network of more than one hundred datacenters distributed over the entire territory. SFR's most significant site occupies more than 12,000 square meters, hosts more than 62 telecommunications operators which handle almost 50% of French internet traffic.

SFR's mobile access network counts some 18,800 radio sites, each consisting of broadcasting/receiving equipment (base station), transmission equipment and environment infrastructure (such as pylons, service rooms, power supply units, and antennas). These radio sites are connected to the fiber backbone via fiber or radio relay systems, through links leased from Orange or owned by SFR. SFR owns some 5,200 pylons, of which nearly 50% are installed on land belonging to SFR.

To operate this mobile network, SFR has made considerable investments in purchasing mobile frequencies during the various auctions organized by the regulatory authorities in the past. As a result, SFR has a comprehensive catalogue of frequencies (2G/3G/4G) and a sufficient spectrum allocation to cover its current and anticipated needs.

Frequencies	800 MHz	900 MHz	1800 MHz(1)	2.1 GHz	2.6 GHz
Allocation of SFR spectrum (MHz)	2x10	2x10	2x20	2x19.8 + 5	2x15
Expiration dates	17/01/2032	31/01/2021	31/01/2021	17/07/2021	11/10/2031
Current technologies(2)	4G (LTE)	2G (GSM), 3G (UMTS)	2G (GSM)	3G (UMTS)	4G (LTE)

(1) Refarming of 1800 MHz frequencies after May 25, 2016.

(2) Current technologies used for these frequencies.

On its fixed-access network, SFR relies on the largest unbundled DSL network among the alternative operators (approximately 6,500 Subscriber Access Nodes "NRA" unbundled as of September 30, 2014). This unbundled network allows it to establish an internet access provider business using the copper local loop connections of Orange.

Since 2007, SFR has also deployed its own subscriber access nodes through fiber (Fiber to the Home, "FTTH"), which allows the supply of speeds up to 1 Gbps. This deployment relies on a 270 Optical Connection Nodes ("NRO") network.

Mobile coverage

Through a significant roll-out of its radio sites involving the different 2G and 3G technologies, SFR believes that it now covers all of mainland France's mobile connectivity needs. As of September 30, 2014, SFR's GSM/GPRS (2G) network covered 99.7% of the French population. In order to support new mobile internet users (3G data traffic up 40% between 2012 and 2013 in SFR's network), SFR also continues to expand the coverage and the capacity of its 3G network. SFR believes that it has the most extensive coverage for UMTS/HSPA (3G/3G+) technologies, covering, as of September 30, 2014, more than 99% of the population. In addition, the SFR 4G network covers more than 30% of the population of mainland France as of September 30, 2014.

In order to provide very-high-speed coverage, SFR continues to expand its Dual Carrier technology (DC-HSDPA+ network, the latest evolution of 3G), thus covering more than 75% of the population and making it possible to double download speeds up to 42 Mbps.

Demonstrating its commitment to adapt to new usage and improve its users' experiences, SFR consistently works to expand the possibilities offered by its network infrastructure and its choice of technologies. In 2013 it was the first operator to deploy 4G service on Paris' RER A commuter train line, through a partnership with Paris' rapid transit authority, the RATP. SFR plans to extend this coverage to other Paris metro and RER lines.

Fixed Coverage

As of September 30, 2014, SFR's fixed network connected approximately 6,500 Subscriber Access Nodes and covered more than 28 million households capable of unbundling by SFR and receiving SFR's IP voice, internet or TV services, depending on the eligibility of the lines for these services (source: SFR). This makes SFR's network the largest unbundled network in France among the alternative operators, covering more than 87% of the population as of September 30, 2014. Furthermore, SFR has built an optical network to connect its 270 Optical Connection Nodes thus making around 2.0 million households in mainland France eligible for fiber as of September 30, 2014.

SFR's fixed very-high-speed coverage is reinforced by a WiFi network providing additional coverage to digital customers, with 4 million hotspots transmitted by the boxes of its fixed-service clients in France as well as 8 million hotspots in 100 countries, as of September 30, 2014, provided through an agreement with the international operator Fon. The SFR hotspots system is a community system that allows SFR clients to connect to WiFi through access to WiFi networks that are separate from the individual networks, transmitted by the boxes of SFR's clients.

DSL Coverage

Fiber Network in 2013

Mobile and fixed network performance meets users' principal needs

SFR has designed, developed and deployed its network to respond to its users' needs for both mobile and fixed telecommunications.

For the mobile network, where quality and failure rates are particularly significant for client experience and satisfaction, SFR has focused on deploying a network with varying speeds to address users' different needs. For example, SFR has been the first mobile operator in France to use "golden frequencies" (800 MHz) to optimize its network coverage and quality, while at the same time relying on high frequencies to provide speeds high enough to absorb the demand for voice and data traffic.

For the fixed network, connectivity and equipment reliability (particularly the box) are key for long-term user satisfaction. Therefore, SFR aims to offer high performance for all fixed services (internet, telephone and TV). In particular, SFR's DSL network has the lowest ADSL failure rates after 30 days (source: ARCEP, measures the quality of service access for the first quarter of 2014).

Mobile Network

Single-RAN Technology

SFR's mobile access network consists of approximately 18,800 radio sites equipped with one or more pieces of transmitting/receiving equipment (the base station) each dedicated to a single technology (2G or 3G) or latest generation "Single-RAN" equipment allowing the management of 2G, 3G and 4G technologies through the same equipment.

SFR takes advantage of its deployment of 4G technology to routinely replace its old antennas with Single-RAN technology, thus providing SFR clients with a quality, ultra-fast network while making the most of the technical and financial advantages of this technology.

Single-RAN technology offers several technical advantages. First, it provides enhanced performance (quality of 4G or 3G coverage and increased 3G capacity) due to its ability to use optimal (3G/4G) technologies and frequencies (900MHz, in particular). Efficiency and connectivity reliability are also optimized, due to the use of a single transmission technology (compared to the use of several technologies on alternating equipment, known as "overlay"). Finally, it facilitates technological developments (introduction of 3G 900 or 4G 1,800, for example) requiring only software developments, without any work needed on the physical components. It also has the prerequisites for evolving toward the LTE-Advanced technologies (4G+) that are expected to follow 4G in the future.

The use of the Single-RAN technology also generates economic benefits, in particular due to the reduction in amount of equipment. Thus, the reduction in maintenance operations creates operating cost savings, while the facilitation of technological developments and the reduction of the number of sites required lead to decreased capital expenditures over time.

Finally, this technology improves client experience due to better network fluidity (because of better coverage and availability) and increased capabilities over all frequencies covered by this technology (2G/3G/4G). This additional performance is also strengthened by SFR's use of fiber links ("backhaul link").

Golden Frequencies

In 2012, SFR was the first operator to offer 4G to B2C and B2B customers following its 2011 acquisition of 800 MHz frequencies, called "golden frequencies", in order to meet clients' coverage expectations. These frequencies offer better transmission properties (particularly inside buildings) than the higher frequencies like 1,800 MHz and 2,600 MHz, and also require fewer antennas to cover the same area.

For these 800 MHz frequencies, as of December 1, 2014, SFR had 3,647 authorized antennas, compared to 4,254 for Orange and 2,915 or Bouygues Telecom (source: ANFR). Free was not granted any golden frequencies (800 MHz) during the last auction held by the regulatory authority in 2011.

This focus on "golden frequencies" has allowed SFR to expand its 4G geographic coverage, while at the same time meeting its current capacity needs. During a second phase, SFR will focus on progressive investments in capacity to meet the needs of its clients. This increase in capacity will be facilitated by Single-RAN technology, which makes frequencies interchangeable, and by the activation of so-called "high" frequencies (1,800 MHz and 2,600 MHz), which will allow SFR to offer download speeds of up to 115 Mbps.

Fixed Network

SFR benefits from good historical coverage for DSL technology and plans to develop very-high-speed (speeds greater than 30 Mbps) in order to respond to the gradual growth in usage.

To do this, SFR chose to develop and deploy fiber technology, making it possible to address these needs due to superior performance, particularly with respect to bandwidth. As of the date of these Listing Particulars, over 2 million homes are covered by SFR's FTTH technology. SFR has also been a pioneer in the increase in fiber speeds, and was the first to market (in 2013) an offer with a theoretical download speed of 1 Gbps.

Fiber technology has a longer service life than other new-generation technologies, and has significant development potential. For example, since 2012, SFR has been deploying equipment capable of evolving toward the XGPON technology, which will make it possible to offer speeds up to 10 Gbps, i.e. 10 times more than the GPON technology currently used. Furthermore, the symmetry of the upload and download fiber streams, combined with enhanced speed, allows the development of advanced applications like telemedicine. Finally, it is not technically limited by the distances to the connection nodes, unlike other technologies such as VDSL where the actual speed decreases as this distance increases.

In order to respond even faster to users' growing needs, SFR has set out a pragmatic strategy for accelerating the deployment of ultra-fast offers.

First, SFR intends to focus on fiber deployment in very dense areas in order to maximize coverage of the French territory, as part of the agreement signed with Bouygues Telecom see "*Risk Factors—Regulatory and Legal Risks Relating to SFR—SFR's business depends in part on its ability to set up and maintain partnerships with other participants in the telecommunications sector—Network sharing agreements between Bouygues Telecom and SFR*"). Less dense areas are being addressed via the deployment agreement with Orange (see "*Risk Factors—Regulatory and Legal Risks Relating to SFR—SFR's business depends in part on its ability to set up and maintain partnerships with other participants in the telecommunications sector—Agreement for the deployment of fiber in average densely populated areas between SFR and Orange*"). In the B2B market, the deployment of fiber-access networks will also focus on high-potential areas, thus making it possible to share client connections and reduce connection costs. This optimization will be facilitated by the systematic use of a geo-marketing approach.

Simultaneously with the deployment of fiber, SFR intends to selectively develop alternative technologies. For example, it believes that deployment of VDSL technology, which has lower deployment costs compared to fiber, may allow it to accelerate its high-speed coverage. SFR therefore intends to offer it to households that can take advantage of the full potential of this technology (>30Mpbs). In this regard, SFR enriched its "box" offer with the VDSL option in 2013. The number of households eligible for very-high-speed access through VDSL2 has increased following the decision of ARCEP on July 10, 2014, but will, however, be limited by operational constraints (distance to the connection nodes).

Network Sharing Agreements

In order to optimize the quality and the coverage of its networks and with an aim toward optimal allocation of its investments, SFR has been one of the most active operators in developing partnerships dedicated to network sharing, for both mobile and fixed infrastructures.

Mobile network sharing agreement

On January 31, 2014, SFR and Bouygues Telecom entered into an agreement to share part of their mobile networks. This agreement will enable both operators to offer their respective customers better geographical coverage and better quality service, while optimizing the related costs and investments.

SFR and Bouygues Telecom will roll out a new shared network in an area covering 57% of the population (i.e. all of France excluding the 32 largest cities with more than 200,000 inhabitants and dead zones having no reception).

Two principles underpin the agreement:

- First, the creation of a joint venture to manage shared radio site assets, in particular passive infrastructure and geographical locations in which the infrastructure and telecom equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecom equipment assets and their frequencies;

- Secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN-sharing service.

SFR and Bouygues Telecom retain autonomous innovation capabilities, remain independent both commercially and with regard to pricing, and continue to offer differentiated services by managing their own network core and frequencies. The mobile network-sharing agreement between Bouygues Telecom and SFR resembles similar initiatives that have already been implemented in other European countries.

In a press release dated January 31, 2014, ARCEP favorably received the agreement subject to compliance with three conditions: (i) maintenance of the strategic and commercial autonomy of the operators; (ii) absence of an exclusion effect on certain market competitors; and (iii) improvement in the services provided to users in terms of coverage and service quality.

The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

Fixed network sharing agreements

In 2010, SFR signed a co-investment agreement with Bouygues Telecom concerning the deployment of fiber optics in certain municipalities in very densely populated areas. This agreement provides that the parties will pool horizontal fiber optic networks between their points of presence and each building in the selected municipalities. It is intended to help both operators accelerate and extend the deployment of their FTTH infrastructures for the benefit of their respective clients in the municipalities concerned, while at the same time reducing their deployment costs.

In 2011, SFR also signed a co-investment agreement with Orange for the deployment of fiber in less densely populated areas of mainland France, affecting 10 million households. This agreement provides that by the year 2020, the SFR Group will deploy FTTH in 2.4 million homes, and Orange in 7.6 million homes. Each operator will become the other's customer by signing IRUs in areas where it will not itself deploy fiber. Third-party operators will also have access to these infrastructures through Wholesale market agreements.

Technology and Infrastructure

In addition to "—SFR's Network" above, which discusses the current status and future evolutions of SFR's fixed and mobile networks, this section describes the general architecture of SFR's telecommunications network with respect to each of its main components (i.e. access networks, collection networks, core network and service platforms).

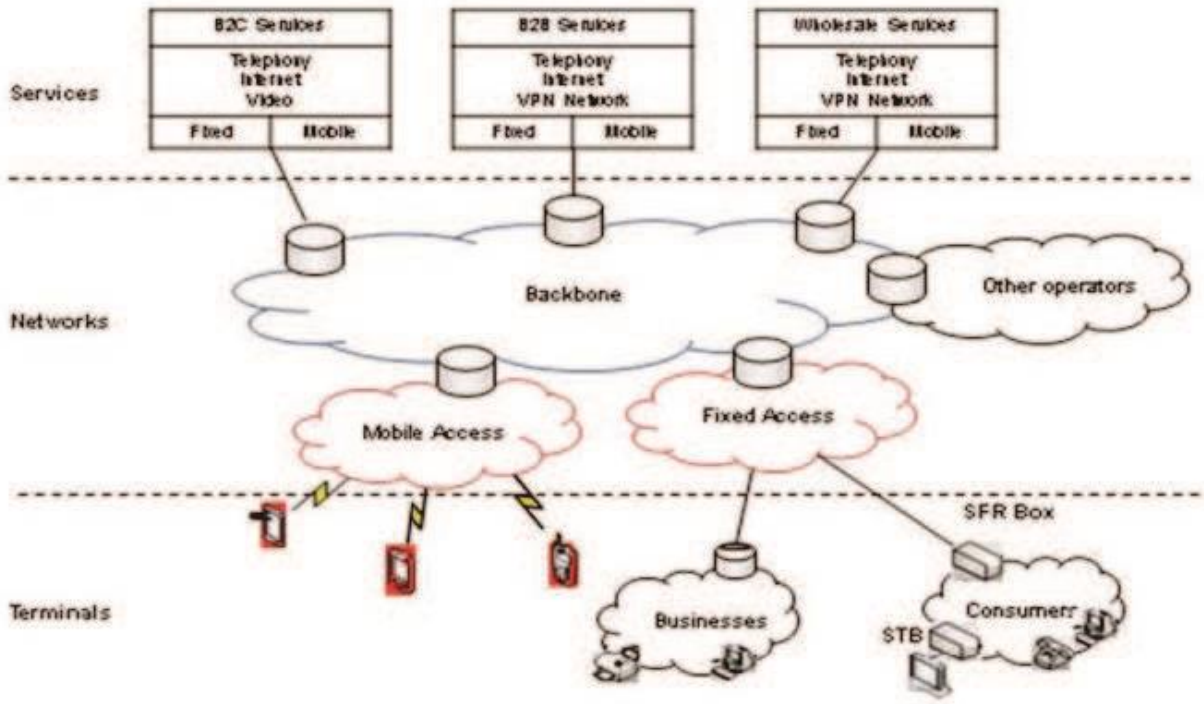
General Presentation

Simplified general architecture of a telecommunications network

(Source: SFR Group, diagram prepared internally).

The rhythm of major technological evolutions in the telecommunications sector is intense and will accelerate notably in light of the very rapid development of internet uses. As a result, SFR has for several years undertaken to streamline its networks, which were historically built by SFR for mobile and by Neuf Cegetel for fixed-lines.

Simplified diagram of the SFR Group's network



(Source: SFR Group, diagram prepared internally)

Traffic is collected through the access networks, dedicated to the connection of customers, and then routed through the collection network to the core network.

The service layer is borne by various platforms adapted to services (voice or data) and to each of the markets covered by the SFR Group: B2C, B2B and Wholesale.

Access Networks

Mobile access network

As partially explained under "*—SFR's Network—General Presentation of SFR's Network*", the SFR Group's mobile access network includes more than 18,800 radio access sites, as of September 30, 2014, composed of:

- one or more transmitting/receiving installations (base station) each dedicated to one single technology (2G or 3G), or latest generation "Single-RAN" equipment allowing for the management of 2G, 3G and 4G technologies through only one equipment;
- transmission equipment allowing to connect radio access equipment to the collection network and to the core network through fiber, radio-relay links or lines leased from Orange; and
- environment infrastructure, such as power workshops, antennae, a technical room, the pylon supporting the antennas, etc.

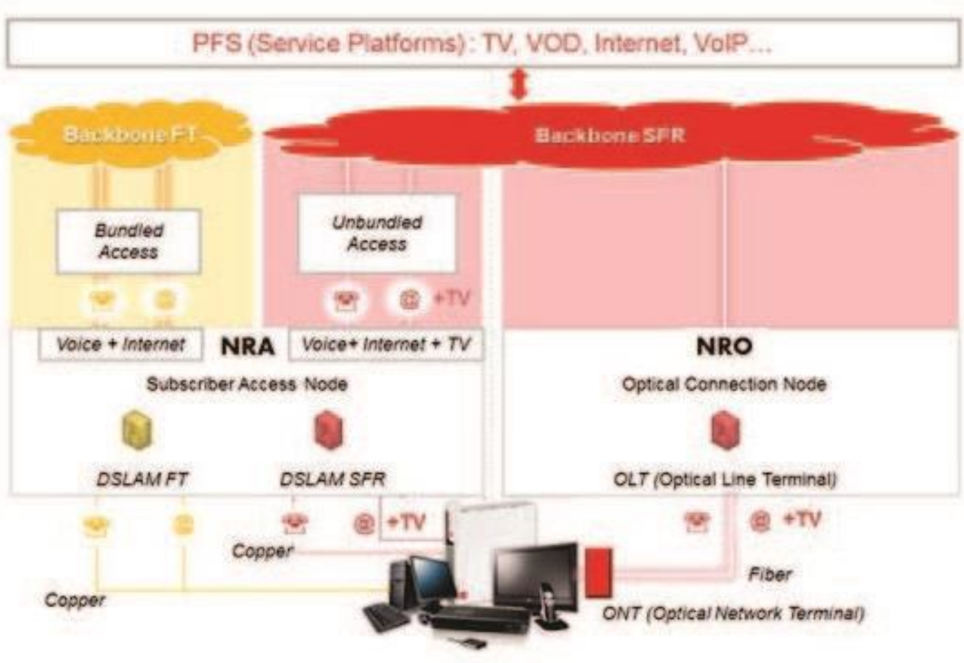
Fixed access network

Historically, the unbundling of the subscriber copper interconnection links of Orange enabled SFR Group to operate its business as an internet access provider.

SFR Group's Fixed access network is able to deliver voice or data traffic from the terminal equipment located at the customer's site to the collection points.

Since 1987, SFR has also deployed its own optical fiber subscriber links (FTTH), using the GPON technology.

Types of accesses on the fixed network



(Source: SFR Group, diagram prepared internally)

DSL (Digital Subscriber Line)

The subscriber access node is a building belonging to Orange in which all the copper telephone lines of a geographical area end. The size of the subscriber access node is highly variable, from a few hundred to several tens of thousands lines. In these subscriber access nodes, the SFR Group has installed equipment of the "DSLAM" (*Digital Subscriber Line Access Multiplexer*) type, allowing for the connection of customers mostly though the ADSL2+ technology. Since 2012, the SFR Group has deployed VDSL2 technology over more than 2,600 subscriber access nodes allowing for increased speed for customers located less than 1 kilometer away from the DSLAM.

The SFR Group ensures the provision of internet access using copper lines (DSL, "Digital Subscriber Line") in two ways:

- by the installation of active DSLAM equipment in the subscriber access nodes of Orange, on which the interconnection links of the subscribers of the SFR Group are then connected (the "unbundling" solution);
- by the purchase of a wholesale service from Orange which delivers the traffic from all of the customers concerned at collection points (the "bitstream" solution).

FTTH

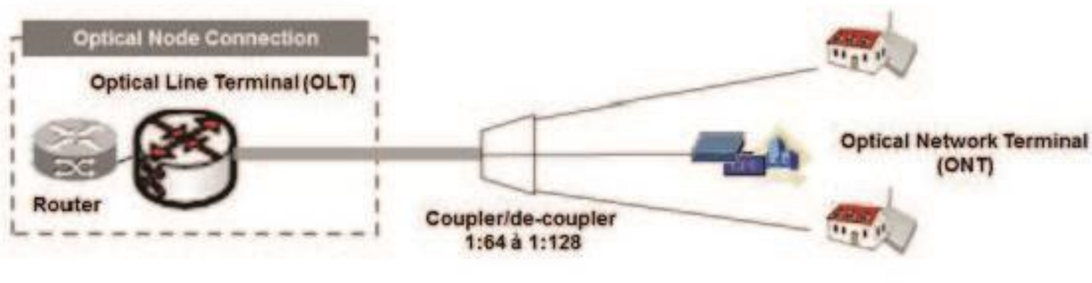
To connect homes to fiber, the SFR Group chose to deploy the GPON technology, which allows for multiplexing of 64 or 128 homes over a same fiber. This technology theoretically makes it possible to offer speeds up to 1 Gbps from the network to the customer and confers the advantage of an entirely passive distribution network between the optical connection node and the customer's installation, which reduces deployment and operation costs.

In very dense areas, the SFR Group builds its own optical connection nodes and deploys its fiber up to the shared access points (typically located at the bottom of each building). The connection of a customer to the shared access point is up to the building operator which alone manages the infrastructure deployed inside the building.

Outside of very dense areas, the shared portion of the optical network is more significant. Shared access points are defined for each geographical area and each serve approximately 1,000 homes with a shared infrastructure.

In both cases described below, optical couplers/splitters, located at the shared access points, allow for the multiplexing of customer flows on a same fiber.

Global diagram of an FTTH connection



(Source: SFR Group, diagram prepared internally)

Wimax (Worldwide Interoperability for Microwave Access)

Société du Haut Débit—SHD ("SHD"), a fully-owned subsidiary of the SFR Group, is the holder of a license in the 3.5 GHz spectrum range in the Ile-de-France and Provence-Alpes-Côte d'Azur regions for the Wimax technologies. These frequencies will be useful over time with technological neutrality (the principle of frequency bands being available to all types of technologies and all types of electronic communication services) of frequencies and services initiated by the European Commission.

Collection networks (Backhaul)

The collection of the fixed traffic, corresponding to the network components located between the access on the customer side and the backbone, is performed by means of optical fiber, leased lines and Wireless Beams. The collection network makes it possible to aggregate and convey the flows between the fixed or mobile access networks and the core network supporting the services. The flows are conveyed in IP through the Ethernet protocol.

SFR's collection network is based on 161 MAN built in the center of cities.

Transmission network and IP transport network

For its optical transmission network, the SFR Group has chosen a mesh architecture, i.e. built as interconnected loops in order to best secure traffic flow.

Historically, the SFR Group has built its optical transmission network based on two national agreements with Réseau Ferré de France ("RFF") and Voies Navigables de France ("VNF"). The SFR Group has extended this large transmission network by also leasing fiber from third parties (Réseau de Transport d'Electricité ("RTE"), motorway networks, metropolitan networks), as well as from Orange, notably for the connection of subscriber access nodes.

In order to respond to traffic growth, the SFR Group implemented the most efficient optical technologies to date, and notably the use of 100 Gbps flow rates on the main arteries.

Map of the transmission network

(Source: SFR Group)

The SFR Group built a multi-service and very-high capacity Internet Protocol ("IP") transport network. It is located above the optical transmission network. The core network routers are in "Nx100G" technology (i.e. supporting links with a 100 Gbps unit capacity).

The SFR Group's network makes it possible to manage internet access service using the addresses in the IPv4 or IPv6 format for B2C, B2B and Wholesale customers. It allows for the transmission of voice, data and video flows (television services on IP multicast or Video On Demand, "VOD").

Service networks: core network and service platforms

The networks supporting the voice or data services schematically consisting of several interconnected service platforms, differing based on the service concerned. For a given service, platforms and network equipment making it possible to interconnect them constitute a core network.

Core network for mobile voice

The mobile voice core network makes it possible to manage the voice traffic and the interconnections towards other operators. Since 2009, voice is supported in 2G and in 3G through the IP protocol on latest generation "R4" network architecture. The platforms supporting the short message ("SMS") and multimedia ("MMS") services are dimensioned to absorb exceptional peaks in traffic such as those reached during the end-of-year festive season. In addition, the SFR Group has implemented virtualized IaaS infrastructure enabling it to launch new and innovative services rapidly.

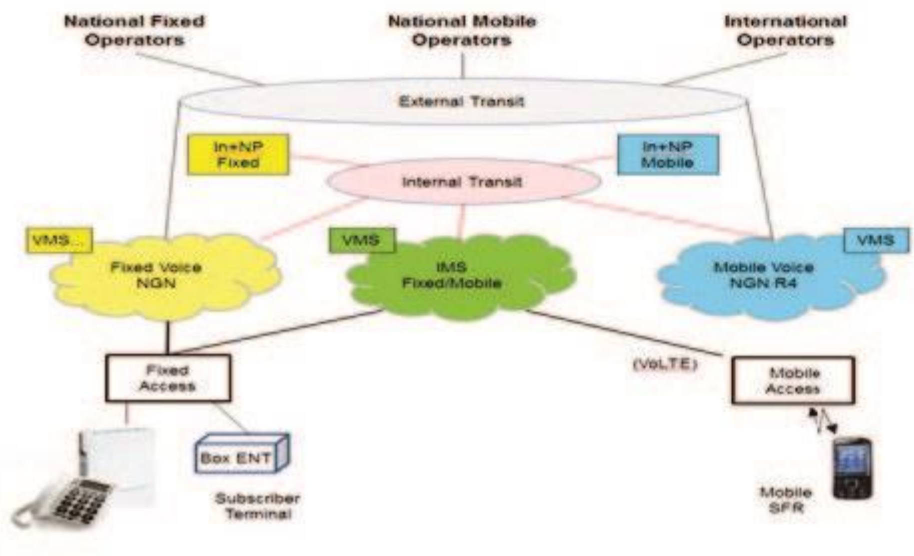
Core network for mobile data

The data transmission core network for mobile is currently being modernized to handle the traffic of all the customers using the 2G, 3G and 4G technologies. It is installed on three distinct sites and has a size and mechanisms ensuring the availability of the service, including in case of significant damage caused on one of the three sites. This data transmission core network manages the Wireless Application Protocol ("WAP") services, MMS, consumer and business internet access, parental supervision service, mobile television and VOD services.

Core network for fixed voice

The SFR Group has an IP voice core network for its fixed service customers, ensured since 2011 by two IMS ("IP Multimedia Subsystem") technology platforms in order to respond to the traffic growth. This IMS platform is notably used to date for consumer but also business telephony services, and to manage call continuity between fixed and mobile terminals.

The mobile voice network described above under "—*Core Network for Mobile Voice*" is currently evolving to be completed with an IMS core making it possible to transport voice directly on the 4G network (transported to date on the 2G and 3G networks). This IMS platform will notably contribute to improving voice quality significantly and will reduce fivefold the time of call set-up. Thus, in the medium term, the IMS technology will allow for a convergence of voice network infrastructures for fixed and mobile services as illustrated in the diagram below.



(Source: SFR Group, diagram prepared internally)

The SFR Group also initiated a modernization plan in IP based technology of its voice interconnections with other operators.

Content distribution service in fixed telephony

In addition to the various high capacity equipment existing in the network to process data flows, the SFR Group implemented a Content Delivery Network ("CDN") based on twelve regional sites making it possible to reduce the data traffic on its national transmission network. This CDN hosts in particular the Video On Demand services, the website sfr.fr, and is also open for third-party services.

Seasonality

A major failure in the information systems or any part of the production and logistics chain during the year-end period could have a significant adverse effect on revenues due to the concentration of sales during this period. Accordingly, SFR avoids working on its network and information systems during the period starting from mid-November to year-end.

Suppliers

SFR has implemented a multi-sourcing procurement policy for some technologies and continually monitors the role of suppliers in the chain.

The breakdown of its principal suppliers by category is as follows:

- eight main suppliers for mobile handsets;
- five main suppliers for telecommunications equipment;
- ten main suppliers for the deployment and maintenance of this equipment;
- fourteen main suppliers for information technology systems; and

- ten main suppliers for call centers.

With respect to mobile handsets, SFR works with the major brands on the market, as well as with original design manufacturers ("ODMs") for which SFR uses its own brand. It is very important for SFR to have access to all leading brands on the market for its supply needs. In addition, SFR may, for certain specific products or services, be dependent on certain suppliers. For example, SFR considers that it is commercially dependent on one handset supplier.

With respect to telecommunications equipment, SFR has a dual sourcing policy with leading companies in these sectors for the main SFR network equipment, and especially for radio equipment. As a result, SFR believes that there is no critical dependence on a single supplier. With regard to the core network, SFR has a single-source policy for certain types of equipment for reasons of simplicity and cost. The companies concerned are leaders in their respective sectors.

With respect to information technology systems equipment, SFR uses either well-known solutions on the market (Oracle and SAP) or more tailored solutions with specific contractual provisions to protect access to the source code. SFR believes that there is no critical dependence in this regard.

Furthermore, SFR's partnership with Vodafone covers procurement, particular with respect to mobile handsets.

SFR has developed and maintains relations with different suppliers that contribute to innovation, quality of service and operational excellence. The procurement process consists of five stages, covering the entire life cycle of the relationship between SFR and its suppliers.

Supplier selection is one of the most important stages for the deployment and maintenance of the network, as well as for SFR's offerings (handsets, etc.). Selection is based on objective criteria including the quality of products and services, delivery times and conditions, and total cost of ownership.

This assessment also takes into account supplier commitments concerning:

- compliance with applicable laws and regulations;
- maintenance of confidentiality and fairness; and
- the existence and application of Social and Environmental Responsibility policy suitable to the nature of the products and services provided.

These criteria are expressly mentioned in the contracts governing SFR's relations with its suppliers.

SFR aims to have a lasting and balanced relationship with its main suppliers. This effort involves monitoring performance, sharing and monitoring objectives, as well as exchanging information on market and technological trends.

For many years, SFR has implemented a procurement policy that takes into account the principles of social and environmental responsibility in its relations with its suppliers in order to better control risks.

The main principles are the following:

- To give preference to suppliers who meet these challenges;
- To take these criteria into account in supplier evaluations; and
- To promote and ensure compliance with SFR's code of commitment and ethics.

For the past two years, all new purchasing contracts have included clauses requiring compliance with laws and regulations on social responsibility. SFR engages a specialized company to evaluate its main suppliers regularly. This evaluation is performed on a documentary basis and is carried out in collaboration with the French Telecommunications Federation. As of the date of these Listing Particulars, 172 suppliers had been evaluated.

The use of companies in the protected worker sector (recycling of equipment, telephone contacts etc.) is part of SFR's procurement policy. Compliance with the policy is subject to regular monitoring. In 2013, SFR had more than €3 million in business with companies in the protected worker sector.

SFR regularly provides training to its buyers. An integration and training course on responsible purchasing is followed by each new person arriving at a buyer position.

Employees of SFR

Number and Breakdown of Employees of SFR

As of September 30, 2014, SFR's UES (defined below) employed a total of 9,366 people, compared to 9,396 people as of December 31, 2013, and 9,955 people as of December 31, 2012. The change between 2012 and 2013 was mainly due to SFR's reorganization project aimed at adapting itself from a telecommunications operator to a digital operator, which resulted in the implementation of a "Professional Mobility Plan" between April 11, 2013, and August 31, 2013, and the departure of 855 people as part of a voluntary redundancy plan. EFIXO was included in the SFR UES on January 6, 2014. It includes 38 employees as of September 30, 2014. At constant scope in 2012 and 2013, the UES SFR (excluding EFIXO) employed 9,328 employees as of September 30, 2014.

For 2013, payroll (excluding social charges) totalled €592 million, compared to approximately €510 million for 2012, representing an increase of 16%.

The following table presents the breakdown of SFR's "UES" (as defined below) employees that are on indefinite contracts, as well as those on defined term contracts and substitute contracts as of December 31, 2012 and 2013 and September 30, 2014:

Type of activity	As of December 31, 2012	As of December 31, 2013	As of September 30, 2014
Wholesale CE(1)	7,581	7,131	7,129
Customer Service CE(1)	1,948	1,844	1,824
Reunion Island CE(1)	426	421	413
TOTAL	**9,955**	**9,396**	**9,366**

(1) Includes SFR and SFR Collectivités.

Labor Relations

An economic and social unit ("UES"), which covers SFR SA, SFR Collectivités, SFR Service Client , SRR and LTB-R has been created. It has:

- A central work committee;
- Three establishment committees;
- 20 health, safety and work conditions committees; and
- employee representatives in each entity.

The SIG 50 entities, which operate in distribution (5 sur 5 SA and SFD, Future Telecom), are, due to their shareholding structure (SFR holds less than 50% of the share capital), outside of the SFR UES scope and have their own employee representatives which negotiate their own collective agreements. SFD and 5 sur 5 are not part of the SFR group or the SIG 50 group. These two entities are simply consolidated pursuant to put and call options that exist between the majority shareholders of SFR and SIG 50.

In November 2012, SFR concluded an agreement on social dialogue which provides for the main principles for social dialogue in the company.

Within the SFR UES, union representation is made up of the following four unions that were recognized during the most recent professional elections (the next elections are scheduled for October 2015):

1. UNSA
2. CFE-CGC
3. CFDT
4. CGT

The SUD union is only represented in customer service.

In 2014, negotiations with the representative unions gave rise to the signing of 21 collective agreements by most of the organizations.

In addition, on November 28, 2012, SFR announced its reorganization project to adapt itself from being a telecommunications operator to a digital operator. In the context of this project, the labor representatives gave an opinion on the reorganization project and on an agreement providing for measures to accompany employees. All of these measures were included in a "Professional Mobility Plan" ("PMP") from April 11, 2013, to August 31, 2013, which defined the functioning and guarantees of an internal mobility plan and a voluntary redundancy plan, so that each voluntary employee could find a solution adapted to his or her professional plans.

Implementation of the "Professional Mobility Plan" resulted in 1,500 employees changing positions internally. Some 855 positions were eliminated and 158 jobs were created, with a net loss of 697 positions.

In connection with the 2014 SFR Acquisition, in a letter sent to Vivendi and SFR dated March 25, 2014, Altice and Numericable Group unilaterally undertook not to call into question the collective status of SFR and not to proceed with economic redundancies as part of a collective redundancy plan for three years from the end of the exclusivity period between Vivendi's supervisory board and Altice and Numericable (i.e. until April 4, 2017), except in the case of an unforeseen change in economic conditions. These undertakings were restated in connection with the establishment of the collective agreement related to employment, which was signed by all of SFR's union organizations and extends these guarantees until June 20, 2017.

Share ownership and subscription options of members of the Board of Directors, Management and Certain Employees of SFR

No employees hold shares in SFR's share capital (other than one who holds 10 shares). No members of the Board of Directors hold shares in SFR's share capital. None of the companies that are a part of the SFR Group have put in place any SFR share subscription options or free share grants.

Mandatory Employee Profit-Sharing (accord de participation)

A mandatory profit-sharing agreement was signed on December 17, 1999 for an indeterminate period. Amendments to this agreement were signed on June 30, 2005, June 30, 2006 and March 19, 2010.

A framework agreement providing for a supplemental €100 (gross) per beneficiary with respect to profit-sharing for 2013 was signed on June 21, 2014. This supplemental profit-sharing amount was distributed on July 30, 2014.

Optional profit-sharing agreements (accords d'intéressement)

Article L. 3312-1 of the French Labor Code provides for optional profit- sharing (intéressement), whose purpose is to give employees collectively a share in the business' success, and specifically in its performance and results, by using a formula to calculate immediately available bonuses. An optional profit-sharing agreement was entered into by the SFR UES on June 27, 2013, for 2013, 2014 and 2015.

This agreement includes profit-sharing criteria, with for each criteria, a minimum level and target, at the level of the UES but also at the level of each establishment (Wholesale, Customer Service and Reunion Island). For 2014 and 2015, the minimum levels and targets will be fixed by an amendment before June 30 of the relevant year. An amendment updating the levels and targets for 2014 was signed on June 21, 2014.

A framework agreement providing for a supplemental €2,000 (gross) per beneficiary with respect to profit-sharing for 2013 was signed on June 21, 2014, within the SFR UES. This supplemental profit-sharing amount was distributed on July 30, 2014.

Company savings plans and similar plans

Pursuant to Article L. 3332-3 of the French Labor Code, companies with mandatory and optional profit-sharing plans may maintain company savings plans. A group or company savings plan is a collective savings system offering employees of the companies belonging to the plan the ability, with the help of their employers, to build investment portfolios. In particular, amounts can be deposited on their behalf under a profit-sharing agreement, and employees can make voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law.

Following the acquisition of SFR SA by Numericable Group, the employees of the companies in the SFR UES will no longer benefit from the company savings plan put in place at Vivendi, but will keep their existing holdings. However, Numericable Group has a group savings plan that can be opened to new entities of the Combined Group.

In addition, the employees of the SFR UES benefit from a retirement savings plan put in place at the level of the SFR UES by an agreement dated February 25, 2008, and amended on July 13, 2011. This plan, the establishment of which is optional, gives employees the possibility to contribute to retirement savings with the help of the company. This plan can also receive contributions related to mandatory and optional profit-sharing, as well as voluntary contributions. The savings is invested in "open-ended company investment funds" (*fonds communs de placement d'entreprise*, "FCPE").

Material Contracts

The material contracts to which SFR is a party are set out below.

Partnership agreement between SFR and Vodafone Sales and Services Limited

On April 1, 2014, SFR signed an exclusive partnership agreement with the Vodafone Sales and Services Limited ("Vodafone"), which replaced the prior agreement signed in 2011.

This agreement has a term of four years, renewal for one year. It gives SFR access, in exchange for an annual fee to Vodafone, to certain brands, products, services, including of third parties, in France, in order to permit SFR to furnish Vodafone services and products on its own behalf and under its own brand name. Through this partnership, SFR also benefits from the commercial relationship Vodafone has with certain customers and suppliers.

This agreement also includes an international roaming agreement pursuant to which each party directs a part of its international traffic to the network of its partner.

This agreement allows each party to offer its business clients international telephony services.

Finally, this partnership includes a cooperation agreement with respect to the preparation of strategic initiatives in the areas covered by the agreement, notably for the improvement of operational efficiency of both parties, in particular through policies for the development of B2B services (convergent fixed-mobile, MtoM, Cloud and hosting services), cost reduction and differentiation.

Mobile network sharing agreement between Bouygues Telecom and SFR

For a description of this contract, see "—*SFR's Network—General Presentation of SFR's Network—Network Sharing Agreements—Mobile Network Sharing Agreement*".

Agreement for the deployment of fiber between SFR and Orange

On November 14, 2011, SFR concluded a co-investment agreement with Orange relating to the deployment of fiber for the coverage of less densely populated areas (ZMD) of mainland France, which represent 10 million homes. Pursuant to this agreement, SFR will deploy FTTH in 2.4 million homes and Orange in 7.6 million homes before 2020.

In order to avoid overlap, the agreement designates the operator that is in charge of deployment for each area in order to ensure the best timetable and coverage.

Each party will become a client of the other party by subscribing to IRUs in zones in which it does not deploy fiber. Other operators will have access to this infrastructure via the relevant agreements of the Wholesale market.

The undertaking of each party is to cover each locality within five years from the start of deployments. SFR has announced that it will be starting all horizontal deployments on the less densely populated areas (ZMD) that it is to cover before the end of 2015 and that it has undertaken to complete such deployments in the following five years at the latest.

Contract related to the GSM-R mobile communications network

SFR has a shareholding of 30% (alongside Vinci (Vinci Energies and Vinci Concessions) and AXA (AXA Infrastructure Investissement SAS, AXA, UK Infrastructure Investissement SAS, AZA Infrastructure Partners FCPR), which each hold a 30% stakes) and TDF (which has a 10% stake) in the Synérail company, which has concluded a partnership agreement with RFF for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network. This agreement, which has a fifteen-year term from March 24, 2010 and a total amount of

€1 billion, for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network that will permit voice and data communications between trains and regulation teams on the ground in conference mode. It will enable the setting up of a European network with a unique communication system which is compatible and standardized across the rail networks, and replacing the existing national radio systems.

This network will be progressively deployed over 14,000 kilometers of traditional and high-speed rails in France.

SFR also plays a part as services provider in the construction and exploitation phase of the GSM-R network through Synérail Construction and Synérail Exploitation held jointly with Vinci Energies. In the event of a change of control of SFR, Vinci Energies has a purchase option with respect to these two companies. By a letter dated November 2014, Vinci Energies waived this purchase option.

Mobile device supply contract

SFR has entered into various agreements for the supply of mobile devices and accessories. SFR also considers itself commercially dependent on one provider, whose well-known products are not substitutable in the eyes of customers.

MVNO Contracts

SFR has entered into several contracts for the provision of end-to-end mobile services to virtual network operators (MVNOs) whose activity depends on access to the network of one or more network operators. As of the date of these Listing Particulars, SFR has entered into contracts with 16 MVNOs, of which the most important are La Poste Telecom (of which 49% is owned by SFR and 51% by La Poste), Omer Telecom (Virgin Mobile) (owned by Numericable-SFR) and EI Telecom (NRJ Mobile) (see "*Risk Factors—Risks related to SFR's Business and Operations—SFR is dependent on its contracts with MVNOs*").

Agreement for the occupation of public domains with Réseau Ferré de France

SFR has entered into agreements for the occupation of public domains with Réseau Ferré de France pursuant to which SFR occupies the infrastructures that have enabled the establishment of its network. See "*—SFR's Network*".

Property, Plant and Equipment

SFR's real estate is based on four types of real estate assets:

- "office" sites made up of customer service centers or offices;
- "mixed" sites made up of both offices and technical sites;
- technical sites and premises for the hosting of telecommunications equipment and IT servers; and
- commercial premises and sites of brick-and-mortar stores.

SFR's real estate strategy is based on securing its location for the long-term, in particular through the acquisition of occupied assets. As of September 30, 2014, SFR held office, mixed and technical sites for a total book value of €4,413 million.

Office Sites

As of the date of these Listing Particulars, SFR directly or indirectly owned or leased office sites in mainland France, mainly in large cities outside of the Paris area (Saint Herblain, Toulouse, Rennes, Lyon Saint Priest, Lyon Bron, Metz Territoire de Borny, Aix le Sulky, Bordeaux lac, Marseille, Vénissieux, Vélizy). These sites are office buildings, in certain cases located next to technical sites (which are then "mixed" sites), with sizes ranging from 2,500 to 11,000 square meters, representing a total of approximately 70,000 square meters (excluding the technical part of the Venissieux site).

SFR also rents other office sites, which represent a total surface area of approximately 214,000 square meters, through commercial leases at usual market conditions. These sites include:

(1) the corporate headquarters "Campus SFR" in Saint-Denis, divided into two tranches representing a total useful surface area of 125,701 square meters. The site was owned by four companies held at the 50% level by the SFR Group and Vinci Immobilier. The two tranches were sold on April 4, 2014, to SCI Campus Medicis St Denis for

a total amount of €372 million, excluding taxes, for tranche 1 and in a sale before completion to SCI Campus Rimbaud St Denis for a total amount of €308 million, excluding taxes, for tranche 2. The site is rented to SFR under four leases:

(i) two leases for a firm term of 11 years and 9 months, which took effect on December 4, 2013, for the first tranche, corresponding to 61,474 square meters,

(ii) two leases before completion, for a firm term of 11 years and 9 months, to take effect in November 2015 for the second tranche, corresponding to 51,394 square meters, and intended for the transfer of the teams currently located at rented office sites in Meudon and Nanterre;

(2) mixed sites in Courbevoie, Strasbourg (approximately 55,145 square meters) and office sites in Massy, Gentilly, Lille République, Efixo Marseille, Grenoble (approximately 18,149 square meters), representing a total surface area of approximately 73,294 square meters.

Technical Sites

Technical sites can be put in three categories:

(1) Buildings for branch exchanges/mobile services switching centers ("MSC");

(2) Radio sites: emission/reception sites that hold emission and reception antennae;

(3) Optical fiber diffusion sites.

The SFR Group owns approximately 50 MSC sites, the principal sites of which are located in Trappes, Valenton, Mitry Mory, Toulouse, Lyon Bron, Saint Herblain and Corbas.

The radio sites represent approximately 20,000 sites of different types (existing buildings, empty land, water towers, pylons), approximately 2,000 of which are rented from large groups in accordance with leases concluded in accordance with framework agreements. The main framework agreements have been agreed with the TDF Group, Accord and SNCF.

The fiber optic diffusion sites mainly include the small NRO sites, which the SFR Group prefers to acquire.

Commercial sites and premises

The SFR Group has signed approximately 800 commercial leases for its smaller brick-and-mortar stores throughout France.

Legal Proceedings

In the normal course of its business, SFR is subject to various lawsuits, arbitrations, governmental, administrative or other proceedings.

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case the amount of the provision represents SFR's best estimate of the risk, provided that SFR may, at any time, reassess such risk if events occur during such proceedings.

To SFR's knowledge, there is no lawsuit, arbitration and governmental or other proceedings, or exceptional event (including any proceedings of which the issuer is aware which are pending or threatened) which may have or which have had a significant impact on its and on its group's financial position, profit, business and property during the previous twelve months, other than those described below.

Bouygues Telecom's Complaint against SFR and Orange in connection with the wholesale mobile call termination and retail mobile telephony markets

Claim Before the French Competition Council

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority resolved to postpone its decision on the issue and remanded the case for further investigation. On

December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014. The Paris Court of Appeal gave its deliberation on June 19, 2014, under the terms of which it demanded *Amicus Curiae* at the European Commission on the economic and legal matters raised in this case, and postponed its decision on the merits of the case pending the opinion of the Commission. It furthermore dismissed SFR's procedural arguments. On July 10, 2014, SFR filed an appeal before the Cour de Cassation (French Supreme Court) regarding the procedural claims. The matter is still pending.

Third-Party Damages Litigation

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. In compliance with the settlement agreed between SFR and Bouygues Telecom in June 2014, the hearing to close the mediation process was held on September 5, 2014. Notification of the decision ended the litigation between the two companies.

With regards to OMEA and EI Telecom's claims, SFR asked the court to stay the damages proceedings pending a final decision or at least the decision of the Paris Court of Appeal. On October 14th, 2014, the Court decided to stay the proceeding until the Paris Court of Appeal rendered its decision. The matter is still pending

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices. Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court (NRA ZO) against Orange. Both matters are still pending.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge during the period from 2006- to 2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

On June 25, 2013, all of SFR's claims were dismissed. On July 25, 2013, SFR filed an appeal against the judgment of the Commercial Court. The matter is still pending.

Complaint by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority (the "Authority") of alleged unfair price differentiation practices by SRR in the consumer and business markets. On September 16, 2009, the Competition Authority delivered interim measures against SRR, pending its decision on the merits.

SRR had to end a price difference exceeding that of the costs borne by SRR according to the on-net/off-net network. As the Competition Authority found that SRR had not fully respected the order it had delivered on January 24, 2012, it imposed a fine of €2 million. With regard to the procedure on the merits, on July 31, 2013, SRR signed a statement of non- contestation of grievances and a letter of commitments. Consequently, the general reporting judge proposed a reduction in the fine incurred by SRR to the board of the Authority.

Following the Authority's decision of September 16, 2009, Outremer Telecom brought action for damages against SRR on June 17, 2013, before the Commercial Court of Paris for the loss it alleges it suffered owing to SRR's practices. On November 13, 2013, the Court postponed its decision until the decision on the merits by the Authority.

On June 13, 2014, the Authority handed down its decision on the consumer portion of the complaint, fining SFR and its subsidiary SRR €45.9 million. The business portion is still under investigation by the Authority.

On October 8, 2014, Orange brought an action for damages against SRR and SFR before the Commercial Court for the loss it alleges it suffered oweing to the practices of SRR. Orange is seeking damages of €135.2 million.

Complaint against Orange before the French Competition Authority regarding the mobile telephony services to professionals market

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market. The matter is still pending.

Complaint of Orange Against SFR ("Overflow" Case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair "overflow" of interconnection to their respective networks.

On December 10, 2013, SFR was ordered to pay €22.1 million to Orange. On January 10, 2014, SFR appealed against this decision. The case was argued before the Paris Court of Appeal on November 22, 2014. The matter is still pending.

Complaint against Orange (Abuse of Dominant Position on the Retail Mobile Telephony Secondary Home Market)

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an alleged abuse of its dominant position in the secondary residence market. On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51 million in damages.

Orange appealed against this judgment. On April 2, 2014, Orange also asked for suspension of the provisional execution of the decision of the Commercial Court. On July 4, 2014, this request was rejected. The Paris Court of Appeal cancelled the Commercial Court's decision on October 8, 2014. On November 19, 2014, SFR decided to bring the case to the French Supreme Court.

Litigation with Free

On May 21, 2012, Free filed a complaint against SFR before the Paris Commercial Court. Free is challenging the subsidy model associated with SFR's *Carrées* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and that, as such, SFR is guilty of unfair practices that do not comply with the relevant rules applicable to consumer loans, including providing certain prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to provide its customers with the required information and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision. The matter is still pending.

Litigation with the UFC

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance) against SFR alleging that the general conditions of use of SFR's La Carte offering contain unfair clauses. The UFC is seeking the removal of these clauses and damages. The matter is still pending.

Complaint against Orange (Unbundled Zones Case)

On November 26, 2012, SFR notified the French Competition Authority of practices constituting an abuse of dominant position on the retail high- speed internet access market in non-unbundled areas by Orange. The complaints are still pending.

Complaint against Iliad, Free and Free Mobile

In June 2014, SFR filed a suit against Iliad, Free and Free Mobile before the Paris Commercial Court for acts of unfair competition, claiming defamation of SFR's services by Iliad, Free and Free Mobile, at the time of and following the launch of Free Mobile. The matter is still pending.

Claim of Orange Against SFR and Bouygues Telecom

On April 29, 2014, Orange filed a claim before the French Competition Authority with respect to the network sharing agreement between Bouygues Telecom and SFR, signed on January 31, 2014. Orange considered this agreement constituted a collusive practice, through concerted action and horizontal agreement, between rival companies. Orange demanded the immediate suspension of its implementation as an interim measure. The Competition Authority rejected

Orange's demand on September 25, 2014. Orange filed an appeal before the Paris court of Appeal against this decision which has subsequently been dismissed.

Litigation with the CLCV

On January 7, 2013, the French consumer protection association, CLCV (Consumption, Housing and Quality of Life) filed a complaint before the Commercial Court of Paris against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be unfair. It is also seeking compensation for the collective loss. The matter is still pending.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon, and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (*conseils des prud'hommes*) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent: the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of the appeals process (industrial tribunal, Court of Appeal and Supreme Court). On June 18, 2014, the Court of Cassation confirmed the decision of the Court of Appeal of Toulouse.

Disputes with independent distributors (B2C and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and, almost systematically, by its former distributors. These recurring disputes revolve around the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as a commercial agent and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR. Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from decisions in its favour.

REGULATORY

General

Our business is subject to various regulatory requirements and obligations including communications and broadcasting laws, general antitrust law, environmental, health and safety laws, planning and construction laws, consumer protection laws as well as technical and other regulations in each of the jurisdictions in which we operate. Such laws and regulations are promulgated and enforced to varying degrees by supranational regulators such as the EC and national, state, regional and local authorities. The ever-changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in France and the French Overseas Territories, Israel, Portugal, Belgium, Luxembourg and the Dominican Republic as at the date of these Listing Particulars are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

France and the French Overseas Territories

Our business activities in both France and the French Overseas Territories are subject to the laws and regulations of France and the European Union governing the telecommunications sector and the information society.

The European Regulatory Framework for Electronic Communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications (*Code des Postes et des Communications Electroniques* (the "CPCE")). The provisions of the CPCE are primarily based on the following five directives contained in the "2002 Telecoms Package" of the European Union, which apply to the seven relevant markets defined by European Commission's recommendation 2007/879/CE dated December 19, 2007:

- Directive 2002/21/EC dated March 7, 2002, regarding a common regulatory framework for electronic communications networks and services (the "Framework Directive");
- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the "Access Directive");
- Directive 2002/22/EC dated March 7, 2002, on universal services and users' rights relating to electronic communications networks and services (the "Universal Service Directive");
- Directive 2002/20/EC dated March 7, 2002, relating to the authorization of electronic communications networks and services (the "Authorization Directive"); and
- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Privacy and Electronic Directive").

In addition to the 2002 Telecoms Package, the following texts also apply to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, relating to competition in the markets for electronic communications networks and services (the "Competition Directive");
- Regulation (EC) 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and non discriminatory conditions; and
- Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the European Union (the "Roaming Regulation III"), which provides that all wholesale and retail (voice and SMS) roaming charges levied by mobile operators are subject to price caps. For network operators, the regulation also imposes an obligation to grant reasonable requests for wholesale access to roaming services and the opportunity for retail customers to choose an alternative roaming operator, separate from their national operator starting on July 1, 2014. The table below sets out the maximum roaming charges that may be applied by mobile operators:

	From July 1, 2012, to June 30, 2013	From July 1, 2013, to June 30, 2014	From July 1, 2014, to June 30, 2017
Retail prices			
Outgoing calls *(per minute)*	€0.29	€0.24	€0.19
Incoming calls *(per minute)*	€0.08	€0.07	€0.05
SMS *(per message)*	€0.09	€0.08	€0.06
Data *(per Mb of data transferred)*	€0.70	€0.45	€0.20
Wholesale prices			
Calls *(per minute)*	€0.14	€0.10	€0.05
SMS *(per message)*	€0.03	€0.02	€0.02(1)
Data *(per Mb of data transferred)*	€0.25	€0.15	€0.05(1)

(1) Remains applicable until June 30, 2022.

In 2009, the European Parliament and Council adopted a new regulation and two directives that slightly amended the 2002 Telecoms Package, without significantly changing the overall regulatory framework (the “2009 Directives”). These regulations, which round out the regulatory framework and provide additional powers to national regulatory authorities (“NRAs”) and the European Commission are as follows:

- Regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the “BEREC”) and the Office, a community body which provides administrative and professional support services to the BEREC. Rather than operating as a European regulatory agency, the BEREC’s role is to act as a forum for cooperation between NRAs and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council. For example, on May 29, 2012, BEREC published a report on the neutrality of the internet and the management of internet traffic in Europe.

- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives. This new directive (i) introduces a last resort remedy of functional separation to overcome competition problems, (ii) gives the European Commission new powers to issue recommendations on draft measures proposed by NRAs, (iii) facilitates access to the radio spectrum by allowing spectrum users to transfer or lease their usage rights to third parties, and (iv) states that NRAs should have the power to ensure the effective use of the spectrum and to take action to prevent anticompetitive barriers by certain operators; and

- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws, in order to (i) strengthen the rights of users of electronic communications services, (ii) extend the universal service to broadband, and (iii) ensure the quality of services offered as well as market transparency and fluidity.

These two directives were transposed into the CPCE by ordinance 2011 1012 dated August 24, 2011, decree 2012 436 dated March 30, 2012 and decree 2012 488 dated April 13, 2012. The French national regulatory framework was slightly amended by two other decrees in 2012:

- Decree 2012 513 dated April 18, 2012, concerning the reporting of information to the public authorities on infrastructure and networks set up in their areas. This decree sets down a procedural framework and lists the type of information that operators are required to provide to local government agencies; and

- Decree 2012 1266 dated November 15, 2012, relating to safety and integrity controls for the equipment, networks and services of electronic communications operators. This decree provides that the French government may carry out audits and controls on the safety and security of operators’ networks.

The European Commission regularly publishes recommendations aimed at the electronic communications sector, including Recommendation of September 11, 2013, on consistent non discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment. This recommendation provides that access prices should be calculated using a bottom up modeling approach based on a model that includes existing infrastructure (mainly ducts) as well as ones that will have to be constructed from scratch when building a next generation access network. The recommendation states that the European Commission expects the average monthly rental access price of the full unbundled copper local loop in the European Union which will result from the application of the recommended methodology to fall within a range of prices between €8 and €10 (consequently the €8.90 price currently applicable in France already falls into this range). The recommendation also establishes the cost accounting methodology to be used for the asymmetric regulation of fiber but does not set out the methodology for the symmetric regulation of fiber (see below for details on the symmetric model in force in France).

On June 17, 2013, the European Commission and its Vice President held a public information meeting to relaunch the implementation of the "single telecoms market" within the European Union, the key features of which would be the following: (i) creating a passport procedure within the European Union and a unique authorization for the provision of services within the European Union; (ii) granting operators harmonized access to the inputs necessary for the provision of services, coordinating spectrum assignment for mobile and wireless services, and offering harmonized "access products" to operators; and (iii) enabling consumers within the European Union to freely enjoy telecom services across Europe by ensuring open and non discriminatory access to internet services, transparency, ability to easily switch providers and eliminating differences in roaming charges applied to national and international calls/SMS.

On September 11, 2013, the European Commission published a proposal for a Regulation of the European Parliament and of the Council laying down the measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) 1211/2009 and (EU) 531/2012. On October 17, 2013, the BEREC published its views on this proposal. The proposed Regulation was discussed within the European Council on October 24 and 25, 2013, which expressed its concern on some points, particularly on legal uncertainty as regards roaming. The text as modified by the European Parliament includes the outright end of international roaming in Member States by the end of 2015 and was adopted on first reading on April 3, 2014.

French Regulatory Framework Applicable to Electronic Communications

Responsibility for the control and effective implementation of the European regulatory framework lies with NRAs.

Authority of the ARCEP

In France, the NRA for electronic communications is the *Autorité de Régulation des Communications Electroniques et des Postes* ("ARCEP"), created in January 1997. The ARCEP, an independent administrative authority, ensures that operators comply with the laws and regulations set forth in the CPCE and, where applicable, that they respect the conditions of any individual authorizations granted.

Authorisations for frequency use

The Altice France Group must declare its activities and register with the ARCEP. In addition, pursuant to individual authorizations granted to SFR as a declared mobile telephony operator, SFR has been allocated frequencies in various bands used for mobile services:

- Authorisation to establish and operate a second generation (GSM) mobile radio electric network open to the public in the 900 MHz and 1,800 MHz bands (ARCEP Decision no. 06 0140 of 31 January 2006);

- Authorisation to establish and operate a third generation (UMTS) mobile radio electric network open to the public in the 2.1 GHz band (see Decree of July 18, 2001 (NOR: ECOI0120177A), as amended by the decree of December 3, 2002 (NOR; INDI0220264A) for the 1,900 1,980 MHz and 2,110 2,170 MHz sub bands and ARCEP Decision no. 10 0633 of June 8, 2010, for the 1,959.9 1,964.9 MHz and 2,149.9 2,154.9 MHz channels);

- Authorisation to reuse the 900 MHz band for the purposes of establishing and operating a third generation mobile radio electric network open to the public (ARCEP Decision no. 2008 0228 of February 26, 2008, amending ARCEP Decision no. 06 0140 mentioned above);

- Authorisation to establish and operate a fourth generation ("4G" or "LTE") mobile radio electric network in the 800 MHz band (ARCEP Decision no. 2012 0039 of January 17, 2012) and 2.6 GHz band (ARCEP Decision no. 2011 1171 of October 11, 2011).

Article 59 III of Regulation no. 2011 1012 of August 14, 2011, relating to the introduction of technological neutrality in the 1800 MHz band, instituted a lifting, under certain conditions, of the technological restrictions in frequency bands effective from May 25, 2015. Pursuant to Article 59 II of this same regulation, mobile telephony operators nevertheless have the chance to request that the frequency usage restrictions appearing in their authorisations be re examined in advance (i.e. before May 24, 2016).

In France, the frequency usage authorisations in force in the 1,800 MHz band restrict frequency use to GSM technology and do not allow the implementation of LTE.

In this context, on March 12, 2013, the ARCEP published a guidance document for "the introduction of technological neutrality in the 1,800 MHz band" pursuant to which the following targets were set for the May 24, 2016, deadline:

- Lifting of the restriction to GSM technology in the 1,800 MHz band;
- Distribution, for purposes of meeting the requirement of equality between operators, of the 1,800 MHz band into four frequency usage authorisations, held by Orange, SFR, Bouygues Telecom (with 20 MHz duplex each) and Free Mobile (with 15 MHz duplex).

ARCEP Power of sanction

Until recently, the sanctions available to the ARCEP if an operator failed to comply with the regulatory framework, as set forth in Article L. 36-11 of the CPCE, included limiting the scope or reducing the term of the operator's license, as well as suspending or even fully withdrawing the operator's registration. It could also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach. Further, if the ARCEP identified a serious and immediate infringement of the rules governing the sector, it could order precautionary measures without any requirement for prior notice. In addition, if an infringement could cause serious harm to either an operator or the market, the ARCEP's Chairman could make an emergency application to the French Conseil d'Etat for an order requiring the party concerned to comply with the applicable rules and impose a daily fine until such party complies. On July 5, 2013, however, the Conseil constitutionnel (the constitutional court in France), ruling on a question by Numericable challenging the constitutionality of Article L. 36-11 of the CPCE through a procedure known as *question prioritaire de constitutionalité*, invalidated the power of sanction of the ARCEP set forth in Article L. 36-11, paragraphs 1 through 12, of the CPCE. An ordinance dated March 12, 2014, has restored the power of sanction of the ARCEP in a way that complies with the principle of separation of investigative and sanctioning powers.

The French regulatory framework is completed by ARCEP's decisions and regulations. ARCEP decisions may relate to asymmetric regulation (i.e. applying to operators that occupy a dominant market position) or symmetric regulation (i.e. applying to all operators). Certain symmetric regulation decisions have to be approved by the French Minister for Electronic Communications. Asymmetrical regulations mainly involve regulations on wholesale price levels for fixed voice, mobile voice, and SMS call termination and for wholesale high speed and very-high speed markets which are decisive in encouraging competition in retail markets.

In 2012 and 2013, the main decisions issued by ARCEP concerning the Numericable Group and SFR were as follows:

- ARCEP decision 2012 007 dated January 17, 2012, amending the depreciation periods used for Orange's copper local loop assets, as previously provided for in decision 05 0834 dated December 15, 2005. Decision 2012-007 led to a reduction in the unbundling fee from €9 to €8.80 in 2012. The impact of this decision will be partly offset, however, by the effect of ARCEP decision 2013 0001 dated January 29, 2013, concerning the rate of return on capital employed to be applied for accounting for costs, and controlling the fees for Orange's regulated landline activities for 2013 to 2015, which resulted in the unbundling fee being increased to €8.90 on May 1, 2013;
- ARCEP decision 2012 1546 dated December 4, 2012, establishing the provisional contributions of operators to the cost of the universal service for 2013 and ARCEP decision 2013 1212 dated October 8, 2013, establishing the rules for calculating the definitive contributions of operators to the cost of the universal service for the year 2012 (see below for details on the universal service).
- ARCEP decision 2012 0039 dated January 17, 2012, granted SFR authorization to use 10 MHz duplex frequencies in the 800 MHz band at a cost of €1.065 billion. SFR undertook to cover 98% of the population within 12 years, 90% in each department and 99.6% within 15 years. SFR also undertook to accommodate roaming by Free Mobile on its very high speed mobile broadband network in the 800 MHz band under certain conditions, to offer Mobile Virtual Network Offering ("MVNO") support and a "full MVNO" offering.

Market Analysis—Asymmetric Regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex ante asymmetric regulation is focused on market segments (mainly wholesale markets) in which distortion of competition and dominant market positions have been identified. Pursuant to the Framework Directive, Regulation 1211/2009 establishing the BEREC and articles L. 37-1 to L. 38-1 of the CPCE, the ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the French antitrust authorities, to (i) define the relevant markets in France, (ii) analyze the relevant markets and identify companies that have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with any competition problems identified.

The first and second phases of this market analysis were completed at the end of 2007 and 2010, respectively. The market analysis was carried out by the ARCEP in three distinct markets: the fixed line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by the ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L. 38, L.38-2 (wholesale markets) and L. 38-1 (retail markets) of the CPCE. These measures include obligations to publish detailed technical and pricing specifications relating to interconnection and access, to provide interconnection or access services under non discriminatory conditions, to grant reasonable requests for access to network and associated facilities, not to charge excessive or predatory prices in the market in question and to charge prices which are oriented towards the corresponding costs, to separate the accounting of certain activities, to provide retail services under non discriminatory conditions, not to unreasonably bundle these services, to comply with the price cap mechanism set by ARCEP, and to obtain ARCEP's approval of prices prior to their application. For wholesale markets, in case the foregoing measures are not sufficient to resolve competition issues, the ARCEP may, in addition, impose a functional separation of the wholesale activities of the electronic communications operator in question.

Neither Numericable Group and Completel nor SFR are considered by the ARCEP as an operator with significant market power in any relevant market, except in the market of calls terminating on their network, like all other operators (ARCEP decision 2010 1149 dated November 2, 2010). This implies that Numericable Group, Completel and SFR must comply with the regulations applicable to call termination charges on landline networks. In fact, landline operators, including Numericable Group, Completel and SFR, are considered to have significant power in the market for the termination of geographic calls on their networks and, pursuant to Articles L. 38 and L. 38-1 of the CPCE, are subject to obligations relating to access, interconnection, non discrimination and transparency, as well as an obligation not to engage in excessive pricing.

The regime governing the call termination charges on landline networks has evolved in recent years. From October 1, 2010, to October 1, 2011, the call termination charges applied by operators were set at €0.05 per minute. Pursuant to decision 2011 0926 of the ARCEP dated July 26, 2011, the maximum call termination charge was set at €0.03 from October 1, 2011, to July 1, 2012, at €0.01 from July 1, 2012, to January 1, 2013, and at €0.008 onwards. Therefore, the Numericable Group's termination charges invoiced by other landline operators have decreased as from October 1, 2011. In turn, the Numericable Group's revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame. Similarly, pursuant to ARCEP decision 2010 0892 dated July 22, 2010, maximum rates that will reach €1 per SMS as of July 2012 have been set for SMS terminations on mobile networks.

Pursuant to decisions adopted in the summer of 2011 and applicable until the summer of 2014 concerning the regulation of the broadband and ultra fast broadband markets, the ARCEP identified Orange as the sole operator with significant power in the landline market and imposed specific obligations on it concerning access to its infrastructures (unbundling the copper local loop and access to infrastructure). The provisions relating to the asymmetric regulation system for ducts were extended to overhead infrastructures and the regulations on passive access to the unbundled copper local loop have been maintained and extended to cover access to the local sub loop in order to increase the speeds available for subscribers. Furthermore, the ARCEP stated that bit stream pricing is now required to be cost oriented. In 2012, the ARCEP issued an interim scorecard in which it stated that there was no need to make any adjustments to the applicable regulations until the end of the current round of market reviews in mid 2014. On June 26, 2014, the ARCEP issued decision No. 2014-0734, applicable for a maximum period of three years, that identified Orange as the sole operator with significant power in the wholesale market of activated broadband and ultra-fast broadband offers delivered at sub-national level and imposed specific obligations on orange as concerns the DSL submarket, including among others the obligation for orange to allow its competitors to have access to its infrastructures, under reasonable, non-discriminatory and transparent conditions (including a published SLA) and at a controlled price. The access services and operational and technical processes that Orange offers to other operators on this market must be comparable to those it uses for its own needs.

In 2013, the ARCEP launched a new market analysis on the following markets to determine possible adjustments to the regulatory framework for the period from 2014 through 2016, through the launch of a first public consultation open from April 3 to May 15, 2013, and for which it published a summary on its website. On July 4, 2013, the ARCEP published a press release on its website and submitted to public consultation a scorecard of current regulation and possible pathways for development from mid-2014 to mid-2017. The relevant markets are the following: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location", and "wholesale broadband access", which comprises non-physical or virtual network access including "bit stream" access at a fixed location and "capacity services". The public consultation ran until September 16, 2013. A draft decision regarding the first two abovementioned markets was issued by the ARCEP on February 19, 2014, which is subject to review by the French Competition Authority and to a public consultation during the first quarter of 2014 (until March 26, 2014) before submission to the European Commission. Based on the draft decision, neither Numericable Group, Completel nor SFR has been identified by the ARCEP as having significant market power in one of those markets and, as a result, the ARCEP will not impose additional regulatory measures on them. See "*Risk Factors*".

Symmetric Regulation

The ARCEP also regulates the telecommunications sector in a symmetrical way, i.e. by imposing the same obligations on all operators, through a number of decisions, including:

- Decision 06 0639 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories or providing universal information services;
- Decision 07 0213 dated April 16, 2007, on obligations imposed on operators that control access to end users for routing communications used for value added services;
- Decision 2008 1362 dated December 4, 2008, on publishing measures of service quality indicators for landline networks;
- Decision 2009 0637 dated July 23, 2009, on the implementation of fixed numbers portability and the routing of communications to the ported fixed and mobile numbers;
- Decision 2009 1106 dated December 22, 2009, and decision 2010 1312 dated December 14, 2010, on the methods of access to the terminal section of optical fiber networks; and
- Decision 2010 1314 dated December 14, 2010, on the eligibility of optical fiber networks for grants from the French digital development fund.

Interconnection Access

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers (Article L.34 8 of the CPCE). Interconnection agreements are subject to private law but the main tariffs are set by the ARCEP. These agreements must be disclosed to the ARCEP on request. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (*Cour d'appel*). Any such appeal lodged against an ARCEP decision does not suspend application of the ARCEP's ruling.

Numericable Group has interconnection agreements mainly on call termination on its network and on the networks of other operators, peering or interconnection of internet traffic, the use of ducts or fiber, and access to its fiber network by other operators. Completel has similar agreements, as well as other interconnection agreements, among others, in voice transit services for other operators, leased lines or data services and traffic gathering for editors of voice and data added value services. SFR has also entered into interconnection agreements on call termination on its fixed and mobile networks with the principal national carriers as well as the networks of other carriers. SFR has established reciprocal SMS and MMS interconnection agreements with France's three main mobile carriers. MMS tariffs are not regulated. Exchange flows amongst carriers are generally quasi symmetrical.

Specific Regulatory Framework Applicable to the Access to New Generation Optical Fiber Networks

The French Economic Modernization Law dated August 4, 2008, included several provisions designed to establish a regulatory framework for the roll out of very high speed optical fiber networks. This regulatory framework contains three key concepts: (i) no ex ante regulation on retail prices; (ii) the same obligations regarding access to the terminal portion of FTTH networks apply to all operators equipping buildings with optical fiber; and (iii) non discriminatory access to the incumbent underground civil works systems at a rate that reflects costs.

To this effect, the law comprises a number of measures intended to foster such roll outs, including: (i) an obligation for private and public landlords to facilitate the installation of FTTH optical fiber networks in their buildings; (ii) rules for sharing optical fiber access in order to avoid several FTTH networks being set up within the same building (only one "building operator" (*opérateur d'immeuble*) may therefore set up a network in its building); (iii) a requirement for each operator offering very high speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision making powers to set the terms and conditions relating to the application of this law. Accordingly, for the optical fiber networks located in France's 148 most densely populated cities, the ARCEP decision 2009 1106 dated December 22, 2009, regulates access to the terminal section of networks installed by telecommunications operators in buildings. If they wish, operators can co invest in FTTH networks installed by other operators and can consequently get a dedicated fiber. The ARCEP decision 2010 1312 of December 14, 2010, sets forth the terms and conditions for access to very high speed optical fiber electronic communications lines in less densely populated areas. Under this decision, operators are required to establish shared access points that are sufficiently large to enable other operators to obtain access at reasonable prices. It also requires operators rolling out a network to store the active or passive network devices of other operators at these shared access points.

Lastly, in February 2013, the French government announced a plan for the development of very-high-speed networks to succeed the national program launched in 2010. In a speech given on February 20, 2013, the President of the Republic announced the mobilization of €20 billion over the next ten years to increase access to ultra-fast broadband, including a government grant of approximately €3 billion to support the projects of local authorities. On April 29, 2013, an order of the Prime Minister defined the specifications of the call for proposals for "France ultra-fast broadband—Public Initiative Networks".

The Numericable Group intends to pursue an opportunistic strategy in relation to the governmental program.

Individual requirements under SFR mobile telephony licenses

In addition to the general requirements, there are individual requirements associated with the commitments made by SFR when the respective authorisations were granted for use of the frequencies of which it is the licensee. These individual requirements are chiefly the following:

- 3G coverage commitments:

The table below provides an overview of 3G network coverage commitments applicable to SFR:

Due dates	**December 31, 2010**	**December 31, 2011**	**December 31, 2013**
Coverage requirement (as a % of the population)	88%	98%	99.3%

Source: ARCEP

- Coverage commitments in very-high-speed mobile:

The timetable below summarises the deployment requirements stipulated under SFR's 4G licenses in the 800 MHz and 2.6 GHz bandwidths:

As a % of the population	**October 11, 2015**	**January 17, 2017**	**October 11, 2019**	**January 17, 2022**	**October 11, 2023**
In the priority deployment zone (18% of the population and 63% of the territory)		40% (800 MHz band)		90% (800 MHz band)	
In each Department					
Throughout all of metropolitan France	25% (2.6 GHz band)		60% (2.6 GHz band)		75% (2.6 GHz band)

Source: ARCEP

- MVNO (Mobile Virtual Network Carriers) hosting commitments

At the time of the procedure for awarding residual frequencies of the 2.1 GHz frequency band, SFR agreed to host MVNOs on its network under conditions "that shall not without objective justification restrict competition on the wholesale market for MVNO hosting or the commercial autonomy of MVNOs on the retail market".

In addition, under its 4G license in the 800 MHz frequency band, SFR committed to the following:

(i) to allow "any reasonable requests for hosting on its very high speed mobile network open to the public";

(ii) to provide to any MVNOs hosted by it on its network with "hosting under reasonable financial terms, with reference to the terms prevailing on the wholesale and retail markets on which SFR operates, and compatible with the exercise of actual and fair competition on those markets"; and

(iii) to offer "a product based on a so called 'full MVNO''', which includes providing access to its radio local loop "under conditions allowing its actual use, particularly under non discriminatory conditions, in terms of quality of service compared with the conditions enjoyed by SFR for its own services".

Legal Status of the Numericable Group's Cable Networks

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These components can be governed by different legal frameworks (as described below). Since the Numericable Group's physical infrastructure is not built on its own premises (but, rather, on public land and private property), the Numericable Group has entered into concession or lease agreements, or benefits from easements, or IRU agreements with landlords. The telecommunications equipment itself can be directly owned by the telecommunications operator or owned by a third party (which may be itself a telecommunications operator). Several telecommunications operators can occupy or use the same physical infrastructure or even the same telecommunications equipment. The Numericable Group has built its network by acquiring and combining entities which themselves had built their networks under different legal frameworks, with different combinations of the legal frameworks described below.

Network Using the Ducts of Orange

In 1982, the French State launched the Cable Plan (*Plan Câble*) (established by the laws dated July 29, 1982, and August 1, 1984). Under the Cable Plan, the cable network was built by the French State and later transferred to Orange, the incumbent telecom operator. The network was initially operated by certain of the Numericable Group's predecessors, local entities financed by both private and public funding, which the Numericable Group later acquired. At the time of these acquisitions, Orange granted the Numericable Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Numericable Group for terms of 20 years each and the renewal of the first of these will have to be negotiated between the parties in 2019. For a description of the Numericable Group's IRU agreement with Orange, see "—*Material Contracts*". The network using the ducts of Orange represents 55% of the Numericable Group's overall cable network.

Pursuant to the ARCEP decision 2008 0835 dated July 24, 2008, Orange published on September 15, 2008, a commercial offer allowing telecommunications operators to roll out their own fiber networks in the ducts of Orange. Orange then asked Numericable to modify the IRUs granted in order to align the operational procedures set forth in the IRUs with some of the operational procedures of this commercial offer. In particular, Orange asked Numericable to follow the general rules of access to the physical infrastructures of Orange, for the purpose of maintaining and upgrading its network. This issue was litigated and the ARCEP (on November 4, 2010) and the Paris Court of Appeal (on June 23, 2011) ruled in favor of Orange. Numericable appealed the decision before the French Supreme Court (*Cour de cassation*) but it upheld, for the most part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010, decision. Consequently, in December 2011, Numericable executed with Orange amendments to the IRUs in order to comply with the November 4, 2010, ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in the Orange generic commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not suspended by the execution of the amendments to the IRUs and Numericable and NC Numericable were fined €5.0 million on December 20, 2011, for non compliance with the ARCEP's November 4, 2010, decision. However, on October 21, 2013, the *Conseil d'Etat* annulled the ARCEP's decision to impose the above mentioned penalty.

Lastly, Numericable initiated proceedings against Orange before the Paris Commercial Court on October 7, 2010, and before the ICC in Paris on October 22, 2010, claiming damages in the total amount of €3.1 billion (€2.6 billion before the Commercial Court and €542 million before the ICC) for breach of these contracts by Orange and for the modification of the IRUs. The Paris Commercial Court ruled on April 23, 2012, in favor of Orange and dismissed Numericable's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on Numericable by Orange under its generic commercial offer published on September 15, 2008. The ICC rendered a final award on February 25, 2013, dismissing Numericable Group of its claims and ordering Numericable Group to pay the arbitration costs and other related costs in a total amount of €1.2 million. By judgment rendered on June 20, 2014, the Court of Appeal of Paris confirmed the first instance judgment issued by the Commercial Court of Paris and awarded €90,000 to Orange for damages and court costs. Numericable Group filed an appeal before the French Supreme Court, the decision of which is expected to be rendered sometimes during the first quarter of 2016. Both the Court of Appeal of Paris and the ICC dismissed Orange of its claims in the amount of €100 million for abusive legal action.

Networks Set Up Following the New Deal Plan

In 1986, the government launched the New Deal Plan (*Plan Nouvelle Donne*) (Law 86 1067 of September 30, 1986, relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorize private companies to set up these networks. Several private companies (which the Numericable Group later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent 38% of the Numericable Group's overall cable network. The Numericable Group entered into approximately 500 agreements in connection with New Deal Plan networks.

There is no standard form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long term agreements entered into with local authorities. The issue relates to the identification of agreements that can be categorized as agreements with a local authority for the delegation of public services (*délégation de service public*). Under such an agreement, the infrastructure and equipment used to carry out the public services (*biens de retour*) revert back to the local authorities upon the expiration or termination of the agreement.

In this context, Law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, "2002 Telecoms Package" (the "*Paquet Télécoms 2002*") into French law, imposed the termination of exclusive rights over the installation and/or operation of networks contained in these agreements. Moreover, Law 2008-776 of August 4, 2008, authorized local authorities to grant equal rights of access on their networks to the Group's competitors even if the agreement with such local authorities says otherwise. In a report dated July 2007, the ARCEP was of the opinion that, although final determination on the categorization of these agreements may only be made by the judge on a case by case basis depending on the wording of each agreement, agreements concluded with local authorities after the enactment of Law 90-1170 dated December 29, 1990, which authorized municipalities to operate New Deal Plan telecommunications networks themselves, are to be categorized as agreements for the delegation of public services and therefore contain the concept of reversion (*biens de retour*).

In order to clarify the conditions for implementing such termination of exclusive rights over the installation and/or operation of networks in the agreements currently in place with public authorities (primarily local authorities), in May 2010, the Group made a proposal to the ARCEP to novate the agreements such that the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to the Group through a transfer process. This approach led to the conclusion of transactional agreements that are in line with the above mentioned requirement (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a nonexclusive right for the Group to use the ducts which had become the property of the local authorities on the terms of such new agreement, with the Group's own telecommunications equipment. One of the key features of these agreements is the Group's right to use the ducts on a nonexclusive basis and its competitors' ability to install their own equipment on such ducts.

The Numericable Group has signed nearly 80 agreements, 25 of which follow the approach acknowledged by the ARCEP, with various local authorities and is currently negotiating the implementation of its proposal with certain local authorities. The Numericable Group is currently negotiating the implementation of its proposal with certain local authorities.

See "*Risk Factors—Regulatory and Legal Risks—The legal status of the Numericable Group's network is complex and, in some instances, subject to renewal or challenge*" for a description of the risks associated with the New Deal Plan.

Other Networks

A limited portion of Numericable Group's current network (7%) is governed by legal agreements such as long term leases of public property, *conventions d'affermage* (i.e. a type of operating concession through which the Group leases an entire network) or public land use agreements (*conventions d'occupation du domaine public*, through which the Group installs the necessary network equipment on public property with no underlying property transfer).

These agreements are entered into with local authorities, primarily municipalities, for terms from ten to 30 years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, the Numericable Group must, in accordance with its contractual requirements, (i) return the entire network to the local authorities, in some cases in return for the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, at the cost of either the Numericable Group or the local authorities, the equipment installed by the Numericable Group on the local authorities' premises, (iii) transfer the network to other operators, with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of the Numericable Group's own network on public land.

Mobile Network pooling

As noted by the ARCEP, although competition through infrastructure is an important element for ensuring a competitive dynamic and a high level of investment, network pooling is not incompatible with this competition goal (see in particular ARCEP Opinion no. 2012-1627 of December 20, 2012). In a context of increased competitive pressure, and although investment needs remain significant in particular for the deployment of 4G, network pooling can constitute a means for operators to reduce their costs and provide benefits to users, in terms of extended operator coverage and improved quality of service.

Network pooling is implemented in France through several specific mechanisms that have the common objective of strengthening mobile coverage within the country:

- The "white spots" programme begun in 2003 under the aegis of the Ministry for Regional Planning and the ARCEP to enable 2G network coverage in the town centres of approximately 3,300 municipalities;

- A 3G network infrastructure sharing agreement, in accordance with ARCEP decision no. 2009 329 of April 9, 2009, entered into on February 11, 2010, by three mobile operators (SFR, Orange and Bouygues Telecom), which provides for the sharing of 3G network facilities between mobile operators in lower density areas within the country. This agreement was supplemented with the signing on July 23, 2010, of an agreement with Free Mobile providing the terms for its deferred arrival into the mechanism; and

- The pooling obligations resulting from the 4G frequency usage authorisations, which provide that their holders must jointly implement network and frequency pooling in the 800 MHz band in order to cover the town centres of municipalities located in white spots within a maximum time period of 15 years (January 2027).

In addition to these specific mechanisms, the conditions under which network or frequency pooling agreements may be implemented in general by mobile operators were specified by the Competition Authority in an opinion dated March 11, 2013.

In this context, SFR and Bouygues Telecom announced an agreement on January 31, 2014, for the pooling of part of their mobile networks. In a press release dated January 31, 2014, the ARCEP welcomed this agreement subject to three conditions: (i) the operators' continued strategic and commercial independence; (ii) the lack of an eviction effect on some market competitors; and (iii) improved services provided to users in terms of coverage and quality of service. Orange challenged the agreement before the Competition Authority seeking its suspension on interim measures and its prohibition on the merits. Based on an opinion delivered by the ARCEP on the agreement, the Competition Authority rejected Orange's request for interim measures on September 25, 2014 (Decision no. 14-D-10). Orange brought an appeal before the Paris Court of Appeal. Its decision is expected at the end of January 2015. The proceeding on the merits before the Competition Authority is ongoing.

Roaming

Roaming is another form of infrastructure sharing between operators under which an operator hosts another operator's customers on its network. Only the host operator's frequencies are used here.

As with network pooling, roaming is implemented in France through several series of specific measures, including, in particular, the abovementioned "white spot" programme begun in 2003, as well as the mechanism relating to Free Mobile's right to 2G and 4G roaming.

SFR, which holds an authorisation aggregating two blocks in the 800 MHz band, must allow Free Mobile to enjoy roaming, if it makes a reasonable request, once Free Mobile's 2.6 GHz network has achieved (i) 25% coverage of the population, and (ii) if Free Mobile does not already have a roaming host on the very-high speed mobile network of another holder of frequencies in the 800 MHz band. This right concerns 4G in the priority deployment area in the 800 MHz band, i.e. 18% of the population and 63% of the country.

In its Opinion no. 13-A-08 of March 11, 2013, the Competition Authority specified the conditions under which roaming agreements in general may be deemed as compliant with competition law. In the specific case of Free Mobile, the Authority believes that if it retains its 2G roaming right beyond its expiration date in 2016, it may be limited only to customers with 2G handsets exclusively.

Operators are also prompted to enter into international roaming agreements with their foreign counterparts and may also be required, in connection with the frequency authorisations, to enter into roaming agreements with MVNOs in order to host the customers of the latter on their networks.

SFR's network

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

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

These agreements have been concluded for very different timeframes, varying from three to 25 years, with the agreements for the shortest time generally envisaging tacit renewal. Occupancy of public land by SFR is, as for all the occupants of public land, always precarious. The public corporations with which SFR has made these agreements or which have allocated these permits may terminate these agreements for occupancy of public land at any time due to default or for a motive of public interest, with some agreements also excluding any compensation in this case. SFR does not have a right to the renewal of these agreements.

Legal Status of the Le Cable Networks

As with Numericable Group's network in France, Le Cable's physical infrastructure in the French Overseas Territories is not built on its own premises (but, rather, on public land and private property). As a result, Le Cable has entered into concession, easement or lease agreements with landlords. Several telecommunications operators can occupy or use the same physical infrastructure or even the same telecommunications equipment.

One of Le Cable's cable networks (Point à Pitre, Guadeloupe) can be categorized as an agreement for the delegation of public services (*délégation de service public*). Under such agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out the said public services revert back to the local authorities upon expiry or termination of the agreement (*biens de retour*). Renegotiations of these agreements were imposed by laws passed on July 9, 2004, and March 5, 2007, with a view to clarifying the legal classification of the agreements. Moreover, the law of August 4, 2008, authorized local authorities to grant equal rights of access on their network to our competitors even if the agreement with such local authorities says otherwise.

The rest of Le Cable's current cable network is governed by ad hoc legal agreements. Concerning such agreements with local authorities, Le Cable has initiated their transformation into agreements for the occupation of public domain (*conventions d'occupation du domaine public*). Occupation of public domain agreements, which are entered into with local authorities for terms ranging from 10 to 30 years, provide that, upon termination, we must, at the option of the local authority (i) return the entire network to the local authority, in some cases in return for the payment by the local authority of an amount equal to the market value of the network, in other cases free of charge, (ii) remove, either at our cost or at the cost of the local authority, the equipment installed by us on their land or premises, or (iii) transfer the network to another operator, provided it is approved by the local authority. In accordance with the law applicable to these agreements, upon expiration of long term leases, the network reverts to the local authorities.

Fees are typically paid on an annual basis, and in principle based on the size of the network deployed on public land or premises.

Fixed Number Portability

Number portability is the service offered by a telecommunications operator allowing its subscribers to keep their telephone number when they switch to another operator. Number portability is an obligation for all operators connecting end subscribers pursuant to Article L. 44 of the CPCE. Decree 2006 82 of January 27, 2006, extended this number portability obligation to alternative landline operators. The ARCEP decision 2009 0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators, notably the maximum length of time that a service can be interrupted in the event of a portability request (four hours as from January 1, 2012). It also states that as from April 1, 2010, the same level of service must be provided for calls carried to ported numbers as for those carried to non-ported numbers, subject to the maximum length of service interruption in connection with a portability request. Pursuant to Article D. 406-18 of the CPCE, a portability request between two operators must be addressed within one day. Consumer contracts must include and detail the applicable penalties in the event of failure by the operators to meet this time frame.

In order to effectively manage the exchange of information between operators concerning portability requests, in January 2009 the main operators, including Completel, Numericable Group and SFR, set up a dedicated entity called *l'Association de la Portabilité des Numéros Fixes*.

An order published in the Journal official on November 1, 2013, confirmed ARCEP Decision No. 2013 0830 of June 25, 2013, specifying the new methods for allowing customers to keep fixed numbers. This decision establishes new requirements for operators in the B2C segment to be implemented gradually until October 1, 2015.

Directories and Provision of Subscriber Lists

Pursuant to Article L. 34 of the CPCE, anyone may freely publish lists of subscribers or users of networks or electronic communications services, subject to the protection of the rights of the persons. Therefore, all operators that connect end subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services.

The ARCEP decision 06 0639 dated November 30, 2006, sets forth further details on the conditions for supplying subscriber and user lists for the purpose of publishing universal directories or providing universal information services.

Contribution to Universal Service Funding

Pursuant to Articles L. 35 et seq. of the CPCE, implementing into French law the provisions of the Universal Service Directive as modified by Directive 2009/136 dated November 25, 2009, universal service obligations include (i) the universal services of electronic communications, (ii) services ancillary to the universal services and (iii) missions of general interest in the electronic communications sector in relation with defense and security, public research, and higher education. The universal services of electronic communications include the provision of the following services: (a) access to a fixed network open to the public and telephone services, including facsimile and data communications at speeds sufficient to allow internet access, and free emergency calls, at an affordable price; (b) information and universal directories services; (c) access to public telephones; and (d) specific measures for disabled end users.

Pursuant to law 2003 1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. Orange won the tender processes carried out in France and has been designated as the operator responsible for providing the components of the universal service, with the exception of directory services for subscribers which were granted to the company PagesJaunes by order dated December 6, 2012. The cost of the universal service is shared between operators with annual revenues above €5 million on the retail market *pro rata* to their revenues derived from telecommunication services.

The provisional and then definitive contributions by the carriers to the net cost of the universal service (telephony and low-speed internet access) are included in the decisions published every year by ARCEP.

On 26 November 2013, ARCEP published its Decision No. 2013-1406 setting the provisional contributions by the carriers to the financing of the universal service by electronic communications for the year 2014.

For the year 2014, these contributions amount to €152,962 for Numericable Group and €6,029,734 for SFR.

Broadcasting of Audiovisual Services

The transmission and broadcast of radio and television services (whatever the means of signal transmission) falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

The oversight powers of the French broadcasting regulator, the Conseil Supérieur de l'Audiovisuel ("CSA") were extended by Law 2004-669 dated July 9, 2004, to cover all radio and television services, irrespective of their method of transmission and broadcast. Rules governing powers and composition of the CSA have recently changed pursuant to Law 2013-1028 dated November 15, 2013, relating to the independence of public audiovisual services. The law contains the following main provisions: (i) granting to the CSA the power of appointing the presidents of France Télévision, Radio France and the company in charge of French audiovisual services overseas instead of the President of the French Republic; (ii) reducing the number of members of the CSA from nine to seven and limiting the power of the President of the French Republic to the appointment of the President of the CSA only; and (iii) amending the sanction proceedings before the CSA by the creation of an independent rapporteur and the instauration of a clear distinction between the inquiries and instructing body and the decision body. As a broadcaster of radio and television services, the Numericable Group must declare its activities and register with the CSA.

Pursuant to Articles 42-1 and 42-2 of Law 86-1067 dated September 30, 1986 (as amended by Laws 2004-669 dated July 9, 2004 and 2009-258 dated March 5, 2009, respectively), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing that registration (for a maximum of one year). The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In its capacity as a broadcaster of audiovisual services, the Numericable Group is subject to the regulatory "must carry" provisions, i.e. the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network.

The must carry obligations are governed by Articles 34-2, 34-4 and 34-5 of Law 86-1067 dated September 30, 1986 (as amended by Laws 2011-901 dated July 28, 2011 or 2009-258 dated March 5, 2009, as applicable):

- Article 34-2 mainly states that for all types of networks the following channels must be provided to subscribers free of charge: public service channels broadcast over terrestrial hertzian waves, Arte, the Chaîne Parlementaire, TV5, and RFO services specifically aimed at the general public in mainland France (i.e. the RFO Sat program). Excluding satellite, the same rules apply to local cable channels.

- Article 34-4 introduces must carry rights on all means of transmission (cable, satellite and ADSL) for free to air, analog or digital channels broadcast via terrestrial hertzian waves, under fair, reasonable and non discriminatory conditions. Only the channels themselves can demand that their programs be carried by the distribution networks and not vice versa.

- Article 34-5 requires electronic communications networks in digital mode to carry all of France 3's regional programs, to the exception of those directed to French overseas departments, unless their technical capacities do not allow it.

Moreover, the CSA controls the content of the broadcast channels. In particular, under Article 15 of Law 86 1067 dated September 30, 1986 (as amended by Law 2010-769 dated July 9, 2010), the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of programs and embedding of special logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, the Group and SFR ensure that they strictly comply with these rules.

Regulation of the Content of Electronic Communications

Content of Online Services and Liabilities of Internet Market Players

The liability provisions applicable to internet players are primarily set forth in Law 2004 575 dated June 21, 2004, the CPCE, Ordinance 2011 1012 of August 24, 2011, Decree 2011 219 of February 25, 2011, and Decree 2012-436 of March 30, 2012. They include the following:

- providers of online communications services must identify themselves, directly or indirectly. Access and hosting providers are required to keep data that could identify persons having participated in the creation of the content of the services that they provide, in order to be able to pass on such data to the legal authorities, if required;

- hosting providers can only be held civilly or criminally liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances in which this unlawful nature is made obvious, or if, when they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it;

- access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances in which they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or they have selected and/or modified the transmitted content; and

- electronic communications operators are obligated to keep the technical connection data necessary for criminal investigations or for the mission of the HADOPI (as defined below). They may also keep the technical data required to obtain payment of their invoices. Apart from these two specific cases, the operators concerned must delete or render anonymous all data concerning a communication once it is completed.

Statutory provisions were also introduced by Law 2010-476 of May 12, 2010, relating to the opening up to competition and the regulation of the betting and gaming sectors and Law 2011-267 of March 14, 2011, on the policy and programming of the performance of internal security processes requiring access providers to block access to certain websites and online content (such as illegal gaming sites or pedo pornographic content), when ordered by the Autorité de regulation des jeux en ligne (ARJEL) (i.e. the French online gaming regulator) or the Ministry of the Interior.

Copyright and the Internet

Under Law 2009 669 adopted on June 12, 2009, promoting the dissemination and protection of creative works on the internet, a specific "graduated response" system was introduced aimed at limiting illegal downloads. The first level of the system is a warning email sent to illegal downloaders. An independent administrative body (*Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur Internet* (the "HADOPI")) was created to manage and send these e mails. On October 28, 2009, Law 2009 1311 was adopted to round out the graduated response system by providing that, in the event of repeated offenses, a judge can levy a fine or even suspend the illegal downloader's internet access. The latter sanction, however, was repealed by decree 2013 596 dated July 8, 2013.

These statutory provisions have also been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (Decree 2010-236 of March 5, 2010) and (ii) the obligation for access providers to act as a vector for the recommendations issued by the HADOPI (Decree 2010-1202 of October 12, 2010).

In May 2012, the new government announced the creation of an ad hoc commission dedicated to the reform of the HADOPI. This commission, which issued its report on May 14, 2013, made recommendations in the following areas: (i) public access to work and online cultural offer, (ii) remuneration of creators and financing of creation, and (iii) protection and adaptation of intellectual property rights.

The legal framework on copyright and the internet is therefore expected to be modified in the near future, as was the case pursuant to Decree 2013-596 dated July 8, 2013, mentioned above and recently by Law 1014-315 dated March 11, 2014, reinforcing means to fight against infringement. It is also anticipated that the powers of the HADOPI may be transferred to the CSA.

Processing of Personal Data and Protection of Individuals

Law 2004-801 dated August 6, 2004, on the protection of individuals with respect to the processing of personal data amending Law 78-17 dated January 6, 1978, relating to IT, computer files and civil liberties ("Law 78-17") and Decree 2005-1309 of October 20, 2005, implementing Law 78-17, transposed into French law directive 95/46/EC dated October 24, 1995, on the protection of individuals with regard to the processing of personal data and on the free movement of such data and certain provisions of the Privacy and Electronic Directive. Law 2004-575 dated June 21, 2004, on confidence in the digital economy and Law 2004-669 dated July 9, 2004, on electronic communications and audiovisual communications services also implemented certain provisions of the Privacy and Electronic Directive into French law. Finally, French data privacy regulations have been adjusted by Ordinance 2011-1012 dated August 24, 2011, which implemented into French law the 2009 Directives (more specifically, the requirement that consent be obtained before cookies are placed on individual computers). On January 25, 2012, the European Commission published proposals for updating and modernizing the principles of Directive 95/46/EC mentioned above to reinforce individual's rights, give people more control over their personal data and more generally guarantee privacy rights. These proposals are designed to ensure that people's personal information is protected—no matter where it is sent, processed or stored—even outside the European Union. On March 13, 2014, the European Parliament approved the draft regulation based on the 2012 proposals by the European Commission.

The main applicable provisions of Law 78-17 (as amended) which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);

- the right of the persons concerned to access, correct and object to the processing of their personal data must be ensured at all times;

- all processing of personal data must be notified to or duly authorized by the *Commission Nationale Informatique et Libertés* (CNIL), with very limited exceptions;

- electronic communications providers have an obligation to report to the French authorities a breach of personal data protection, which is detailed in Decree 2012-436 of March 30, 2012; and

- any failure to comply with the provisions of Law 78-17 (as amended) is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226 24 of the French Penal Code (*Code pénal*). Such offenses are punishable by a fine of up to €30,000 and five years' imprisonment, or, with respect to legal entities, a fine of up to €1.5 million.

Concerning data relating to the use of its services, since June 18, 2008, the Numericable Group has been required to store all user identification data for a period of five years following subscription termination. In accordance with Article L. 34 1 of the CPCE, technical data relating to connections has to be stored and then anonymized after a period of one year.

The Numericable Group may be required to pass on data it has in its possession on the identification, location and connection of a user of its services but such data may only be provided to duly authorized national legal and administrative authorities. The information passed on does not include any data concerning the content of any communications or information consulted. The categories of data covered by this requirement are currently set out in Decrees 2006-358 of March 24, 2006, and 2011-219 of February 25, 2011. In accordance with Law 91-646 of July 10, 1991, the Numericable Group may also be required to carry out legal interceptions of the electronic communications transmitted over their landline networks where required by the duly authorized legal and administrative authorities. This type of interception (for which the Numericable Group received financial compensation from the State following Decision 2000-441 DC of the French Conseil Constitutionnel dated December 28, 2000) is carried out in accordance with a strict supervisory framework by qualified professionals using equipment that is duly authorized and controlled by the relevant authorities.

Article 34 bis of Law 78-17 (as amended) resulting from Decree 2011-219 of February 25, 2011, stipulates an obligation of notification of security breaches for the providers of electronic communication services accessible to the public. This law was completed by European Regulation 611/2013 of June 24, 2013, which entered into effect in August 2013. Law 2013-1168 of December 18, 2013, on military planning for the years 2014 to 2019 with various provisions concerning defence and national security reinforced these obligations.

Decree 2012-488 of April 13, 2012 imposed additional obligations on operators to protect the safety of data on their networks. Operators must implement specific policies to protect the integrity of their networks.

In addition, the activity of hosting personal health data conducted by SFR is subject to a specific authorization obtained in March 2012 (published in the Official Bulletin of the Ministry of Health on November 15, 2012: Decision of March 6, 2012, authorising SFR for the hosting of applications provided by customers and a manager of personal health data via its "Isiad Infrastructure SI on demand" and "Dedicated Hosting service offers").

The legislative framework for the personal health data hosting activity is defined by Article L. 1111-8 of the Public Health Code, added by Law 2002-303 of March 4, 2002, the "Kouchner" law, which stipulates that health professionals or health institutions or the data subject may deposit personal health data collected or produced during prevention, diagnostic or care activities with individuals or legal entities authorized for this purpose. The authorization procedure implies compliance with the requirements formulated by Decree 2006-6 of January 4, 2006, codified in the regulatory portion of the Public Health Code. Article L. 1111-8 of the Public Health Code specifies that personal health care data may be hosted only with the express consent of the person concerned.

The exercise without authorization of the activity of hosting personal health care data is a criminal offense punishable by up to three years in prison and a fine of €45,000 (Article L. 1115-1 of the Public Health Code).

Domain names

Domain names are assigned to the digital addresses of the servers connected to the internet and constitute internet addresses. The legal provisions relating to the allocation and management of top level domain names (TLD) for the French national territory are set out in Law 2011-302 of March 22, 2011, as codified in Articles L.45 et seq. of the CPCE. The Numericable Group has registered a certain number of domain names in France which have been recognized as assets.

Tax Regime

Tax on Telecom Operators' Revenue

Law 2009 258 dated March 5, 2009, relating to audiovisual communication and the new television public service introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of telecommunication operators relating to electronic communication services (subject to certain deductions and exclusions, and with a specific rebate for bundled offers) in excess of €5,000,000. This tax was implemented from March 7, 2009. In November 2009, the French Telecommunications Federation (*Fédération Française des Télécoms*) asked the European Commission to review the compatibility of this tax with EU Directive 2002/20/EC which specifies the taxes that may be imposed on telecommunications operators. On January 28, 2010, the European Commission began infringement proceedings against France with respect to this tax. On September 30, 2010, the Commission initiated the second phase of the infringement procedure by issuing a reasoned opinion stating that the tax is not compatible with EU Directive no. 2002/20/EC and decided to refer the matter to the European Court of Justice on March 14, 2011. The action was brought before the Court on September 22, 2011 (Case C 485 11). On June 27, 2013, the Court rendered a ruling dismissing the Commission's action on the ground that the tax on telecommunication operators' revenues did not fall within the scope of the EU Directive no. 2002/20/EC, and was, therefore, not incompatible with the Directive.

The Finance Law of 2011

Article 26 of the 2011 finance law, promulgated on December 28, 2010, eliminated the possibility of applying the VAT low rate to a lump base equal to half the price of bundled offers that provide access to both an electronic communications network and a television service. Since then, in the context of these offers, the reduced rate (7% as from January 1, 2012) is applicable, in proportion to the economic value of services corresponding to television distribution rights acquired by the supplier. Numericable Group has passed on this VAT increase into its retail offers.

The Finance Law of 2012

The VAT rate for television services has been increased from 5.5% to 7.0%, as from January 1, 2012. The third Amended Finance Law for 2012 provides for a further increase of this rate to 10% as from January 1, 2014.

Payment services regulations applicable to OPS

Payment services which Outremer plans to introduce through a fully-owned subsidiary, OPS, are governed in particular by Directive 2007/64/EC, Articles L. 522-1 to L. 522-20 and D.522-1 to D.522-1-2 of the French Monetary and Financial Code (the "FMFC"), as further detailed in a Decree dated October 29, 2009, setting out prudential requirements for payment institutions (the "Decree"). As a payment institution, such subsidiary is controlled by the *Autorité de Contrôle Prudentiel et de Résolution* (the "ACPR").

Prior Approval

Pursuant to the FMFC and the Decree, all payment institutions must be approved by the ACP. When reviewing the application form, the ACPR seeks to ensure that the payment institution has adequate resources (technical, material and human) and organization to operate in compliance with the relevant regulation and examines, in particular, if the company (i) has a sound system of corporate governance, (ii) has an adequate risk-management process and internal control, (iii) has implemented one of the safeguarding method in respect of the customers funds, hold initial capital and owns funds equal to a minimum amount determined by one of the three applicable methods, and (iv) complies with security and anti-money laundering requirements. Further, it seeks to verify that the individuals declared responsible for the effective management of the payment institution possess the respectability, competence and experience, as well as the status of the shareholders who have a qualified equity holding.

Changes requiring prior approval from or notice to the ACPR

The FMFC and the Decree provide that some changes require the prior approval of the ACPR, while others only need to be notified to the ACPR. In particular and without limitation the following changes require the ACPR's prior approval: (i) change in the corporate form, (ii) change in the types of payment services provided, or (iii) change in any element which the ACPR imposed as a condition to its prior approval.

The ACP's prior approval is also required for any direct or indirect acquisition, extension or sale of a shareholding in the payment institution by a person or group of persons (other than a person or entity within the same group) causing these persons to either (i) reach the thresholds of 10%, 20%, or $33^1/_3$% of the payment institution's voting rights, or (ii) acquire or give up the effective control over the payment institution's management. We have now obtained this approval from ACP.

Rules governing the management and organization of payment institutions

The FMFC and the Decree require payment institutions to abide by a series of management and financial requirements.

Payment agent and outsourcings

When a payment institution intends to provide payment services through an agent or outsources material services, it must previously get approval of this agent to the ACPR.

Control by the ACPR

A payment institution must at all times comply with the requirements set out in the ACPR's approval and the ACPR monitors the compliance of the activities conducted by payment institutions.

The FMFC and the Order provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACPR may withdraw its approval. In such a case, the payment institution will be removed from the list of authorized payment institutions within a maximum of 15 months from the ACPR's decision and funds received in connection with payment services must be returned to the users of the payment services or transferred to a credit or payment institution or to the Caisse des Dépôts et Consignations within this 15-month period.

The ACPR may also impose disciplinary sanctions on payment institutions, including their removal from the list of authorized payment institutions. In such a case, the institution is banned from offering payment services and, in certain circumstances, this sanction entails the dissolution of the payment institution.

Israel

The communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and policy statements of, the Israeli Ministry of Communications or the Council for Broadcasting by Cable and Sattelite (the "Broadcasting Council") with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever-changing regulatory environment can have a material effect on our activities. In this section only, references to "we", "us", "our", "HOT" and the "Company" may refer to HOT Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the "Knesset"), primarily the Communications Law (Telecommunication and Broadcasting), 5742 1982 (the "Communications Law"), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) and the Broadcasting Council to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication's policy with respect to certain basic issues in the relevant market.

Television

Overview

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761 2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub Titles and Sign Language), 5765 2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub titles and translation into sign language).

We provide our television services pursuant to a non exclusive general cable broadcasting license issued by the Broadcasting Council that applies to all areas of the State of Israel and a non-exclusive general cable broadcasting license applying to Judea and Samaria (the "Broadcasting Licenses"). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. In November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of those areas. The Broadcasting Licenses also stipulate the maximum fees that may be charged for our analog package. Our Broadcasting Licenses are valid until 2017 and may be extended for periods of 10 years at a time by the Broadcasting Council. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2017. As a general rule, the Broadcasting Licenses are non- transferable. In addition, the transfer of any means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among other things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi-channel television broadcasts for subscribers, and accordingly, the Anti Trust Commissioner (the "Commissioner") is permitted to issue instructions to us pursuant to the Restrictive Business Practices Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The Commissioner has set various conditions which apply to us as part of its decision to approve the Israeli cable consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of, and the exclusivity in, programs and ownership of broadcast programs, limitations on agreements with producers of channels, a requirement to provide telephony services, investing in infrastructure, and the provision of bank guarantees. We are also subject to general antitrust law which prohibits certain restrictive agreements and the abuse of dominant market positions. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Obligation to Extend Services

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not. In November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of these areas.

Access to DTT Channels

The Second Authority for Television and Radio (the "Second Authority"), a statutory body set up under the Second Television and Radio Authority Law (the "Second Authority Law"), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts ("DTT") to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channels 1 and 33), the commercial television channels (Channels 2 and 10), the Knesset Channel (Channel 99) and, recently, the Educational Channel (Channel 23). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set-top box. We are also required to carry the DTT channels over our network.

In April 2012, the Distribution of Broadcasts through Digital Infrastructure Law, 5772 2012 was passed into law (the "DTT Law"). Pursuant to the DTT Law, the state will finance the first three multiplexes of the DTT array allowing the broadcast of up to 18 channels. Currently, the DTT has already been expanded to include all radio channels broadcasted in Israel and an educational television channel. Additional DTT channels due to be included in the DTT array may include, among others, the Israeli Russian language Channel (Channel 9), the Israeli Music Channel (Channel 24), the Israeli Arabic language Channel, three additional channels dedicated to specific themes and HD versions of any of the channels included in the DTT array.

The draft economic plan for 2013 2014, published by the Ministry of Finance in April 2013, and approved by the Government in May 2013 and by the Knesset in August 2013 (the "Economic Plan"), determined to amend the DTT Law in the following ways:

- The Minister of Communications (the "Minister") and the Minister of Finance will be authorized to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorized to set limitations on holding and ownership of such an operator (subject to the approval of the Knesset Economic Committee), with respect to its activities, and regarding tying between services (which, according to the DTT Law, would otherwise be prohibited).

- The Minister and the Minister of Finance, subject to consultation with the Council for Cable and Satellite Broadcasting (the "Council"), was, by January 1, 2014, to establish criteria for the use of a multiplexer that has not been used for propagating broadcasts on the DTT Array. However, to date, no such criteria have been forthcoming.

- In general, a body whose broadcasts are distributed through the DTT array will pay the aggregate payments and costs as set forth in the law, and the State will not bear the costs for the unused capacity in the DTT array.

- To amend Article 13 of the DTT Law to provide that:

- The Council may grant a license for theme channel broadcasting which will be distributed through the DTT array. Such license shall be granted to the operator selected in a tender based solely on the price offered for DTT array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.

- The winning bidder shall, after its selection, decide to which of the following its broadcasts will be devoted: sports, kids, movies, nature, series, documentary, news, music, history, culture or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determines to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote its broadcasts to news.

- A theme channel transmitter may finance its broadcasting (other than children's channels which may not be financed through commercials) through commercials or by charging subscribers a fee for receiving the broadcasts of the same channel.

- A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting) 1982 (the "Communications Law"), may not participate in the theme channel tender.

- An amendment to the Communications Law authorizes the Minister to promulgate regulations for determining the holdings of an Israeli citizen and resident in a Broadcasting Licensee pursuant to the Communications Law (currently, 26% of each of the "Means of Control", as defined in the Law, in a licensee). Granting such authority to the Minister may simplify the regulatory requirements applicable to HOT in this regard.

Narrow Package Proposal

In September 2012, the Broadcasting Council made a decision to compel both multi-channel television broadcasters to offer, in parallel with a basic package of channels, a more limited basic package of channels (the "Narrow Package") on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and 10 other channels (16 channels in total), which included sport, children and youth, series and movies and global news in accordance with the Broadcasting Council's decision.

The Communications Law has been amended in the following manner to regulate the introduction of a narrow broadcasts package:

- The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension in consultation with the Broadcasting Council), provisions regarding the obligation of a cable and satellite broadcasting license holders ("a Broadcasting Licensee") to generally offer a narrow package containing a limited number of channels (the "Basic Narrow Package"), in accordance with the guidelines determined by the Minister regarding the mix of channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.

- The Broadcasting Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.

- A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments, beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the "Related Services"), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting Licensee charges fees for such Related Services, the payment charged to Basic Narrow Package subscribers shall not exceed the payment charged to subscribers of other packages.

- If the Minister exercises his authority to require a Broadcasting Licensee to offer a Basic Narrow Package, the Council will not be authorized to set rules with regard to a Broadcasting Licensee's obligation to offer such a package.

- In August 2013, the Council published a proposal regarding a Basic Narrow Package to be offered by a Broadcasting Licensee. As of the date of these Listing Particulars, no final policy has been determined.

- On February 20, 2014, HOT and the satellite company began to offer new basic packages to their subscribers at a tariff of NIS 120 that included a range of channels including DTT channels and the designated channels, as well as additional channels. In addition the companies will permit every customer to add, at his choice, single channels at the list price.

- As part of the new basic packages, HOT began to offer two plans: one aimed at children and the other intended for sports fans.

- HOT estimates that the basic packages offered by it are likely to lead to a significant increase in the number of subscribers to the basic package in a way that may harm HOT's business results.

Ownership of Television Channels

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748 1987 ("Communications Rules"). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Israeli cable companies merger in 2006. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

We are also subject to the decision of the Commissioner approving the cable merger in 2006, pursuant to which we are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channels 3 and 4) and four additional channels which were not broadcasted in the cable infrastructure as of January 2005, or a similar channel to these channels, unless we obtain prior approval of the Commissioner.

Minimum Investment in Local Content Productions

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network. During 2010, 2011, 2012, and 2013 we fulfilled the required rate of investment. In 2011, the Broadcasting Council notified our Group that with effect from 2012, the revenues from subscription fees forming the basis for calculating the minimum investment requirement must also include all payments made by customers for the purpose of receiving their broadcasts, including revenues from the rental of set top boxes. We disputed this stipulation in writing to the Broadcasting Council. In response, the Broadcasting Council has permitted us to deploy the additional investment amount required in 2012 as a result of the new basis of calculation over the next three years in equal proportions.

The Israeli Ministry of Communications has appointed two committees to review the regulation of commercial broadcasting and local content production on commercial channels. See "*Proposed Changes in the Regulation of Audio-Visual Content*" below.

Special Licenses for Cable Broadcasts

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special licensee's broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Israeli cable consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually.

Prohibition of Termination Fees

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of the minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end user equipment is due in installments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber's monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount of end user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post-services billing basis.

Prohibition on Advertising

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain "must carry" channels, and foreign channels may be permitted to include commercials on their channels.

Proposed Transition from Franchises to Licenses for Television Broadcasts

Currently, the commercial DTT channels such as Channel 2 and Channel 10 are operated on an exclusive franchisee basis granted by the Second Authority. However, an amendment to the Second Authority Law, passed in February 2011, proposes to increase the number of broadcasters by transitioning from the exclusive franchisee system to a non-exclusive license system under which any entity which satisfies certain threshold conditions may apply for a commercial broadcasting license.

In September 2014, an additional proposed amendment to the Second Authority Law was published which provides for the transition from an exclusive franchisee system to a non-exclusive license system in April 2015.

Fees and Royalty Payments

The Communications Law obligates general telecommunications licensees to pay royalties to the State of Israel. The regulations enacted under the Communications Law provide for an ongoing decrease in the rate of royalties applicable to such licensees, which have been reduced to 0% commencing on January 2, 2013.

In addition, in accordance with an agreement dated July 2001 between HOT and the State of Israel regarding the consideration payable to the State of Israel for the cable infrastructure, HOT has undertaken to pay the State of Israel payments at a rate of up to 4% of its revenue until the end of 2014. Under this agreement, in each year ended December 31, 2011, 2012 and 2013, and in the nine months ended September 30, 2014, we incurred expenses with the State of Israel of NIS 57 million, NIS 58 million, NIS 58 million and NIS 41 million, respectively. See "*General Information—Material Agreements—Agreement with the State of Israel relating to ownership of our cable network*".

Proposed Changes in the Regulation of Audio-visual Content

On February 5, 2014, the Minister of Communications announced the creation of a public committee (the "Shecter Committee") for evaluating the future arrangement of commercial broadcasts against the background of technological developments, changes to viewing habits, and the move to broadcasts over the internet. The Committee will examine, and formulate its recommendations on, amongst other things, the principles and rules of regulation that should apply to all players (both new and traditional) that engage in the distribution of audio-visual contents.

The Schecter Committee published a public hearing for reference and positions focusing mainly on the principles of regulation and rules that apply to all bodies (new and traditional) engaged in distributing audio-visual content, including via the internet, and alternative models of supervision in the field of audio-visual content. HOT submitted its position to the Committee in writing on April 24, 2014, and presented its comments orally to the Committee. HOT believes that the entry of new competitors to the field of broadcasting over the internet, especially if they are not to be subject to regulation (or on the same terms as traditional broadcasters), may have an effect of intensifying competition in the sector and may have a negative impact on business operations in the broadcasting industry. The Committee has yet to publish its recommendations. On August 13, 2014, the Shecter Committee published an interim report proposing: (i) the current regulatory regime shall not be lightened until HOT market share decreases to a rate that will be recommended later by the Committee; (ii) to reduce certain content demands on the multichannel broadcasters but not the size of the commitment to invest in local content; and (iii) to regulate certain special obligations of multichannel broadcasters that own infrastructure, taking into account the licensees' ownership of both the infrastructure and the services provided. The Shecter Committee solicited additional responses from the public regarding its interim recommendations.

Broadband Internet Infrastructure Access and Fixed Line Telephony

Overview

Our broadband internet infrastructure access and fixed line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunications industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications (the "Ministry").

We provide our broadband internet infrastructure access, fixed line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the "Fixed Line Licenses"). Among other things, the Fixed Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in therein. Our Fixed Line Licenses are valid until 2023 and may be extended for periods of 10 years at a time upon approval by the Ministry. As a general rule, these Licenses are non transferable. In addition, the transfer of means of control in the relevant license holders may be subject to prior approval of the Ministry.

Certain key features of the regulations and licenses governing our broadband internet infrastructure access and fixed line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Decision Regarding the Creation of a Wholesale Market

In February 2010, the Israeli Ministry of Communications ("the Ministry") and Ministry of Finance appointed a commission headed by the former General Manager of the Israeli Ministry of Industry, Trade and Labor, Amir Hayek (the "Hayek Committee"), to review and make recommendations with respect to Bezeq's retail telephony rates and the setting of rates for different segments with regard to provision of services in the broadband internet infrastructure access wholesale market. The Hayek Committee published its recommendations in October 2011. In May 2012, the Ministry published the final policy document on the subject of the expansion of the level of competition in the fixed line communications field, which primarily adopts the recommendations made by the Hayek Committee.

On May 2, 2012, the Ministry published the final policy document on the subject of the expansion of the level of competition in the fixed line communications field adopting the main recommendations made by the Hayek Committee in October 2011 with respect to the creation of a wholesale market for fixed-line communications. The Ministry adopted the following principles affecting the broadband internet infrastructure access market:

- In order to increase competition between providers of fixed line communications services, owners of nationwide fixed line access networks who also provide retail communications services ("infrastructure owners"), shall be obliged to sell wholesale services to communications license holders, who will provide services based on these infrastructures ("service providers"), including bitstream access, leasing of access elements (unbundling), leasing of dark fibers, duct access and transmission services (the "wholesale services"), on the basis of non discriminatory terms.

- A service provider may issue a request to the infrastructure owners to make use of their network elements, including wholesale services. Service providers and infrastructure owners will conduct commercial negotiations to reach a usage agreement or provision of the aforementioned services, and immediately upon the signing of such an agreement, each infrastructure owner shall publish a reference offer. The reference offer will include the services that are included in the agreement between the infrastructure owner and the service provider, according to the tariffs and the terms set in the agreement, as well as other wholesale services, in accordance with a list that will be published by the Ministry from time to time, including an offered price for each service. An infrastructure owner shall not be allowed to offer volume discounts to a service provider. This offer will be offered to anyone who requests, on equitable and non discriminatory terms, it will be available for perusal by any seeker, and will be presented on the website of the infrastructure owner, as well as on the website of the Israeli Ministry of Communications. For the purposes of this paragraph, an "agreement" means an agreement between an infrastructure owner and a significant service provider, which is not a related company to an infrastructure owner.

- Should the Minister of Communications (the "Ministry") see that a tariff or a term was demanded by an infrastructure owner, or a tariff or a term was agreed to, for a wholesale service, which is not reasonable, may harm competition, may harm the public interest, or may harm the interests of a service provider, the Minister shall set that tariff or term. In the absence of a demand or an agreement on one or more terms or on a tariff, as stated above, the Minister shall set them, provided that an agreement has been signed or 6 months have passed since the issuance of this document, whichever shall come first, according to his authority under the Communications Law.

- The ancillary activities, services and arrangements to the wholesale services (rental of space, maintenance, etc.), arrangements for ordering, payment terms, and provisioning, and their tariffs shall also be set in commercial negotiations between service providers and infrastructure owners, and infrastructure owners shall be allowed to demand reasonable and equitable prices. In the absence of agreement between the relevant license holders, the Minister shall decide according to his authority under the Communications Law.

- The Israeli Ministry of Communications shall make use of a model for enforcement and supervision, which will help the Ministry ensure that the tariffs set in the reference offers are in accordance with the conditions set out above, and to monitor the actual provision of the wholesale services in a reasonable and non discriminatory manner, and to track the level of implementation of the wholesale market.

- Infrastructure owners shall provide, on an on-going basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Ministry and with exceptions that will be set by it.

- When a reference offer is published by an infrastructure owner, related corporations to that owner shall be allowed to purchase wholesale services in order to provide services according to the terms of their licenses, on the condition that such wholesale services are offered without discrimination to any seeker.

- When Bezeq publishes a reference offer, Bezeq shall be allowed to supply telephony services which are not provided over broadband networks, to its subsidiaries, in a wholesale arrangement. Should Bezeq decide to provide the aforementioned services, it shall provide them concurrently to any license holder who seeks them without discrimination, all subject to the relevant regulations regarding Bezeq subsidiaries.

- Within nine months of the publication of the reference offer, as described above, the Minister shall order the abolition of the structure separation between an infrastructure owner who published the reference offer, and providers of international calls and ISP services which are related corporations to that infrastructure owner, so that Bezeq, for example, will be allowed to provide to its subscribers bundles which are not disintegrable of all its services (local and international telephony, broadband internet access and ISP service), unless the Minister shall determine that in the situation of the wholesale market at that time, abolition of structural separation may cause significant harm to competition or to the public interest. Should the aforementioned structural separation be abolished, it will be replaced with accounting separation, in a format that will be set by the Minister.

- The Ministry shall set indicators or conditions under which the Minister may conclude that the level of development of the wholesale market and the level of development of competition based on bundles, including fixed and mobile services in the household sector, allows the granting of easements of the structural separation between an infrastructure owner and a radio telephone operator which is a related company, or the abolition of the said structural separation and its replacement with accounting separation.

- Should the Minister decide that the development of the wholesale market and the level of development of competition based on bundles of fixed and mobile services in the household sector allow it, the Minister shall consider the abolition of the structural separation between an infrastructure owner and a radio telephone operator which is a related company.

- The Minister shall review the matter of the disintegrability of television broadcasting services, included in service bundles which also include telecommunications services (whether fixed or mobile) or broadband internet services. The abolition of the structural separation between infrastructure owners and the multi-channel broadcasting sector will be done while providing a reasonable opportunity to provide a basic television broadcasting package on the internet by operators who do not have a fixed nationwide network.

- If the wholesale market will not develop in a sound and proper manner, according to indicators set for this purpose, within 24 months of the publication of this policy document, the Minister shall act to enforce structural separation between the infrastructure of a fixed domestic license holder and the services provided by that license holder to end users.

- Within six months of the publication of the reference offer, as described above, the Minister will act to change the tariff control mechanism over the tariffs of Bezeq, such that the control shall be exercised by setting a maximum tariff.

- The Ministry shall set, within nine months, a regulatory policy with the aim of increasing investment in, and upgrading the fixed communications infrastructure in Israel.

The Communications Law was amended in August 2013 in the following manner:

- The Minister's authority to determine payments under the law can include prices based on reference points (benchmark).

- The Minister may determine linkage payments by law based on indexes other than the CPI.

- To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.

- The Minister shall be authorized to issue instructions to immediately apply to a license holder for a limited period, if the actions of the licensee raise concern of immediate harm to competition, the public or the interests of another operator. The licensee will be given the opportunity to be heard as soon as possible, under the circumstances, after the instruction.

- The Minister may determine, with the consent of the Minister of Finance, the maximum or minimum charges for telecommunications services.

- The Minister may impose a structural separation between the infrastructure of a domestic operator and the services it provides to the end customers, if necessary.

Following publication of the policy document, on May 28, 2012, the Ministry of Communications initiated the establishment of an engineering forum, with the participation of the relevant telecommunications operators, which held a number of meetings regarding the wholesale services. In parallel, the company has conducted negotiations with various operators. Since in the Ministry's opinion the relevant time for conducting negotiations between the operators has elapsed, the issue has returned to the Ministry in order for a policy on the matter to be formulated.

On June 9, 2013, the Ministry published a hearing on the subject of the list of wholesale services for the shelf offer. HOT Telecom has submitted its position as part of the hearing. Furthermore, on June 19, 2013, the Ministry published a survey of retail costs in the form of a report defined by the Ministry. HOT Telecom has submitted its comments regarding the survey and the reporting format required.

On January 15, 2014, HOT Telecom received the decision of the Ministry regarding the list of wholesale services that the infrastructure owners (HOT Telecom and Bezeq) shall be obligated to offer to the suppliers of the services. In accordance with the decision, the list currently includes the following services:

- Managed bitstream access at the national connection level and at the regional or local connection level on the broadband internet route of the infrastructure owners.

- Dismantling into segments from the optical fibers/metal cable interface, as the case may be, and until the first socket in the end user's home (sub loop unbundling). At this stage the service shall be offered in the Bezeq network only and not in the HOT Telecom network.

- Leasing dark fibers in the access network, the collection network and the core network.

- Leasing optical wavelengths (virtual dark fiber) in the core network.

- Access to the physical infrastructure of ducts, micro ducts, manholes, boxes and poles in the access network, the collection network and the core network.

- Retail telephony services.

In addition, the Ministry has published hearings regarding the provision of wholesale services (including regarding service file for bitstream access services at the national, regional and local level and the services files for use in passive infrastructures (dark fibers, manholes, ducts and above ground network)), and regarding the maximum tariffs for wholesale services in the Bezeq network, to which HOT Telecom submitted comments. Following the review of the positions submitted with respect to the service file for bitstream access services, and additional hearings published by the Ministry in February and August 2014, on November 17, 2014, HOT Telecom received a decision of the Minister regarding the regulation of wholesale services, including the method of setting wholesale services rates on fixed-line networks. According to the decision, after the hearing on this matter, the Minister adopted recommendations to amend infrastructure owners' licenses and determined the service files for broadband access and wholesale telephony services. The regulated services of the service files are to be provided within three to six months of the decision.

In addition, the decision included final maximum rates that can be collected for wholesale services by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018. The decision stated that the Minister intends to have the draft regulations, and the rates contained therein, approved promptly by the Minister of Finance. HOT is currently assessing the impact of the decision, but, at this stage, is unable to anticipate the full effect on its business.

Implementation of Universal Service Obligations and Deployment of Fixed Lines

Similar to the Broadcasting Licenses, the Fixed Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we had applied for exemptions from the terms of the Fixed Line Licenses. Pursuant to the Fixed Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

On June 22, 2014, a report (the "Report") was submitted to the Minister (the "Minister"), by an Advisory Committee to the Minister in accordance with the Communication Regulations (Telecommunications and Broadcasts) (Advisory Committee), 2011 (respectively, the "Committee" and "Regulations") recommending the considerations that should be applied in relation to applications submitted by Bezeq and HOT Telecom for exemption or deferral of the obligation to extend service. Amongst other things, the Committee recommended that there should be no justification to delay or limit the provision of telecommunications services in any area nationwide on the basis of cost-benefit considerations. The Report concludes that cost-benefit considerations should be taken into account only for applications to specifically restrict or deny the provision of communications services to specific customers (an "Individual Application"), rather than for a specific area or number of requests from the same area (a "General Request").

The Committee also recommended that limitations on the provision of communication services through exemptions or deferrals should, as a rule, be done only temporarily and recommended a temporary exemption for a fixed period of 24 months. It also recommended license holders must report any change in the circumstances surrounding an application for which an exemption was approved, and if the circumstances upon which the exemption was based no longer exist the universal obligation upon the licensee will apply immediately and without delay. In addition, the Committee recommended certain timelines for the implementation of the universal service obligation in case of rejection of an application for exemption or deferral.

The Committee further recommended the rejection of all existing applications made by HOT Telecom, except with regard to one specific application relating to a particular settlement for which it suggests a deferral for a period of 24 months, subject to the provision of an alternative solution by HOT Telecom.

On July 17, 2014, HOT Telecom filed its detailed response to the Committee's recommendations to the Minister of Communications.

On November 16, 2014, the Minister of Communications published his decision to adopt the recommendations of the Committee. As part of that decision, the Minister accepted the Committee's recommendations with respect to the rejection of all existing applications for deferral and/or exemption made by HOT Telecom (subject to the exception noted above). As a result, HOT is required to implement its universal service obligations with respect to the first stage of the deployment, in 60 local jurisdictions determined by the Minister, within 24 months from the date of the adoption of the Committee's recommendations. As noted above, the prescribed pace of implementation of the obligations will be reviewed annually, taking into account any technological and regulatory changes. It was further decided that the Committee shall submit to the Minister of Communications a list of recommended local jurisdictions for the next deployment stage, if required in accordance with the then-available technological alternatives.

In addition, in his decision the Minister applied to the Judea and Samaria Communications Headquarter Officer requesting that the Civil Administration act in order to adopt the Committee's recommendations in the areas of Judea and

Samaria, and the Minister instructed the Ministry of Communications to prescribe regulations that will impose the obligation to offer its services in the areas of Judea and Samaria on the broadcasting company.

HOT is currently unable to estimate the full impact of the Minister's decision on its business, but expects that implementation may have a negative impact on its results given that it will be required to expend additional capital expenditure for which it does not expect to derive a commensurate gain.

Hearing regarding "margin squeeze"

On November 17, 2014, the Ministry of Communications published a hearing regarding the creation of a process to examine the potential use of "margin squeeze" by owners of fixed telecommunications infrastructure. The purpose of the hearing is to examine whether fixed infrastructure owners engage in the practice of lowering retail price offerings in order to reduce the margin between retail prices and the wholesale price of using infrastructure for service providers who do not own fixed infrastructures. The consequence of this is the erosion of profitability for such service providers and their eventual exclusion from the market.

It is proposed that HOT and Bezeq will be required to provide the Ministry of Communications with every retail offer they intend to make to new or existing subscribers, and that the Ministry may notify the infrastructure owner, if there is a concern over "margin squeeze," that it is forbidden to offer the proposed package. HOT has been given the opportunity to respond and is currently studying the terms of the hearing. At this stage, HOT is unable to fully evaluate the consequences of the proposals on the Company.

Removal of Certain Restrictions on Bezeq

In 2010, following the reduction in the market share of Bezeq, the incumbent telephony services provider in Israel, in the field of land based communications below 85%, the Israeli Ministry of Communications announced that it was amending the licenses granted to Bezeq and its subsidiaries thus enabling it to commence marketing multiple play packages to residential customers and allowing it to market its ISP and fixed line telephony and broadband internet infrastructure access services together. To the best of our knowledge, Bezeq currently markets two communications multiple play packages which include: (i) internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (ii) internet infrastructure access services (ADSL), ISP services from subsidiary Bezeq International as well as fixed line telephony services. Bezeq also recently began to market bundles including its fixed line domestic services (both telephony and broadband internet infrastructure access) with mobile services provided by its subsidiary, Pelephone. Bezeq has recently been permitted to provide multiple play packages to business customers as well. However, Bezeq will not be permitted to discriminate with its internet infrastructure access services prices between a subscriber that uses the service together with telephone service and a subscriber that only uses the internet infrastructure access service.

Based on publicly available sources, Bezeq has filed a merger notice with the Israeli Antitrust Commissioner, regarding its proposed merger with YES. Based on publicly available information disclosed by Bezeq and the Israeli Antitrust Authority, the Israeli Antitrust Commissioner has published, on March 26, 2014, the new conditions for the approval of the merger between Bezeq and YES. The main conditions are as follows:

1. Bezeq will not set any limitation on internet services consumption, based on the customer's volume usage, including setting the price or quality of service in accordance with the customer's volume usage;

2. Bezeq will deduct from ISPs payments for GIGA connections the charges that stem from IPTV usage. For that purpose, the IPTV usage will be calculated by the number of TV subscribers reported by the IPTV provider multiplied by a 2 Mbps bandwidth;

3. Bezeq will not limit or block the customer's ability to use any service or application on the internet at any time, directly or in directly, including by way of pricing or by technological means;

4. Bezeq's TV services will be sold and provided under equal terms to all Bezeq customers, whether they purchase additional services from it or not. The TV price in the bundle will be presented separately from the other services. Bezeq's internet services will also be provided under equal terms to all its customers, whether they purchase additional services from it or not; and

5. Bezeq and YES will cancel all exclusivity agreements except original local productions, and shall not be parties to such agreements anymore. Furthermore, from the merger approval date and for a period of 2 years, Bezeq shall not prevent any party, except broadcasting license holders at the date of the decision, to purchase rights in original local productions. This provision shall not apply to news productions.

Israel Electric Company Infrastructure

In 2010, the Israeli Ministry of Communications (the "Ministry") announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation (a government owned company and the principal owner of the electric transmission and distribution network in Israel), with a view to increasing competition in the fixed line telephony and broadband internet infrastructure access market, it intended to grant a license to a joint venture between the Israeli Electric Corporation (the "IEC") and a private-sector partner pursuant to which such joint venture would be permitted to provide various communication services, including wholesale products to other telecommunication licensees and fixed line telephony and broadband internet access to large business customers. The procedure to select the private sector partner to the Israeli Electric Corporation has also been initiated.

In June 2013, the committee for selecting an investor and a controlling shareholder in the joint communication project with the IEC announced that it chose a group of investors for the foundation of a communication venture designed to establish a network based on fiber optics, headed by Via Europe which holds 60% of the venture, along with the IEC which holds 40%.

On August 27, 2013, the Minister granted a general license to provide inner-country telecommunications services (Infrastructure) to I.B.C Israel Broadband Company (2013) Ltd. (hereinafter "IBC"). The permit requires IBC to set up a nationally deployed fiber-optics-based communication network, in accordance with the milestones set out in the license, additionally to the license to provide domestic wired telecommunications services through it to other license holders. IBC was also granted by the Ministry, on that date, to the best of the company's knowledge, a special license to provide a domestic wired data communications services which allows it to provide services to large business customers, with annual revenue of minimally NIS 30 million, as well as to government agencies and local authorities.

On May 27, 2014, the Minister of Communications announced the creation of an inter-ministerial committee headed by the Director General of the Ministry and attended by senior representatives from the Ministry of Interior, Ministry of Finance, Ministry of Justice, and the Energy and Water Resources Minister of Israel. The purpose of the committee is to discuss adopting regulation to enable IBC deploy an enterprise optical fiber infrastructure and remove barriers to entry in that sector.

We believe that the granting of such licenses could result in increased competition in the domestic wired telecommunications services sector and thus significantly affect the results of HOT. HOT's assessment by its nature is forward-looking information and may differ significantly from actual results due to factors outside of HOT's control.

Telephony Services over Broadband Internet

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764 2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband internet infrastructure access service of a general fixed line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a broadband licensee's network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed line telephony services.

Elimination of Gigabit Ethernet Transmissions Fees

In the Israeli broadband internet market, the broadband internet infrastructure access providers, Bezeq and us, receive payment from subscribers for access to the infrastructure and from ISPs for the Gigabit Ethernet (GBE) connections used as part of the connection to the internet. On June 26, 2012, the Israeli Ministry of Communications announced a hearing and request for comment on the subject of GBE connections for ISPs. The proposal was issued in light of the expectation that the use of the television broadcasting services via the open internet network (OTT) will increase, thus increasing the need for internet bandwidth. In order to ease the entry of additional players into the broadcasting field through OTT, the Israeli Ministry of Communications is considering changing the service files which describe the fee structure charged with respect to the broadband internet access services provided to customers, so that such fees and services include all of the components that are required to provide the connection speeds for the purchasers of the service, including the carrying of traffic on the access and core networks. Thus, the proposed legislation would eliminate the payments that are currently paid to the owners of the infrastructure by the ISPs for the GBE connections, other than the transmission from point to point segment which connects between the networks of the owners of the infrastructure and the facilities of the ISPs and which may be purchased from the owners of the infrastructure or from one of the other appropriate license holders, who provide GBE transmissions. It was also proposed that the owners of the infrastructure maintain a minimum number of connection points on the basis of geographic regions and regulate the ability of the ISP to select a certain number of connection points. The proposal also provides that the owners of the infrastructure will be required to provide GBE connections at a certain rate based on the aggregate connection rate that has been ordered by the subscribers of that ISP. The GBE proposal could reduce the revenue our broadband internet infrastructure access segment receives as a result of the prohibition on charging ISPs for the GBE connections.

Fees and Royalty Payments

The regulations enacted under the Communications Law obligate HOT Telecom to make royalty payments to the State of Israel in connection with its domestic fixed line operator license. These royalty payments were reduced to zero in January 2013.

Internet Service Provider

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide internet access services (the "ISP License"). The ISP license permits us to provide various services, including internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression and securing access to service recipient's computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015, and may be extended upon approval by the Israeli Ministry of Communications (the "Ministry"). As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Ministry. On October 31, 2012, the Ministry published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection.

Mobile

Our mobile operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981, the Non Ionising Radiation Law and the Law for the Prevention of Environmental Hazards (Civil Claims), 1992, which enables class action claims in cases of radiation contamination. We provide our mobile services pursuant to a non exclusive license to erect, maintain and operate a mobile system and to provide mobile services (the "Mobile License"). The Mobile License was amended in September 2011 to add additional frequencies in relation to the creation of a UMTS network. The Mobile License with respect to the main original frequencies which we use to deliver our iDEN-based mobile services is valid until February 2016. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS-based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications (the "Ministry"). As a general rule, the Mobile License is non transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Ministry.

Certain key features of the regulations and licenses governing our mobile operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

On July 2, 2014, the Ministry published a tender for a mobile phone license for the provision of advanced services using 4G-LTE technology, through which a total of eight frequency bands in the area of 1,800 MHz will be allocated (with a width of 5 MHz). On November 18, 2014, HOT Mobile submitted its offer in response to the tender.

The draft tender clarified that a licensee may enter into a network sharing agreement with another licensee subject to certain conditions. As a result, HOT Mobile has updated its request for approval by the Ministry of the Joint Network Agreement with Partner accordingly.

In connection with this tender process, the Ministry announced its decision to allow all existing mobile operators wishing to upgrade their systems immediately to use the frequency bandwidth of 5 MHz (X2) in the area of 1,800 MHz LTE technology. If the operator does not currently have such an allocation, the Ministry will assign them a temporary frequency bandwidth to use LTE technology until the end of the tender proceedings. However, companies will be required to avoid discrimination between operators that are being hosted on their networks, such as virtual operators or operators with domestic roaming agreements, in terms of the level of technology offered to their subscribers. In addition, companies will not be able to discriminate between subscribers with regards to the price of services, and will not be able to charge an additional cost for these 4G services, until such time as the launch of LTE after the publication of the tender winners and receiving their revised frequencies license. Companies may also not raise fares in light of this upgrade to customers, virtual operators or users of domestic roaming. During July and August 2014, Partner Communications Ltd., Cellcom Israel Ltd. and Pelephone Communications Ltd., announced the launch of LTE. HOT Mobile intends to launch such services in the coming months. The outcome of the 4G-LTE tender process is provisionally expected to be announced during the first quarter of 2015.

Further, in connection with the tender, Golan Telecom and HOT Mobile may request to replace the deployment plan they attached to the tender for the UMTS frequencies with a deployment plan for 4G, provided investment in the 4G network is equivalent to investment in the original deployment plan they committed to, and that they will only use frequencies assigned to them in the 4G tender for the provision of 4G services.

On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval.

Construction of Network Sites

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36A for Communications which was published in May 2002 ("National Zoning Plan 36"). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and the Communications Law.

National Zoning Plan 36A

National Zoning Plan 36A (the "Plan") includes guidelines for constructing cell sites in order to provide mobile broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. Plan sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public's health from non ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, the Plan is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The main amendments to the Plan are: (a) the Amended Plan provides for full liability for depreciated property claims on the mobile operators; (b) the Amended Plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the Amended Plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the Amended Plan demands a minimum distance of four meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if, and when, the government intends to approve the Amended Plan. If the Amended Plan is approved, it may have a significant impact on our ability to get permits for our mobile sites. In addition, we may need to change the location of our future mobile network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our mobile network coverage. The cost of complying with the Amended Plan might be substantial and may adversely affect our revenues and profits. The Amended Plan has not yet received the required approval.

Radio Access Devices

Most mobile operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop mobile radio access devices, which was consistent with the Israeli Attorney General opinion on the matter. In May 2008 the District Court of Tel Aviv Jaffa, in its capacity as court of appeals, ruled that mobile operators' devices do not meet the exemption's requirements and therefore the exemption may not be relied upon. An appeal was filed against this ruling to the Supreme Court and the Israeli government notified the Supreme Court that it concurs with the appeals against the District Court ruling. Furthermore, in July 2008, a petition seeking to annul the Attorney General's opinion and apply the District Court ruling was filed with the Supreme Court by the Union of Local Authorities in Israel and certain local planning and building authorities which also requested to join our appeal and argue against the position of the State. In June 2009, another petition seeking similar remedies was also filed with the Supreme Court. The Supreme Court decided to hear both petitions and our appeal together. In September 2009, following publication of the recommendations of an inter-ministry committee established to examine the appropriateness of the future application of the exemption, the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue. In March 2010 draft regulations were issued setting conditions for the application of the exemption, which include significant limitations on the ability to construct radio access devices based on such exemption, including a limitation of the number of such radio access devices to 5% of the total number of cell sites constructed or to be constructed with a building permit in a certain area during a certain period (which will render the construction of radio access devices based on the exemption practically impossible), and circumstances in which a request for a building permit for the radio access device was filed and no resolution has been granted within the timeframe set in the regulations. In September 2010, the Supreme Court issued an interim order prohibiting further construction of radio access devices in mobile networks in reliance on the exemption. The interim order, that was issued pursuant to the Israeli Attorney General's request, will be in effect until the enactment of the proposed regulations or other decision by the court. A further decision of the Supreme Court in February 2011, states that the order will not apply to the replacement of existing radio access devices under certain conditions. In September 2010, pursuant to the Israeli Attorney General's request, the Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until July 31, 2011 (subsequently extended several times, most recently on September 30, 2013), provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot.

The Supreme Court has given an order nisi in the petitions. The State replied to the petitions arguing that a perpetual injunction should be awarded by the court preventing the erection of access devices until the completion of legislation of the regulation by the Ministry and Ministry of Interior. The State also replied that the exemption for the erection of access devices for HOT Mobile and Golan should last until June 30, 2014. Until a final decision has been made by the Supreme Court, HOT Mobile will be allowed to continue the deployment of its UMTS network. If this exemption is not extended by the Supreme Court, we will have to seek permits, which could result in substantial delays and costs and, as a result, we may be unable to meet our license requirements.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build out (particularly given the objection of some local planning and building authorities to grant due permits where required), could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network and have a negative impact on our ability to continue to market our mobile services effectively.

Indemnification Obligations

In January 2006, the Planning and Building Law was amended to provide that as a condition for issuing a building permit for a cell site, local building and planning committees shall require letters of indemnification from mobile operators indemnifying the committees for possible depreciation claims under Section 197 of the Planning and Construction Law, in accordance with the directives of the National Council for Planning and Building. Section 197 establishes that a property owner whose property value has depreciated as a result of the approval of a building plan that applies to his property or neighboring properties may be entitled to compensation from the local building and planning committee. In February 2007, the Israeli Minister of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit under National Zoning Plan 36 for a cell site and one year from the construction of a cell site. The Minister retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

The Non Ionising Radiation Law

The Non Ionising Radiation Law prohibits the construction and operation of cell sites without a permit from the Israeli Ministry of Environmental Protection. The Commissioner of Environmental Radiation, or the Commissioner, is authorized to issue two types of permits: construction permits for cell site construction, and operating permits for cell site operation. These permits contain various conditions that regulate the construction and operation of cell sites. A construction permit is valid for one year (and will allow us to operate a cell site for a period not exceeding three months), and an operating permit will allow us to operate a cell site for a period of five years. We are required to submit to the Commissioner annual reports regarding radiation surveys conducted on our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. In order to receive an operating permit from the Commissioner, certain conditions must be met, such as presenting a building permit or an exemption and means taken (including technological means) to limit exposure levels from each cell site or facility (relevant also for the receipt of a construction permit). The Non Ionising Radiation Law, grants the Commissioner authority to issue eviction orders if a cell site or other facility operates without complying with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non Ionising Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites.

The Ministry of Environmental Protection notified us of a new condition for all of our mobile network site operation permits in order to receive operating permits, according to which we must connect to a monitoring system of the Ministry of Environmental Protection that continuously monitors and reports the level of power created in real time from the operation of our mobile network sites.

Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations of all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Ministry of Environmental Protection. As of August 2012, we began to apply for operation permits to our sites to the Commissioner. We also applied for extended time to connect to the monitoring system to the commissioner. As of November 2012, we started receiving operation permits. On February 4, 2013, we were notified by the Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

Prohibition of Exit Fee

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not be possible to link a transaction for the purchase of end user equipment and the provision of mobile services.

Mobile Virtual Network Operator

A mobile virtual network operator, or MVNO, is a mobile operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing mobile operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses, and, in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a mobile operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a mobile operator and a fixed line operator to receive an MVNO license and limitations on parties related to an existing mobile operator and on other communication licensees to receive an MVNO license. The amendment provides that in the event that an, MVNO and mobile operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the mobile operator, and if the Ministry together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the mobile operator, the Ministry will use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service. To date the Ministry has granted nine MVNO licenses.

Fees and Royalty Payments

In accordance with our Mobile License, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. We then provided a bank guarantee to the State of Israel for the remaining NIS 695 million. As of the first testing date on September 26, 2013, we achieved a market share calculated in accordance with the license agreement that entitled us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Ministry to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Ministry notified HOT Mobile that the license fees were to be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. See "*Description of Our Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

Reduction of Interconnection Fees

Effective December 1, 2013, interconnection fees between fixed line telephony service providers (including Bezeq, VoIP or VOB providers and us) were reduced by 60% and set at NIS 0.01.

Copyright/Trademark Law

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767 2007. Copyright protection automatically exists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732 1972. A trademark registration is valid for 10 years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

Structural Separation

In order to promote competition in the telecommunication and broadcasting industry in Israel the various licenses issued to us to conduct our business contain provisions that require us to maintain strict structural separation between the HOT group entities that hold the licenses, including separation of assets, management and employees. As a result, we generally operate our cable television services which are subject to the Broadcasting Licenses, our broadband internet infrastructure access and fixed-line telephony services which are subject to the Fixed Line Licenses, our ISP services which are subject to the ISP License and our mobile services which are subject to the Mobile License as separate businesses conducted by separate entities within our Group. In addition, pursuant to the license provisions, our cable network assets are owned by HOT Telecom and access to the network is provided to other HOT entities pursuant to certain inter-company arrangements and subject to legal requirements. Under the terms of the licenses, we are also prohibited from making any of our services conditional upon subscription to another service. For example, we are not allowed to force customers to opt for our multiple play packages and must continue to offer our various services on a stand-alone basis. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multiple play services and conduct related marketing, billing and collection activities of our pay television, broadband internet infrastructure access and fixed line telephony on the condition that only commercial information necessary for marketing, billing and collection activities of our multiple play services are shared between the relevant HOT entities.

On December 9, 2013, the Knesset Finance Committee approved the bill for promoting competition and reducing concentration. According to the bill, a committee will be established with the objective to supervise the attempts to limit concentration, headed by the Antitrust Commissioner and hosting members such as the General Director of the Ministry of Finance and the head of the National Economic Council or one of his deputies appointed by the prime minister. Under the bill, among other things, the regulator may decide not to assign any right, including the right to grant or extend a license, to a concentrated factor as it is defined in the bill, if it finds that it is unlikely that any real harm may be caused to the sector in which this rights is assigned and the regulation of such sector. Also, a regulator seeking to allow the assignment of a right, including the grant or extension of a license, will not do so, including not allowing any concentrated factor to participate in the assignment procedure of this right and not setting any conditions that allow its assignment, but only after taking into account considerations of cross market concentration in consultation with the entity in charge of the concentration reduction. In addition, the bill provides, *inter alia*, that when assigning a right and setting its terms the regulator must consider, in addition to any other vital consideration as specified by law, considerations of promoting competition in the sector, and, if the right is included in the list of rights issued by the Antitrust Commissioner in this regard, the regulator may assign this right only after considering promoting competition in the sector in consultation with the Antitrust Commissioner. Under the bill, the holder of a general license to broadcast through cables is defined as a concentrated factor. On October 16, 2013, the Ministry published a hearing regarding a recommendations report of an inter-departmental team aimed at examining the current regulations in the international telecommunication services sector, and the need to modify it in light of developments and changes in the telecommunication market. The ministry allowed such license holders and all relevant parties to submit their position regarding the hearing until December 1, 2013. On August 14, 2013, the Ministry published a hearing by which the Ministry began formulating a new regulatory framework, in which a version of one unified license will be determined, by which it will be possible to provide all the services provided today with a special general license for providing domestic wired telecommunication services, a license to provide radio mobile phone services through another operator, and a general license to provide international telecommunications service. The unified licensing framework will also enable the license holder to provide internet access services (ISP) and NTP. HOT Telecom submitted a response with respect to the hearing. In November 2014, the Minister of Communications approved the unified licensing framework.

Consumer Protection and Regulatory Bills

On July 24, 2014, an amendment to the Consumer Protection Law (effective from January 1, 2015, subject to regulations to be issued up to that date) was enacted permitting certain means of administrative enforcement against violations of the Consumer Protection Act, including monetary sanctions (including sanctions for both continuing and recurring violations), warnings and commitments to avoid a breach. The amendment also granted the Commissioner of Consumer Protection with the power to investigate breaches, certify inspectors and make administrative orders.

Further to such amendment, on August 18, 2014, the Council and the Ministry published hearings regarding proposed amendments to the licenses of HOT and other communication operators, including fully-owned subsidiaries of HOT. It is proposed that licenses will be amended to both add, and strengthen, requirements with respect to the quality of service provided by the service centers of the license owners, including, *inter alia,* with respect to maximum response and average daily response times, hours of operation, obligations to record calls and obligations to publish on the license-owners' websites detailed weekly reports regarding such response times. HOT has submitted its response to the hearings. In parallel, the Ministry of Communications has published a bill to amend the Communication Law to provide that, should a license holder fail to comply with the terms of its license with regard to the proposed amendments relating to response times, a subscriber may claim financial compensation at a fixed price without having to prove any damage. At this stage, HOT is unable to estimate the influence of the amendments, if implemented as currently proposed, on the company's operations and financial performance.

Luxembourg

Legislative framework applicable to the provision of telecommunications services and networks

The Luxembourg legislature implemented parts of the Directives on the Open Network Provision with the law of March 21, 1997, on telecommunications, which initiated the liberalization of the telecommunications market. This law set a new legislative framework for the provision of telecommunications services and networks and completed the separation of regulatory functions and service provision functions with the creation of an independent regulatory authority in charge of monitoring the telecommunications sector. The abovementioned law was substantively amended by the law of May 30, 2005, on electronic communications networks and services which constitute one of the four Acts of the Telecom Reform Package.

The Telecom Reform Package is effectively composed of four Acts:

- The Act of May 30, 2005, on networks and electronic communications services repealed by the Act of February 27, 2011, on the networks and electronic communications services (the "Telecom Act");

- The Act of May 30, 2005, on the organization of the management of radio frequency spectrum last amended by the Act of February 27, 2011 (the "Spectrum Act");

- The Act of May 30, 2005, on the organization of the Luxembourg Institute of Regulation amended on several occasions and;

- The Act of May 30, 2005, on the specific provisions regarding the protection of individuals as to the processing of personal data in the electronic communications sector (the "Personal Data in Electronic Communication Act").

Legal regime

Electronic communications services and network

Under article 2(27) of the Telecom Act, "electronic communications service" means a service normally provided for remuneration which consists wholly or mainly in the conveyance of signals on electronic communications networks, including telecommunications services and transmission services in networks used for broadcasting, but exclude services providing, or exercising, editorial control over, content transmitted using electronic communications networks and services. It does not include information society services which do not consist wholly or mainly in the conveyance of signals on electronic communications networks.

Under article 2(24) of the Telecom Act, "electronic communications network" means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet switched, including internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation, operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February 27, 2011, the 2011 E Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute ("LRI") which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardized certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti competitive hindrances.

The LRI is also entrusted with the collection of notifications sent by undertakings planning to provide electronic communications networks and services ("notified undertakings") and maintains a registry of notified undertakings.

The LRI also has the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of €1 million. The LRI may also impose a daily fine (penalty) of an amount between €200 and €2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such a fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend, temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

Content regulation and protection

Pursuant to the Personal Data in Electronic Communication Act, operators of electronic communication services and networks are compelled to ensure the confidentiality of communication exchanged by way of electronic communication means.

The general rule is that other than the user, no person is allowed to listen, intercept or store communications and data related to the traffic and location without the agreement of the user.

This prohibition does not apply to communication related to emergency calls, commercial transactions to the extent that they constitute proof of the transactions, authorities investigating and acting in relation to a *flagrante delicto* or within the scope of criminal offenses in order to ensure national and public security and cookies. In relation to data resulting from commercial transactions and cookies, the user or parties to the transaction must be informed that their data may be processed, the conditions (in particular the duration) and aim of the storage, and the possibility of the user opposing such data processing.

Radio Spectrum

The use of radio spectrum is regulated by the Spectrum Act and the Grand Ducal decree of April 7, 2011, on the administrative taxes applicable to telecommunications.

The frequencies are granted by the minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency) through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to a certain type of application are pre defined and, as far as these conditions are met, no individual license is required.

The Grand Ducal decree of April 7, 2011, on the administrative taxes applicable to telecommunications set out the fees and levies that have to be paid. For some applications, the fees have been defined in the license itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are no longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, thus enhancing the flexibility of spectrum use.

Audio visual Media

Overview

The media sector is mainly governed by the Act of July 27, 1991, on electronic media as amended by the Act of December 17, 2010, and the law of April 8, 2011, (the "Electronic Media Act") and the law of April 11, 2010, on freedom of expression in electronic media amending the law of June 8, 2004 (as amended), on the freedom of expression in the media sector. A certain number of Grand ducal decrees also regulate the media sector.

In addition, two Acts governs the audiovisual production:

- the Act of December 21, 1998, establishing a temporary special tax regime for audiovisual investment certificates; and

- the Act of March 16, 1999, creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the Minister in the determination and the execution of the Luxembourg media policy. Its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;

- promote, in concert with other commissions and committees, Luxembourg as a European center for audio visual and communication activities;

- assist government representatives responsible for the supervision of the beneficiaries of licenses or authorization; and

- ensure communication with international organizations responsible for the supervision of the audio visual sector and ensure representative function within certain European committees.

In addition, there is also the Independent Radio broadcasting Commission which has three main functions:

- implementing provisions relating to authorizations of low powers transmitters;

- advising the government in authorization matters; and

- arbitration of specific potential disputes.

Finally, the National Programming Council is an independent body advising the government on matters of surveillance of certain specific television and radio programs and proposes a balanced content for socio-cultural radio programs.

A new bill of law presented on October 10, 2012, modifying the law of July 27, 1991, on electronic media aims at centralizing the competence of the three existing commissions into one single authority, "the Luxembourg Independent Audi visual Authority", which will gain disciplinary powers and adopt the status of a public institution.

Legal regime

The Media law has been recently amended in order to adapt itself to the newest sorts of audio visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non discriminatory content and the form and the content of commercials advertising are more regulated.

Licenses for distribution of audi visual media

Pursuant to article 2 of the Electronic Media Act, any program which is transmitted to the public through a Luxembourg broadcasting frequency is considered a television or radio program. Pursuant to article 3 of the Electronic Media Act, no one can transmit a radio or television program without having obtained prior permission or a license granted by the Prime Minister assisting by the Services of Media and Telecommunications.

Thus, a company willing to develop an audiovisual media service (either a television or an on demand audiovisual media service) would be required to notify to the Ministry of Economies of its intention to provide such a service either because it is considered as a Luxembourg provider or under some circumstances as a foreign media service provider by the amended Electronic Media Act which provides the applicable criteria in this respect. In that case, the company shall notify the Ministry of Economies at least 20 days prior to launching the service.

License for a Luxembourg satellite program

Applications for the granting of licenses are required to be sent by email to the Prime Minister and the Department of Media and Communication. Information about the applicant and the relevant program must be attached to the application.

The Department of Media and Communication conducts an initial review. If it is deemed complete, the license application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the license is granted by the Prime Minister on behalf of the government.

License for Luxembourg cable program (TV and Radio)

The same process as license for a Luxembourg satellite program is required to be conducted for a license for a Luxembourg cable program.

Permission for sound radio program

The allocation of frequency is subject to the condition that a terrestrial frequency is available in Luxembourg. In this case, terrestrial frequencies are granted following a public call nomination. The Independent Commission on broadcasting is the body that grants the permission for programs to low power transmitters and make the call for nomination for these frequencies.

Internet infrastructure

Overview

Internet access services as well as services provided through internet are regulated by the Telecom Act of May 30, 2005, which has been amended by the Act of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on a different set of legislation).

Further, cyber security is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyber attacks. Similarly, the government has created "CASES Luxembourg" which is a project accessible by all internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to internet use and advises on how to identify them.

In July 2011, the government created two new structures: the Luxembourgish Cybersecurity Board whose mission is to work on a strategic plan against attacks via the internet, and the governmental Computer Emergency Response Team which is responsible if an incident of cyber crime ever occurs in the public information systems.

To date there is no legal obligation for operators or internet service providers to assist content owners whose rights may be infringed. However, to be exempt of liability in such a case, internet services providers shall act promptly to remove or disable access to content upon knowledge of facts or circumstances that such content is obviously illegal.

To date, there are no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

Legal regime

Pursuant to article 5 of the Telecom Act, the operation of electronic communication services or networks, notably internet services and IP services, is subject to a notification to the Luxembourg Institute of Regulation (*Institut Luxembourgeois de Régulation*) (the "ILR").

Concerning internet service providers, the law on electronic commerce as amended of August 14, 2000, provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

Others

The laws listed below may be also applicable to the telecommunication, media and internet sector:

- the law of April 18, 2001, on copyrights as amended;
- the law of August 2 2002, as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data;
- the law of May 15, 2006, related to trademarks;
- the law of August 11, 1982, on privacy;
- the Consumer code introduced by the law of April 8, 2011.

General laws are applicable for all aspects not specifically regulated by laws or regulations, in particular the provisions of the Luxembourg Criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

Portugal

Liberalization of the Portuguese telecommunications market

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89 of September 11, 1989, to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: (i) a state owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly owned companies that in 1995 merged to form the PT Group; and (ii) the so called complementary services which assembled a large group of mainly private operators ranging from mobile wireless operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Following the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing "the general bases that regulate the establishment, management and exploitation of telecommunications networks and the provision of telecommunications services" later enacted as Law 91/97 of August 28, 1997 (the "1997 Telecommunications Law"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on January 1, 2000, with the end of the Portugal Telecom's legal monopoly over fixed-telephony services.

Legal framework

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the "Review 99" Directives, the Portuguese Parliament enacted Law 5/2004 of February 10, 2004 (the "2004 Communications Law"). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011 of September 13, 2011, amended the 2004 Communications Law, transposing other EU Directives to national law. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Data Protection Directive (Directive 2002/58/EC) was transposed by Law 41/2004 of August 18, 2004.

Regulatory Institutions

- *European Commission.* The Directorate General for Competition of the European Commission (the "EC"), is responsible for considering potential claims that our business activities or Portuguese government regulations are inconsistent with the key provisions of the Treaty on the Functioning of the European Union ("TFEU") relating to competition in the EU. Among other things, the TFEU prohibits (i) agreements or coordinated action between competitors that may affect trade between EU member states and have as their objective or effect the prevention, restriction or distortion of competition within the EU, and (ii) any abuse of a market-dominant position within the EU that may affect trade between EU member states. The Directorate General for Competition enforces these rules in cooperation with national competition authorities. In addition, national courts have jurisdiction over violations of EU competition law. The Directorate General for Communications Networks, Content & Technology (DG Connect) of the EC is responsible for, among others, coordinating the regulatory framework for competition and growth over the entire range of issues in the telecommunications field: economic analysis, impact assessment, policy development and regulatory compliance.

- *ANACOM. The Autoridade Nacional das Comunicações* (the "ANACOM") is the Portuguese telecommunications regulator. It advises the Portuguese government on telecommunications policy and legislation and monitors compliance with concessions, licenses and permits granted to telecommunications networks and services providers in Portugal. The Portuguese government has substantially increased the autonomy of ANACOM and has allowed it to become a more effective and independent regulatory body. ANACOM acts on complaints against us by our competitors, our customers and other interested parties. It can impose fines on us if we do not meet our obligations under the law or its determinations. ANACOM's decisions are subject to judicial review. The statutes of ANACOM were approved by Decree Law 309/2001 of December 7, 2001. Pursuant to Law 67/2013 of August 28, 2013, which establishes a general framework for regulatory authorities, ANACOM is expected to undergo statutory changes in the near future.

- *Portuguese Competition Authority.* Our activities are also overseen by the Portuguese Competition Authority (*Autoridade da Concorrência*), which is responsible for the enforcement of competition law in Portugal. It is also responsible for considering complaints relating to our business practices or other business arrangements. Under Portuguese law, we are permitted to appeal any adverse decision of the Portuguese Competition Authority to the courts. The Portuguese Competition Authority's decisions are subject to judicial review.

- *ERC.* The Entidade Reguladora para a Comunicação Social (the "ERC"), is the independent regulatory authority for the Portuguese media. ERC's primary responsibilities are the regulation and supervision of all entities that undertake media activities in Portugal. The ERC is a legal entity endowed with administrative and financial autonomy. The ERC oversees compliance with respect to fundamental rights such as freedom of the press, right to information, independence from political and economic power and freedom of speech. It is also responsible for monitoring compliance by all companies operating in the media sector, with standards for media and broadcast content, as well as for promoting the proper and effective functioning of the market where such companies operate. The ERC's decisions may affect, among others, news agencies, periodicals, radio or television operators, and radio and television distribution operators.

Key legislation

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;
- Law 67/2013 of August 28, 2013, which establishes a general framework for regulatory authorities;
- Law 42/2013 of July 3, 2013, which sets out rules on selective communication barring, namely regarding value added services;
- Law 10/2013 of January 28, 2013, on the strengthening of electronic communications services consumer protection;
- Law 55/2012 of September 6, 2012, on the financing of audio-visual and independent cinema works (the "Cinema Law");
- Decree Law 56/2010 of June 1, 2010, on the unlocking of terminal equipment to allow access to electronic communication services;

- Decree Law 123/2009 of May 21, 2009, as last amended by Law 47/2013, of July 10, 2013, setting up rules on the access to infrastructure suitable for usage by telecom services (ITUR and ITED regulations);
- Law 99/2009 of September 4, 2009, approving the legal framework of administrative offences within the communications sector;
- Administrative Rule 1473 B/2008 of December 17, 2008, as amended, on regulatory fees;
- ANACOM Regulation 58/2005 of August 18, 2005, as amended by Regulation 114/2012, of March 13, 2012, on number portability;
- Law 41/2004 of August 18, 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004 of September 29, 2004, on the procedures for the collection and delivery of the MFRW to municipalities;
- Decree Law 7/2004 of January 7, 2004, on information society services and electronic commerce;
- Decree Law 309/2001 of December 7, 2001, which approved the statutes of ANACOM;
- The 2001 Radio Communications Law;
- Decree Law 151-A/2000 of 28 of September, 2000, as last amended by the Decree Law 264/2009 of 28 of September, 2009, regarding the licensing of the radiocomunications networks (article 19 amended by Law 20/2012 of May 14, 2012); and
- Decree Law 192/2000 of 18 of August, 2000, which approves the free movement of radio equipment and telecommunication terminals.

EU Regulatory Framework and Relevant Markets

The EU regulatory framework for electronic communications networks and services consists of five directives governing procedures, authorizations, access, universal service and data protection; a recommendation on relevant product and service markets within the electronic communications sector subject to “ex ante” regulation under a common regulatory framework for electronic communications networks and services; and two regulation, one concerning the Body of European Regulators for Electronic Communications (BEREC), the other concerning roaming on public mobile communications networks. EU directives, regulations and recommendations, which adopt competition law principles such as market dominance for the designation of significant market power and the definitions of relevant product and geographic markets, which may be subject to “ex ante” regulation, have involved constant changes and refinements to this framework. The framework focuses on issues such as reinforcing consumer rights, encouraging competitive conditions among operators to increase consumer choice, promoting investment in new communications infrastructure (such as by freeing spectrum for the provision of broadband services) and ensuring network security and integrity. Under the current regulatory framework, obligations can be imposed on operators having significant market power in any of the one retail and six wholesale markets identified by the EC. Because we are active in all of these markets, these regulatory measures have affected, and will affect, our businesses and operations.

Within the EU framework, ANACOM has identified, in the first round of analysis initiated in 2004, 19 retail and wholesale markets in Portugal. In a process it is required to undergo periodically, ANACOM has found Portugal Telecom to have significant market power in all but one of the analyzed markets, where ANACOM determined that no operator had significant market power (wholesale transit services). These markets included: (i) retail markets—access to the public telephone network at a fixed location (residential and business), publicly available local and/or national telephone services provided at a fixed location (residential and business), publicly available international telephone services provided at a fixed location (residential and business), telephone services at a fixed location using non-geographic numbers, such as toll-free numbers and leased lines; and (ii) wholesale markets—call origination on the fixed telephone network provided at a fixed location, call termination on individual public telephone networks provided at a fixed location and wholesale unbundled access to local metallic loops, wholesale leased lines (trunk segments and terminating segments) and wholesale broadband access.

In its second round of analysis, ANACOM conducted a market analysis to determine the regulatory obligations that should be imposed on operators with significant market power in the provision of wholesale (physical) network infrastructure access and wholesale broadband access. With respect to Wholesale Markets 4 and 5 (for the provision of wholesale (physical) network infrastructure access and wholesale broadband access), ANACOM has segmented the broadband market geographically between "C" (competitive) areas and "NC" (non-competitive) areas. In the "NC" areas we are obligated to provide a wholesale local loop unbundling reference offer (in relation to Market 4) and to provide a wholesale broadband (bitstream) reference offer (in relation to Market 5). Market 5 was deregulated in "C" areas, and hence all obligations in this market, including the wholesale bitstream reference offer, no longer apply. Nevertheless, while our obligation to provide a bitstream reference offer (Rede ADSL PT) in "C" areas expired after a transitional period, we have decided to maintain the bitstream reference offer. See "*Areas of Recent Regulation and Updates—Next Generation Access Networks*".

In addition to Portugal Telecom, all other fixed-line operators in Portugal were determined to have significant market power in the call termination on individual public telephone networks provided at a fixed-location wholesale market. Likewise, all mobile network operators were found to have significant market power in the call termination on individual mobile networks. ANACOM has found Portugal Telecom to have significant market power in the wholesale leased lines terminal market and segmented the transit segments between "C" and "NC" routes. In these wholesale markets, ANACOM included Ethernet connections and imposed the retail-minus rule over Ethernet solutions. In the "C" routes, Portugal Telecom has no significant market power. We expect that ANACOM will provide further analysis of the other relevant markets in the near future.

In December 2013, ANACOM launched a public consultation on a draft decision regarding the re-analysis of the retail markets for fixed-access and telephony services and of the wholesale market for call origination at a fixed location. ANACOM is proposing to withdraw the existing retail regulation in those markets while continuing to fully regulate the wholesale call origination market.

Our Concessions and Existing Licenses and Authorizations

General

The EU prohibits any limitation on the number of new entrants in telecommunications markets, except as required to ensure efficient use of radio frequencies. Pursuant to this directive, which is part of the EU electronic communications framework, an operator must have a general authorization for the provision of electronic communications networks or services. A license for individual rights of use can be required for the use of radio frequencies or numbering resources. The objective of this authorization regime is to introduce more flexibility into the licensing framework.

Currently, we hold two concessions, one regarding the provision of public payphone services, and another regarding the provision of directory services, which permit us to provide fixed-line publicly-available payphones and directory and directory inquiry services in Portugal. Until June 1, 2014, we were also the holders of the universal service public switched fixed-line concession, as described under "*—The Fixed-line Concession*" below.

We also operate a DTT platform and provide mobile telephone services, data communications services and television distribution services under the licenses granted and authorizations issued to our subsidiaries by the relevant authorities (the Portuguese government and ANACOM). The subsidiaries holding the licenses and authorizations are subject to separate financial reporting and other requirements.

The Ministry of Finance is responsible for monitoring financial issues with respect to our concessions. The Ministry of Economy is responsible for all other issues under our concessions. Disputes concerning the application and interpretation of our concessions are resolved through arbitration. ANACOM is responsible for issuing regulations and is authorized to monitor and apply administrative penalties up to a maximum of €5 million if we fail to fulfil our obligations under our concessions or other obligations imposed by law.

The Fixed-Line Concession

The Portuguese government granted us a concession, held by PTC, with an initial term expiring in 2025, which was terminated early after PTC and the Portuguese government reached an agreement in November 2013 on its revocation, following the designation of ZON and Optimus as the universal service provider of access to a publicly available electronic communications network and telephone services at a fixed location. On March 7, 2014, Decree Law 35/2014 was published in the Portuguese official gazette, formally revoking our concession agreement pursuant to the November 2013 revocation agreement signed by us and the Portuguese government and also pursuant to Resolution of the Council of Ministers n. 66-A/2013, of October 18, 2013, that authorized that revocation agreement. The revocation became effective on June 1, 2014. As of that date, the fixed-line universal services are being provided by ZON and Optimus. The revocation was due to, amongst other factors, a decision from the European Union Court of Justice, of October 7, 2010, on the grounds that Law 5/2004, of February 10, 2004, whilst keeping in force PTC's universal services concession until 2025, did not comply with Directive 2002/22/CE, of the European Parliament and the Council, of March 7, 2002, as amended by Directive 2009/36/CE, of the European Parliament and the Council, of November 25, 2009.

The fixed-line concession granted us the right to install, manage and operate the infrastructure that forms part of the basic telecommunications network. It also stipulated the provision of maritime mobile service, fixed telex service, fixed switched data transmission service and telegraph service, as services of public interest. Under the Electronic Communication Law of 2004, as the Universal Service Provider, PTC was also obligated to provide a comprehensive directory and directory inquiry services. However, other than our ceasing to be the Universal Service Provider (except with respect to public payphones and directory services, which we have been awarded under new concession contracts), as described in "—*Areas of Recent Regulation and Updates—Universal Service Obligations*" below, the revocation of the fixed-line concession will not cause any material change in the telecommunications services we are able to provide.

Prior to the revocation of the fixed-line concession, the Portuguese government, by resolution of the Council of Ministers of January 10, 2013, determined that the maritime mobile service should cease to be provided as a service of public interest from April 30, 2013. After informing the subscribers of this service of the termination in advance, PTC proceeded to terminate it. In addition, pursuant to the Resolution of the Council of Ministers published on October 18, 2013, fixed telex service, fixed switched data transmission service and telegraph service (telegrams) no longer had the nature of public services as of January 31, 2014, thus terminating PTC's legal obligation to assure their provision. The clients of the first two services were informed of such discontinuation in advance. PTC opted to commercially continue the provision of fixed telegraph service as of February 1, 2014.

Our Public Payphones and Directory Services Concessions

On October 12, 2012, in anticipation of the renegotiation of the fixed- line concession and following ANACOM's decision on the designation of a universal service provider under a competitive process, PTC submitted the lowest bid in the public tender for the provision of the publicly available telephones service and was awarded with the concession contract. The concession contract was entered into on February 20, 2014, for a period of five years. PTC and ANACOM have recently been exchanging letters concerning the evolution of PTC's fulfilment of its obligation to install the agreed quantity of public payphones in the areas covered by the Universal Service Contract.

On July 29, 2013, the Portuguese government decided to initiate a direct award procedure in respect of the provision of comprehensive directory and directory inquiry services for a period of 12 months, with the possibility of such period being extended for an additional six months. As the only company that presented a proposal, on November 7, 2013, the Portuguese government awarded PTC with the comprehensive directory and directory inquiry services concession. The concession contract was entered into on February 20, 2014.

DTT Services

For a summary of our usage rights for DTT, see "*Areas of Recent Regulation and Updates—DTT Services*" below.

Our Fixed-line, Data and Frequency Use Licenses

We also hold the following licenses: (i) a non-exclusive license to provide fixed-line telephone services; (ii) a non-exclusive license to be a "Public Telecommunications Networks" operator; (iii) the licenses formerly held by Telepac and other subsidiaries, including a data communications license; and (iv) frequency use licenses. Our current data communications license authorizes us to provide X.25/X.32 synchronous services and X.28 asynchronous services and other switched and non-switched data communications services, including frame relay and virtual private networks for data communications. The license also authorizes us to provide value-added services such as electronic data interchange and videotext services. In addition, the license authorizes us to construct certain network infrastructure in connection with licensed services. Licenses have also been granted to other providers of data communications and internet access services, including companies associated with major international telecommunications providers. However, companies are not required to have a license to provide data communications services and internet access. Instead, it is sufficient to register their intended services with ANACOM under its service registration scheme. Since 1997, we have also held a license to provide data communications services using satellite infrastructure and a license to offer voice services to corporate networks and other closed groups of users.

Meo, S.A. Mobile Service License

Portuguese mobile telephone service licenses are valid for 15 years and are issued by ANACOM. These licenses authorize the use of radio spectrum and the installation of base stations, base station controllers and control switching centers and require the licensee to construct networks capable of reaching at least 75% of Portugal's population within a specified period. Charges for the provision of mobile telephone services are not subject to regulation.

Through Meo, S.A. we hold a renewable license to provide traditional and GSM digital mobile telephone services throughout Portugal. The authorization for the use of GSM radio spectrum is valid until March 16, 2022. We are required to comply with a number of mobile telephone service criteria, including satisfying minimum quality standards regarding blocked call rates, network effectiveness and servicing time, and providing certain services. We are also required to provide ANACOM with information about our mobile telephone operations, including the number of customers, number and average duration of calls on a quarterly basis, and annual information about the development of infrastructure.

ANACOM also issues UMTS licenses, which are the European version of the globally accepted technical standards for 3G mobile communications. The broadband capacity of the frequency spectrum allocated under the UMTS licenses enables operators to supply video and internet content to mobile telephones at higher transmission speeds. On January 5, 2012, ANACOM issued a final report on an auction for the allocation of rights of use of frequencies in the 450, 800, 900, 1800 MHz and 2.1 and 2.6 GHz bands. Following that auction, on March 9, 2012, ANACOM issued the final renewable license to Meo, S.A., allowing the provision of electronic communications services based, among others, on LTE technology. This license is valid until March 2027, and it also unifies the previous GSM and UMTS licenses issued by ANACOM.

Areas of Recent Regulation and Updates

Number Portability and Carrier Selection

Number portability allows a subscriber at a specific location to change service providers without having to change telephone numbers. Under ANACOM regulations, we are required to allow number portability for both fixed-line and mobile services within one working day, save for in exceptional circumstances duly identified. ANACOM requires call-by-call carrier selection to be offered by us for long distance and international calls. Call-by-call carrier selection enables customers to select the carrier of their calls by dialing a code connecting them to the selected carrier. All fixed-line network operators with significant market power must offer carrier pre-selection. Carrier pre-selection allows customers to select the carrier that will be their default carrier. This removes the need for customers to dial any code to connect to their selected carrier when making calls.

DTT Services

PTC holds frequency usage rights for DTT associated with the transport of the signal of free-to-air television channels (the RTP, SIC and TVI broadcast channels), the so-called “Multiplex A” or “Mux A”. PTC is entitled to receive compensation or reimbursement, to be provided pursuant to a governmental ordinance, for the costs related to the channel update process. The switch-off of the analog television network in Portugal occurred on April 26, 2012. Designed to ensure equal access to DTT, the DTT usage rights require PTC to subsidize the installation and purchase of DTT-related equipment for individuals with special needs (e.g. the elderly, low income groups, etc.).

In July 2014, ANACOM published a draft decision relating to DTT coverage in which it defined coverage obligations by municipality depending on population as well as what constituted a period of unavailability. PTC replied to this consultation expressing its disagreement on certain matters, such as the definition of coverage obligations noted above, that, if implemented, may have a material impact on the fulfilment of its service obligations under its DTT license.

In September 2014, ANACOM issued a decision authorizing PTC to implement four additional MFN channels to function alongside its SFN network. In the decision ANACOM also expressed the view that in certain municipalities PTC’s network does not comply with its license and therefore PTC must implement an additional five MFN channels to function alongside its SFN network. PTC considers itself to have fulfilled its obligations with respect to the usage grant and to have successfully concluded the channel update process and therefore has expressed its disagreement to ANACOM over the alleged breach of its obligations under its DTT license and is awaiting a final decision by ANACOM on that matter and whether implementation of an additional five MFN channels is necessary.

Wholesale Reference Offers (Unbundling the Local Loop)

The EC requires fixed-line network operators found to have significant market power in the relevant wholesale market for physical network infrastructure access at a fixed location to make the local loops between their customers and the local switches on their networks available to competitors. This allows such competitors to connect their networks to the copper local loop and use it to provide their services directly to those customers without having to invest in the local loop or to rely upon the network operator’s relationship with the customers. Under this regulation, we are required to maintain a reference offer for unbundled access to our local loops and related facilities and to meet reasonable requests for unbundled access to our local loops and related facilities under transparent, fair and non-discriminatory conditions. Prices charged must be cost-oriented. The conditions under which the local loop unbundling services are provided are set forth in a published reference offer for unbundled access to our local loops in accordance with terms established by ANACOM. This reference offer covers all of our main distribution framework buildings where technical and space conditions allow co-location. Co-location means providing space and technical facilities to competitors to the extent necessary to reasonably accommodate and connect the relevant equipment of the competitor.

Leased Lines Reference Offers and Ethernet Access Reference Offers

Our Leased Lines Reference Offer (*oferta de referência de circuitos alugados*), or "ORCA", sets forth the characteristics and the technical and commercial conditions associated with the provision of leased circuits by PTC in the wholesale markets. Our Ethernet Accesses Reference Offer (*oferta de referência de circuitos Ethernet*), or "ORCE", sets forth the characteristics and the technical and commercial conditions associated with the provision of ethernet circuits by PTC in the wholesale markets.

Following a decision by ANACOM on leased line markets, the retail leased- line market was deregulated meaning that our prices in this market ceased to be subject to a 26% retail-minus rule. However, for the wholesale leased-line markets, in which we were declared an operator with significant market power, ANACOM decided to make Ethernet circuits subject to a retail-minus rule (which remains undefined by ANACOM). On July 14, 2012, ANACOM approved a final decision amending our ORCA and ORCE, the draft decision of which has been provided to the EC (which has subsequently stated it had no comment to the action), BEREC and national regulatory authorities of other Member States of the European Union. We have challenged this decision before the courts, arguing that the decision was illegal in certain respects. The court procedure is on- going.

On December 19, 2014, ANACOM issued a project decision regarding wholesale leased lines. Among other measures, ANACOM has determined a 50% reduction on the wholesale leased lines prices being charged by PTC for the Azores and Madeira traditional circuits (submarine cables) with a 25% price reduction to become effective within 30 days as from the final decision by ANACOM, and an additional 25% to become effective one year after the enforcement of the first 25% reduction. The project decision in question also aims to establish a fixed price for the lease by PTC of ehternet underwater circuits connecting the mainland to the Azores and Madeira, which is to be settled at €90,000 per year per Gbps within 30 days of the final ruling and at €56,000 per year per Gbps to become effective one year after the enactment of the first price reduction. PTC is entitled to issue its opinion on the project decision within 30 days as from December 19, 2014. ANACOM shall issue its final decision once the 30 days hearing right period has passed and taking into account the opinions conveyed by the market operators.

Co-installation Obligations

At the same time as the July 14, 2012, decision regarding PTC's ORCA and ORCE, ANACOM extended PTC's co-installation obligations under its regulated reference offers to its submarine cable landing stations. ANACOM has since requested information from PTC on the fulfilment of its obligation to provide access to its submarine cable landing stations to other operators for the purposes of co-location. PTC considers that it has fulfilled its obligation in this respect by allowing co-location in the local area exchanges closest to the submarine landing stations. To date, no formal proceedings on this issue have been initiated by ANACOM.

Wholesale Market for Voice Call Termination on Individual Mobile Networks

The regulation of the market for wholesale voice call termination establishes a price control obligation on wholesale voice call termination services. Following EC recommendations on the regulatory treatment of fixed and mobile termination rates in the EU, this price control results in a cost-oriented price cap determined by a pure Long-Range Average Incremental Cost, or "LRIC", bottom-up cost model.

On April 30, 2012, ANACOM set the termination rates to be applied in the wholesale market for voice call termination on individual mobile networks. In accordance with ANACOM's decision, the cost model for mobile termination set the maximum prices to be applied by the three mobile operators considered to have significant market power at €1.27 per minute, to be billed per second from the first second and independent of the origin of the call.

Next Generation Access Networks

ANACOM provides a segmented approach on the regulation of Next Generation Access Networks ("NGAs"), which addresses several issues, including market and technological issues, the impact of NGAs on existing networks, applicable development models, public policy considerations and regulatory models. In areas designated "C" (competitive) areas, the main obligation is access to ducts, and in areas designated "NC" (non-competitive) areas, the obligations are access to ducts, access to fiber and advanced bitstream, subject to conditions. On February 6, 2012, ANACOM approved a draft decision related to the definition of the markets of wholesale (physical) network infrastructure access ("Market 4") and wholesale broadband access ("Market 5"), evaluation of significant market power and the imposition, maintenance, modification or suppression of regulatory obligations. ANACOM proposes to maintain the national scope of Market 4 and the geographic segmentation in Market 5, which is divided into "NC" Areas and "C" Areas (the latter unregulated). According to this draft decision, we will continue to be considered to have significant market power in Markets 4 and 5.

According to the draft decision concerning access obligations in the market of wholesale (physical) network infrastructure access, in addition to the obligation of granting unbundled access to copper loops and subloops and to ducts and poles at the national level, ANACOM intends to impose a geographically differentiated obligation to grant virtual access to optical fiber (advanced bitstream). This obligation would not be imposed in 17 municipalities that are considered to have conditions for other operators to invest in fiber. In addition, we would also be required to demonstrate to ANACOM that the difference between our retail prices and the prices of the wholesale offers made available to other operators does not result in a margin squeeze. The review was not concluded, due to the changes that took place in the domestic market during 2013 (merger between Zon and Optimus and investments initiated by Vodafone and Altice for expansion of their fiber networks) and the publication, in September 2013, of the EC's recommendation on NGA non-discrimination and costing methodologies. In light of these developments, a new ANACOM consultation on Markets 4 and 5 is expected in the near future.

With respect to the roll-out of optic fiber networks, current Portuguese law establishes a legal framework for the construction of and access to infrastructure suitable for the accommodation of electronic communications networks and the construction of infrastructure for telecommunications in housing developments, urban settlements and concentrations of buildings. The law addresses access to the public domain, expropriation and the constitution of public easements, and amendments to existing law in 2009 introduced a new level of harmonization and transparency in procedures. In particular, the 2009 changes set forth several obligations in order to allow electronic communications operators to enjoy better conditions necessary for the installation and development of electronic communications networks.

The current legal framework also foresees the implementation of a Centralized Information System ("SIC"), to be managed and operated by ANACOM and whose main objective is to make available information on infrastructure appropriate for the installation of electronic communications networks based on information provided by the Portuguese government, autonomous regions, municipalities, publicly held companies or concessionaires, other entities owning or using infrastructure in the public domain, autonomous regions or municipalities and electronic communications undertakings. Other elements, such as the terms upon which objects will be geographically defined through the combination of their administrative location and georeferencing, are also set forth.

Since PTC already has reference offers under which it is required to provide a substantial amount of information to operators that wish to use its ducts, poles and associated infrastructure, we are paying close attention to the implementation of the SIC, since we do not wish for the SIC to compound PTC's obligation to provide information regarding its ducts and associated infrastructure.

Between April 27, 2012, and July 20, 2012, a public consultation was held on the reduction of NGA roll-out costs, highlighting the need for more coordination, information and transparency between the different stakeholders. According to the EC, 80% of the investment costs in NGA networks relate to the deployment of civil infrastructure, as is the case of trenching and laying of ducts, and up to 30% of these costs are due to inefficiencies. The EC is of the opinion that the NGAs and the Member States may intervene at this level, making infrastructure sharing mandatory, including those of utility companies. The EC published the report on this public consultation on November 22, 2012, and proposed a draft regulation on March 26, 2013. On November 28, 2013, the ITRE Committee of the European Parliament proposed a number of amendments to the European Commission proposal, suggesting that the measures to reduce the cost of broadband deployment should be addressed through an EU directive rather than a regulation, thus giving the Member States more flexibility to adjust to specific local or national rules on this matter.

Negotiations between the European Parliament and the European Council took place in early 2014. On April 15, 2014, the European Parliament plenary adopted the measures proposed in these negotiations to reduce the costs of deploying high-speed broadband networks with no substantial amendments to the final report published by the ITRE Committee of the European Parliament on March 20, 2014. In furtherance of the foregoing, on May 15, 2014, Directive 2014/61, on measures to reduce the cost of deploying high-speed electronic communications networks, was enacted. Transposition by Member-States shall occur no later than January 1, 2016, and the provisions set forth therein shall apply from July 1, 2016.

On December 5, 2012, the EC sent its draft recommendation on NGA non-discrimination and costing methodologies to BEREC. The draft recommendation expands on the principles set out by Commissioner Kroes, in July 2012, that price orientation to costs could be more flexible in certain circumstances in return of a tighter control of non-discrimination at the wholesale level. BEREC issued its opinion on this draft recommendation on March 26, 2013, endorsing the objectives of the EC, but criticizing and asking for amendments of some aspects of the draft recommendation. According to BEREC, the recommendation should not suggest a specific costing methodology but identify the fundamental principles to be respected. The EC did not take into account the opinion of BEREC in this matter and obtained, on July 11, 2013, the favorable opinion of COCOM (Communications Committee), enabling the final adoption of the recommendation.

On September 9, 2013, the EC formally published the final recommendation on non-discrimination and NGA cost models, included in the presentation and proposal of the so-called Connected Continent package. The (non-binding) recommendation aims to promote investment and innovation in new network infrastructures, while ensuring effective competition. In particular, it seeks to: (i) ensure an effective level playing field through the application of stricter rules on non-discrimination; (ii) set predictable and stable prices for access to copper networks; and (iii) increase regulatory certainty as to the circumstances that should lead to the non-imposition of regulated prices for wholesale access to next-generation networks. The Connected Continent package was approved by the European Parliament on April 3, 2014, and this recommendation may have an adverse effect on our business. See "*Connected Continent—Legislative Package*".

Cost Accounting System ("CAS")

PTC runs an activity-based, fully-distributed historical cost model, first developed following the privatization of the company in 1995. The CAS is also a regulatory obligation imposed on us within the scope of our concession and relevant market regulations. Following a set of ANACOM's determinations and recommendations concerning the improvement of PTC's CAS and the review and resubmission of the results of the CAS for 2007, and subsequently for 2008 and 2009, PTC sent the revised results of the CAS for these years to ANACOM (in February, April and May of 2013).

On June 6, 2013, ANACOM declared the conformity of PTC's CAS for the exercises of 2008 and 2009 with the applicable regulatory dispositions, and approved determinations and recommendations concerning the improvement of the CAS. Following a request submitted by PTC and a public consultation, ANACOM approved on December 5, 2013 the final decision concerning the methodology for the calculation of PTC's Weighted Average Cost of Capital applicable from 2012.

In a letter dated August 29, 2013, ANACOM informed PTC of the schedules for the auditing processes to the CAS and the Net Costs of the Universal Service, ("NCUS"), for 2010 to 2012, and for the works concerning the revision of the CAS.

Compensation for the Negative Operating of the Mandatory Services

Under the fixed-line concession, PTC has the right to be directly compensated by the Portuguese government for the negative operating margins resulting from the mandatory provision of fixed telex service, fixed switched data transmission service, telegram service, broadcasting and distribution service of telecommunications broadcasting signals and maritime mobile service.

ANACOM notified PTC of the approval of the final decision concerning the reformulated results of the operational margins of fixed telex service, telegram service, broadcasting and distribution service of telecommunications and broadcasting signal and maritime mobile service for 2007 (in its letter of April 8, 2013) and for 2008 and 2009 (in its letter of June 7, 2013). The corresponding notifications were sent by ANACOM to the General Inspection of Finance. In its letter of December 9, 2013, PTC submitted to ANACOM information on the operational margins of fixed telex service, telegram service and maritime mobile service for 2012.

In 2012, we initiated an arbitral proceeding in which we challenged the Portuguese government (General Inspection of Finances) regarding the view it expressed on the subject of negative operational margins of the mandatory services in 2006. According to the General Inspection of Finances, the negative margin should be compensated after deduction of the positive margins that some of the required services may eventually present. A final arbitral ruling in favour of PTC was issued on June 16, 2014. As a result of the ruling, we are entitled to receive the negative margins of the maritime mobile service and the overall net negative margins on the analogue terrestrial television, telegraph and telex services.

Regulation on the Settlement and Collection of Regulatory Fees

According to the Administrative Rule 1473-B/2008 of December 17, 2008, all providers are subject to the payment of a regulatory fee for the provision of electronic communications networks and services, through which they cover the administrative regulatory costs of ANACOM.

By a deliberation dated July 11, 2013, ANACOM approved the report concerning its administrative costs and the amount resulting from the collection of the fees owed by the suppliers of networks and electronic telecommunication services for 2012. It was also decided to reimburse to the suppliers of networks and electronic telecommunication services a total amount of €334,316.04 for 2012, and €22,426.21 for a correction for 2011. As a result of this last correction, the contributory percentage was set at 0.5505% for 2011. For 2012, the contributory percentage was set at 0.5475%.

By a deliberation dated July 25, 2013, ANACOM determined the value of the administrative costs, to be considered for purposes of the settlement of the fees due for the exercise of the activity of supplier of networks and electronic telecommunication services, in the amount of €24.5 million in 2013.

In its letter of October 1, 2013, in reply to a request by ANACOM, PTC submitted to ANACOM the revised declarations of the relevant profits for 2007 to 2009, following the adjustments resulting from the auditing process and calculation of the final NCUS values for those three years.

ANACOM, by a deliberation dated October 19, 2013, approved the revision of the settlement of the fees due for the exercise of the activity of supplier of publicly available networks and electronic communication services for 2009 and 2010, following the correction of the value of PTC's relevant revenues, according to the final values of the net costs of the universal service for 2007 to 2009. The upwards revision of PTC's relevant revenues resulted in an increase of the total amount of relevant revenues of the companies at "level 2", with an impact in the value of the contributory percentages for 2009 and 2010, which were set at 0.4827% and 0.4908%, respectively.

On October 31, 2013, ANACOM approved the revision of the settlement of fees due for the activity of provider of publicly available networks and electronic communications services, for 2011 and 2012. This decision followed the correction of the amount of relevant revenues of PTC resulting from the final values of the net costs of universal service for the years in question, submitted to ANACOM by PTC on October 16, 2013, in accordance with Article 9, paragraph 1 of Ordinance No. 1473-B/2008 of December 17, 2008, revised by Administrative Rule No. 296-A/2013 of October 2, 2013.

By a decision dated November 21, 2013, ANACOM approved the values to be considered in the formula for calculating the fees due for the activity of provider of publicly available networks and electronic communications services, having settled the value of the contributory percentage at 0.4880% for 2013.

Universal Service Obligations

Until June 1, 2014, we had obligations as a universal service provider under the fixed-line concession for public telecommunications service. Universal services are divided into three functions: (i) connection to a public telecommunications network at a fixed location and the provision of public telephone services; (ii) publicly available telephones; and (iii) comprehensive directory and directory inquiry services. Under the tender for designation of the Universal Service Provider described below, these functions are further divided into three geographic regions: North, Center and South and Islands. On October 12, 2012, following ANACOM's decision on the designation of a universal service provider, the Portuguese Ministries of Finance, Economy and Employment launched a public tender to designate universal service providers for each of the three functions described above (referred to as Tender 1, Tender 2 and Tender 3 respectively), which included a compensation fund for universal service providers, as described below, and a related renegotiation of our concession which led to its revocation. To select the company responsible for providing a comprehensive directory and a directory inquiry service, the criterion was the highest remuneration payable to the Portuguese government. The granting period for each of the services was set at five years. Pursuant to the qualifying report issued on February 2, 2013, PTC qualified for each of the Tender 1, Tender 2 and Tender 3 categories. The deadline for the submission of proposals for each of these tenders was March 15, 2013. PTC, ZON and Optimus presented bids for Tender 1, PTC presented the only bid for Tender 2, and no bids were presented for Tender 3.

On April 18, 2013, ANACOM published a preliminary report regarding the bids for Tenders 1 and 2, as there was no bidder in Tender 3. In accordance with this report, PTC did not present the lowest bid in Tender 1 (which was the relevant criterion for this tender) and, as such, it did not qualify to be designated as the universal service provider of access to a public telecommunications network at a fixed location. PTC's services in this regard ceased on June 1, 2014. See "—*Our Concessions and Existing Licenses and Authorizations—The Fixed-line Concession*" above.

PTC submitted the lowest bid for Tender 2.

On October 18, 2013, the Portuguese government confirmed these results and determined the designation of Optimus and ZON as the universal service providers for the connection to a public electronic communications network at a fixed location and the provision of publicly available telephone services, and of PTC as the universal service provider for publicly available telephone (payphones).

In addition, on November 7, 2013, PTC was awarded by the Portuguese government with the comprehensive directory and directory inquiry services concession. See "*Our Public Payphones and Directory Services Concessions*".

Furthermore, even in the cases where PTC is the universal services provider, we will be required to contribute to the compensation fund for universal services providers according to our share of the revenues of the national telecommunications sector.

By a deliberation dated August 1, 2013, ANACOM approved the draft decision on the final results of the audit to NCUS resubmitted by PTC for 2007 to 2009: €23,584,976.93 in 2007, €20,168,431.93 in 2008 and €23,057,573.48 in 2009. This draft decision was submitted to prior hearing of the interested parties and public consultation. On September 19, 2013, ANACOM approved the final decision having maintained the values proposed on the draft decision.

On August 19, 2013, following a deliberation by ANACOM dated June 20, 2013, regarding the decision on the results of the audit to NCUS for 2007 to 2009, PTC sent to ANACOM new values for the NCUS in 2010 and 2011, according to the final, settled methodology. According to Law 35/2012, which established the compensation fund for the universal service of electronic communications, for the financing of the NCUS, on October 31, 2013, PTC submitted to ANACOM the calculation of the NCUS for 2012, taking into account the deliberations of the Regulatory Authority concerning the methodology of calculation of the NCUS and the recommendations made in the audit of the NCUS for 2007 to 2009.

Network Security

On December 12, 2013, ANACOM approved a decision on the circumstances, format, and procedures applicable to reports regarding security breaches or loss of integrity with a significant impact on the functioning of electronic communications networks and services available to the public. This decision also sets forth the conditions under which ANACOM considers there is a public interest in disclosing information regarding those events to the public. Further, we will have to implement all the necessary measures to comply with this decision by June 12, 2014, which will require implementing new procedures and adapting information systems to produce the relevant information to notify to ANACOM.

Cloud Computing

The EC issued a review of cloud computing in Europe with the goal of enabling and facilitating its adoption throughout all sectors of the economy with the goal of cutting ICT costs and boosting productivity, growth and jobs. The EC put forward a set of measures that, in its view, are key to promoting cloud computing and ensuring users' rights.

On December 12, 2012, the Directorate General for Justice organized a workshop on cloud computing contracts, with the purpose of exploring stakeholders' experiences and views on cloud computing contracts with the EC. The EC and stakeholders discussed possible future developments of the market, issues relating to cloud computing contracts, based on existing practice, the economic impact of these issues in cloud computing contracts and the possible ways forward. The EC considered the workshop a first step to find a precise feasible mandate for an expert group that was formed in September 2013 to address cloud computing issues pertaining to fair and balanced contract terms, trust of consumers and users and increased legal certainty.

Cinema Law

Following the publication on September 6, 2012, of the Law No. 55/2012 (Cinema Law) that establishes the Portuguese government action principles in the promotion, development and protection of the art of cinema and cinematographic and audio-visual activities, which imposes obligations on television distributers and operators of video-on-demand services, two regulations of the Cinema Law were published.

Firstly, Decree Law No. 9/2013 of January 24, 2013, which foresees, among other issues, the obligation to reverse charge the annual fee for each subscription of television services by July 1 of the following year to which the data reported relates as well as the obligation to provide to the Portuguese Cinema and Audiovisual Institute (*Instituto do Cinema e do Audiovisual*), or "ICA", with the reports that were sent to ANACOM regarding the number of television services subscribers.

Secondly, Decree Law No. 124/2013 of August 30, 2013, which foresees, among other matters, the obligation to invest 1% of video-on-demand services revenues in film production and audio-visual ensured through an annual investment in national cinematographic works, the obligation to report to ICA until June 30 of each year the video-on-demand services revenues earned in the previous year, the obligation to report to ICA until January 31 of the following year to which the investment relates (i) the title, type and gender of each creative national film work object of investment, (ii) the identification of the independent producers and other author and neighboring rights holders over such works, (iii) the amount and type of investment made in each work, and (iv) the demonstration of the actual costs with the creation of an area devoted to national works and the loss of revenue by applying the conditions of remuneration of such rights holders foreseen in the Cinema Law (i.e. a 50% revenue share), subject to the demonstration that they are more disadvantaged in relation to the operator when compared with the agreed conditions with other content providers of the same type.

On October 17, 2013, we were notified by ICA of the official settlement regarding the abovementioned annual fee. Given that we believe such an annual fee to be unconstitutional, we have decided not to make any payment and to provide a bank guarantee under the tax enforcement process of which it was notified on December 5, 2013. We will also file a complaint.

Law 28/2014, of May 19, 2014, introduced certain changes regarding the Cinema Law, including (i) the reduction of the annual fee for TV subscriptions to €1.75 (to be increased up to a maximum of €2 from 2020 onwards) per subscription, and (ii) the transfer of funds from ANACOM to ICA in an amount equal to the total annual fee mentioned herein. In light of this legal change, we proceeded with the payment of the abovementioned annual fee. The bank guarantee and the tax enforcement process has thus been cancelled.

Roaming

The EC regulates the roaming charges that may be charged in the wholesale market and the retail market in Europe. These regulations extend to data and SMS, or text messaging. On July 1, 2012, the previous roaming regulations were replaced by a new version, known as "Roaming III", which will expire on June 30, 2022. In addition to setting maximum voice roaming rates (subject to a glide path) that may be charged with respect to the wholesale market, retail market, data and SMS, Roaming III also features (i) extended transparency and consumer-protection measures ("bill-shock") that go beyond the EU territory, (ii) a cap on retail data roaming communications, (iii) the introduction of an obligation for mobile operators in the wholesale market to provide reasonable network access in order to allow roaming services and (iv) the decoupling of roaming services from other services, while enabling a consumer to use the same number, no later than July 1, 2014.

On July 1, 2013, the new price caps, valid until July 2014, entered into force:

- For voice calls, €0.24 per minute (retail) for outgoing calls and €0.07 per minute (retail) and €0.10 per minute (wholesale) for incoming calls;

- For outgoing SMS, €0.08 (retail) and €0.02 (wholesale); and

- For data traffic, €0.45 per MB (retail) and €0.15 per MB (wholesale).

As of July 1, 2014, the price caps, valid until June 30, 2017 (retail level), and June 30, 2022 (wholesale level), if not revised before, shall be:

- For voice calls, €0.19 per minute (retail) for outgoing calls and €0.05 per minute (retail and wholesale) for incoming calls;

- For outgoing SMS, €0.06 (retail) and €0.02 (wholesale); and

- For data traffic, €0.20/MB (retail) and €0.05/MB (wholesale).

On March 18, 2013, BEREC published its guidelines on the interpretation and implementation of Roaming Regulation III, except with regard to Articles 3, 4 and 5 concerning the wholesale access and the separate sale of roaming services. Issues concerning wholesale access had already been object of specific guidelines, published on September 27, 2012, and the separate roaming services (single IMSI and LBO—Local break-out) sale was also object of specific guidance, published on July 5, 2013.

In addition, the EC's proposed "Connected Continent" legislation could lead to the elimination of roaming charges for calls within the EU, as discussed in the next paragraph. The EC has stated that it believes roaming charges within the EU should end.

"Connected Continent" Legislative Package

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

In its latest form, the legislative package approved by the European Parliament on April 3, 2014, provides, among other things, for (i) the cancellation of retail market roaming tariffs by December 15, 2015, which would result in operators no longer being able to differentiate between retail domestic and roaming communications within EU mobile networks,

(ii) clear rules for traffic management and the obligation of operators to assure a certain quality of service and (iii) reinforced consumer rights.

From June 6, 2014, the draft legislation is being discussed at the level of the European Council and may be subject to additional revisions.

Pricing of Fixed-line Telephone Services

ANACOM has established a pricing regime for fixed-line telephone services. This pricing regime creates the following regulatory obligations for the retail market for telephone services at a fixed location:

- The price of fixed-to-mobile calls (residential and non-residential) is required to be cost-oriented, and a price control is in place in the form of a cap of €0.063 on the amount retained by the fixed operator with respect to fixed-mobile calls.

- The price of off-net fixed calls is also subject to a cap corresponding to the on-net prices, corrected for the existing asymmetry between the wholesale voice calls termination rates of Portugal Telecom and other operators.

- The tariffs for domestic payphone calls are required to correspond to a maximum of three times the tariff for a residential phone call.

- A requirement to grant a 50% discount on our monthly fee for retired people, a price accessibility obligation that was included under our universal service obligations.

In addition, general regulatory obligations of transparency, non-discrimination, cost orientation, cost accounting and account separation apply to access to the fixed-line network and to the telephone services at a fixed location.

Interconnection

The Interconnection Framework. The EU Access and Interconnection Directive requires that interconnection services be made available in a non-discriminatory manner. The EU Access and Interconnection Directive encourages commercial negotiations among operators but requires national regulatory authorities to establish mechanisms for effective dispute resolution. According to the EU Access and Interconnection Directive, all telecommunications companies with significant market power in the call origination or termination markets must:

- make interconnection access to their networks available to other network operators;

- not discriminate between interconnection customers;

- provide to those requesting interconnection the information and technical specifications necessary for them to interconnect their networks;

- offer interconnection prices that are transparent and cost-oriented and do not discriminate between interconnection customers; and

- maintain a separate accounting system for interconnection activities.

The EU Access and Interconnection Directive established the general conditions for access and interconnection among telecommunications operators in competitive markets. It guarantees the rights of new entrants to obtain interconnection from telecommunications operators with significant market power. ANACOM is entitled to review and modify our proposed interconnection rates and arrangements in our reference interconnection offer. ANACOM has established an overall interconnection framework based on cost that is consistent with the EU legal framework for both wireline and mobile services.

Wireline Interconnection. ANACOM regulates call origination on fixed-telephone networks provided at a fixed location and call termination on individual public telephone networks provided at a fixed location within the scope of market analysis and significant market power designations. ANACOM has declared the Portugal Telecom group to have significant market power in these markets. As a result, we are subject to price controls in these markets based on our costs and other factors and must publish a reference offer that includes these prices and quality of service standards.

Mobile Interconnection. All mobile operators are considered to have significant market power in call termination in mobile networks market. ANACOM has imposed price controls on interconnection rates for the termination of calls on mobile networks. These reductions have had, and are expected to continue to have, a significant impact on Meo, S.A.'s interconnection revenues and consequently its earnings.

Fixed Interconnection. On March 7, 2013, ANACOM launched a public consultation regarding the draft decision on the wholesale market for voice call termination on individual public telephone networks provided at a fixed location, under which it proposed to set fixed termination rates ("FTR"), at €0.001091, corresponding to the average FTR of the countries that had already defined their call termination rates at a fixed location based on the pure LRIC cost models recommended by the EC.

On July 12, 2013, ANACOM notified the EC of a draft decision on the same lines as the draft decision that it submitted to a public consultation in March 2013, but proposing therein an average termination rate of € 0.001114, which resulted from an update to the benchmark. In the draft decision notified to the EC, ANACOM imposed on PTC an obligation to submit, within 12 months, a proposal for access and IP interconnection. However, on August 14, 2013, ANACOM decided to withdraw its draft decision as a consequence of the serious doubts raised by the EC, particularly regarding the inexistence of a symmetric obligation of IP interconnection imposed upon all operators with significant market power operators. Having taken into consideration the EC comments, on August 27, 2013, ANACOM imposed provisional and urgent measures that determined the maximum average prices to be applied by the operators designated as having significant market power:

- On October 1, 2013, 0.1114 cents per minute (the prices to be applied by PTC in the three interconnection levels were calculated taking into account the weight of traffic in each level, so that, globally, this average price is reached); and

- From July 1, 2014, the price will be set using the pure LRIC cost model.

Some operators interpreted this decision in different ways, recreating situations of tariff asymmetry, which led ANACOM to adopt new and urgent provisional measures on November 27, 2013, with effect from December 1, 2013, clarifying that if operators choose to define a simplified tariff with only one price level, that price cannot be higher than the average reference price, and that if they choose a structured tariff, with various levels of interconnection, they must provide a local interconnection price level, so that it is possible to deliver on that level the termination traffic to all customers of the operator.

On July 10, 2014, ANACOM approved (i) a draft decision regarding the definition of the fix termination wholesale market, the evaluation of significant market power in that market and the imposition, maintenance, modification and suppression of regulatory obligations in that market; and (ii) a draft decision regarding the cost model for the fixed termination market. Pursuant to Portuguese law, both draft decisions were submitted for pulic consulation for a period of 30 business days. We expect a final report to be published by ANACOM in the near future.

ANACOM has issued successive decisions that have reduced mobile termination rates over time. The reductions in mobile termination rates have had, and will continue to have, a negative effect on our cash flows and revenues.

Pricing for Mobile Origination Rates

In January 2012, the Portuguese Competition Authority completed an analysis on mobile rates for originating calls, finding origination rates to be excessive and stating that mobile operators must reduce their rates to the level of their costs by July 2012 or face the possibility of being sanctioned. All three mobile network operators decided to reduce its mobile originating rates between €0.07 and €0.0975 and no subsequent action from the Authority is expected.

Internet Access

As a result of past ANACOM decisions, we offer two access regimes to ISPs: (i) the Reference Offer for internet Access, which includes two alternative pricing methods, primarily a monthly flat rate and a per minute origination charge, and under which the connection of the ISP's infrastructure to our fixed-line network is based on DSS1 signalling, and (ii) the Reference Interconnection Offer, which includes a pricing method based on call origination, under which the connection of the ISP's infrastructure to our fixed-line network is based on Signalling System No. 7 ("SS7") protocols. The ISPs determine which regime will apply to their arrangements to connect with our fixed-line network.

Internet and Related Services

Various regulatory developments may affect our internet business. A Data Protection Directive was adopted by the EC in 2006, that imposed data-retention obligations on operators. The law implementing this directive requires internet service providers and other electronic communications providers to preserve data for a specified period of time and imposes other obligations in this area.

Regulatory Proceedings

We are regularly involved in regulatory inquiries and investigations involving our operations. In addition, ANACOM, the EC, the Portuguese Competition Authority and ERC regularly make inquiries and conduct investigations concerning our compliance with applicable laws and regulations. These investigations are described in more detail in "*Description of PT Portugal' s Business—Regulatory Proceedings*".

Regulatory obligations

For both mobile and fixed telephony services, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator pursuant to ANACOM Regulation 114/2012 on number portability.

Under Decree Law 7/2004 of January 7, 2004, as amended, internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawfully stored information provided that they become aware of the unlawful use of that information and, upon becoming aware, do not take action to remove or to disable access to the information.

Under Portuguese data protection law, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user's equipment, as well as to send unrequested communications for direct marketing purposes. Electronic communications services providers are demanded to notify the *Comissão Nacional de Protecção de Dados* in cases of breach of personal data of the users.

Consumer protection

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six month expiration period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013 of January 28, 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

Fees and contributions

ANACOM collects an annual regulation fee from electronic communications services providers and other regulation fees that are directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Such fees were recently revised by Administrative Rule 378 D/2013 of December 31, 2013, amending Administrative Rule 1473 B/2008 of December 17, 2008. Municipalities collect a municipal fee for rights of way (the "MFRW"), established in the 2004 Communications Law, based on the provider's turnover concerning end users in each municipality.

We are subject to a rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. Our exemption from municipal taxes is currently being challenged in court.

Belgium

Overview

Under Belgian law, telecommunications and broadcasting activities are regulated separately. Telecommunications include telephony and internet and are regulated by the Federal Electronic Communications Act of June 13, 2005 (ECA). Television and radio broadcasting is regulated by decrees at community level (Decree of the Flemish Community of March 27, 2009; Coordinated Decree of the French Community of March 26, 2009; Decree of the German Community of June 27, 2005; and the Act of March 30, 1995, of the Federal State for broadcasting activities in the Brussels Capital region that due to their content cannot be linked exclusively to the Flemish Community nor to the French Community).

The sector is also regulated by decisions, resolutions and recommendations of BIPT (the federal postal and telecommunication services regulator) for telecommunications, as well as of radio and television regulatory authorities at community level. In addition, network infrastructure can be subject to local planning and other regulations issued by municipalities.

Specific requirements can also be imposed on entities that are deemed, by the BIPT and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including non-discrimination and transparency obligations with respect to access, accounting, and price (Numericable Group has notably been recognized as an operator with significant market power on the Brussels retail market for the distribution of television and radio services by cable).

Market Practices

Joint offers, for example of telephony services, internet services and television services, are allowed under Belgian law, provided that such offers comply with EU and national competition legislations and that they do not constitute an unfair trade market practice prohibited by the market practices and consumer protection legislation set forth under book VI of the Economic Law Code. Network operators must also comply with all applicable consumer protection provisions set forth in this act, as well as, where applicable, other legislation, namely the Act of May 15, 2007, on the Protection of Consumers in respect of Radio Transmission Services and Radio Distribution.

Prior Notification

Under the ECA, companies must notify the BIPT electronic communications services and/or networks that they intend to provide or resale, in their own name, on the Belgian territory, as well as any change thereto.

Telephony Regulation

The ECA mandates that a minimum set of "universal services" be offered to all end-users, independently of their geographical location, at an affordable price and at a specified quality level, and contains, in addition to applicable general privacy protection regulations, several provisions that address privacy protection in the electronic communications sector, including, notably, the processing and use of traffic and location data, the confidentiality of communications, as well as the subscribers' rights with respect to telephone directories. The BIPT may issue specific regulations, for example with respect to the allocation of numbers and radio frequencies.

Internet Regulation

In addition to the provisions of the ECA, activities of internet service providers are also subject to e-commerce legislation set forth under Book XII of the Economic Law Code that provide that internet service providers may not be held liable for information transmitted over an electronic communications network, subject, however, to certain conditions and exceptions.

Broadcasting Regulation

The provision of radio and television broadcasting services are subject to prior notification to the relevant regulatory authority, namely the VRM, CSA and, BIPT for the Flemish Community, French Community and the Brussels Capital Region respectively. Pursuant to the Flemish and French Broadcasting Decrees as well as the Act regulating broadcasting activities in the Brussels Capital, network operators must also comply with must-carry obligations which require them to distribute specific radio stations and television channels in their respective communities. The same legislative acts also provide, in the relevant territorial areas, for a right of way for what concerns cable networks.

The Act of January 22, 1945, on economic regulation and pricing and the Ministerial Decree of April 20, 1993, regarding special regulation on prices impose on television services distributors the requirement of the Minister of Economy's prior consent for any price increase of their basic package. Jurisdiction over the pricing regulation has been transferred on July 1st, 2014 to the Communities and Regions, each with respect to their respective competences, as part of the sixth reform of the State; the aforementioned federal legislation, however, remains applicable until the adoption and implementation of new Community and/or Regional legislations.

Pursuant to the Act of June 30, 1994, on Authors' Rights and Neighboring Rights, cable companies must receive approval from the holders of the relevant author and related rights to distribute radio and television signals embedding protected works over their cable. A collective author society has initiated a law suit before a Brussels court to have internet service providers subject to the same regime.

Dominican Republic

Overview

The legal framework of the telecommunications sector in the Dominican Republic is set forth by General Telecommunications Law 153 98 of May 27, 1998 ("Law 153 98"), resolutions issued by the telecommunications regulator on the grounds of Law 153 98 and various decrees of the Executive Power on matters related to the National Plan of Attribution of Frequencies ("PNAF").

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, ODO was awarded a nineteen-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed/wireless technologies, television and internet). An automatic twenty-year renewal process is set forth in the concession agreement unless either party served three years' notice of an intention not to renew. Since neither party served such a notice, the renewal process under the concession began automatically in August 2014. ODO is also subject to Law No. 153-98 which provides for a renewal process of the concession. However, Indotel has not yet provided a template of the agreed concession agreements with local operators which is a pre-requisite for renewal of the concession, and as such ODO has not yet made a formal request for the renewal of its concession. When ODO does submit a request for renewal, if it is accepted, the concession will be renewed with effect from August 2015. All of our frequency licenses are valid until August 1, 2015, but will have to be renewed at the same time as our concession agreement

The Constitution of the Dominican Republic guarantees the freedom of enterprise, trade and industry among other individual and social rights, in addition to the industry specific legal framework. The Constitution specifically sets forth that monopolies shall not be permitted except in favor of the Dominican State and must be created by law. The Dominican Constitution provides that the secrecy of the communication telegraphic, telephonic, cable graphic, electronic, telematics or established by another mean, shall not be breached, except by an order of a judge or competent authority, in accordance with the law. Also, the Dominican Constitution guarantees public services of radio, television, library and information networks, to allow universal access to the information.

General Telecommunications Law 153 98

Law 153 98 classifies telecommunications services as follows:

a) Carrier services to provide the necessary capacity to transport signals between two points of termination of a defined network;

b) Final services or teleservices to provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);

c) Value added services to work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);

d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153 98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153 98 reaffirms the "Universal Service Principle" by guaranteeing access to telecommunications services at affordable prices in low-income rural and urban areas. Law 153 98 created the "Contribution to the Development of Telecommunications" ("CDT") consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153 98 the *Instituto Dominicano de las Telecomunicaciones* ("Indotel") is the regulatory body created as a decentralized state entity, with operational, jurisdictional and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio electric spectrum.

Law 153 98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the highest authority of Indotel, composed of five members designated by the Executive Power.

Among other management powers, Indotel administers the entrance and participation of the telecommunications service providers in the Dominican telecommunications market, and has various functions including (i) granting, expanding and revoking concessions and licenses under the conditions provided for by the laws in force, allowing the entrance of new providers of telecommunications services; (ii) managing and administering the spectrum orbit resources, including the management of the orbital portions of the telecommunications satellites with their respective bands of frequencies, as well as the satellite orbits for Dominican satellites which may exist and coordinating their use and operation with international entities and organisms and with other countries; (iii) controlling the compliance with obligations of the concessionaires of public telecommunications services and of the users of the radio electric spectrum, protecting the right of defense of the parties in its actions.

Law 153 98 promotes competition in all telecommunications services by enforcing the right to interconnect with existing participants and ensuring against monopolistic practices, and at the same time upholding those concessions that are operational. Law 153 98 provides that the regulator shall ensure charges are non-discriminatory, strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the "Regulation of tariffs and costs of the services".

In accordance with Law 153 98 a concession granted by Indotel is required for providing public Telecommunications services to third parties, with the exceptions set forth in Law 153 98. The authorization process is governed by "Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic" contained in Resolution No. 007 02, issued by the Board of Directors of Indotel (as amended by Resolution No. 129 04) ("Resolution 007 02").

Pursuant to Law 153 98 a license granted by Indotel shall be required for the use of the public radio electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007 02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153 98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior to authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153 98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153 98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153 98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

Certain Relevant Resolutions of Indotel

On the grounds of Law 153 98 Indotel issued various resolutions. Some of such resolutions regulating certain areas of telecommunications in the Dominican Republic are as follows:

- Resolution 110 12 dated August 9, 2012, by means of which Indotel's Board of Directors approved the General Regulation for Telephone Services. The principal purpose of this Regulation is to set forth a regulatory framework governing relations between the public telephone service providers and their customers and users, in all its forms (post-paid or pre-paid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

Resolutions 10-12 will apply to all relations between users and telephone service providers. After a public consultation process, by Resolution 003 13, dated January 22, 2013, Indotel's Board of Directors approved the modification of Articles 1, 3, 6, 12, 14.2, 14.4, 15, 18.10 to 18.13, 21, 24.1 letter (i), 25.3 and 32 of the General Regulation for Telephone Service.

The abovementioned regulation sets forth basics rights, including: (i) access to telephone services in terms of continuity, generality, equality, neutrality, transparency and quality, in accordance with the principles of the Telecommunications General Law No. 153 98; (ii) their right to choose their service provider; (iii) their right to have a phone number and numeric portability; (iv) their right to sign a contract in accordance with terms, conditions and rights set forth in this regulation; (v) their right to cancel the service in accordance with the procedure indicated in this regulation.

This regulation considers as “abusive clauses” those imposing conditions on users that affect their interests and rights, and those that are disproportionate, or contrary to the laws, regulations and standards. According to Article 14.2, abusive clauses on contracts will be unenforceable. Indotel shall require the amendment of abusive clauses such as to make them conform to reasonable standards. If telecommunications service providers do not amend the contract, Indotel may unilaterally enforce the amendment.

- Resolution No. 64 11 dated July 27, 2011, approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520 11 dated August 25, 2011, issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518 02 dated July 5, 2002. The new PNAF approved by Decree 520 11 seeks to optimize and rationalize the use of the radio electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration.

- Resolution No. 156 06 dated August 30, 2006, issued by the Board of Directors of Indotel, that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability.

- Resolution No. 022 05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153 98. Indotel will also investigate and impose sanctions in the cases where the information obligation of the mentioned operations is not complied with.

- Resolution No. 022 05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153 98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007 02, relating to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022 05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022 05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007 02, before the Executive Director of Indotel.

- Resolution No. 160 05 dated October 13, 2005, that approves the Regulation concerning Cable Broadcasts and Other Measures, including “Must Carry” provisions;

- Resolution No. 038 11 dated May 12, 2011 that amends the General Ruling concerning Interconnection;

- Resolution No. 025 10 dated March 2, 2010, that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers;

- Resolution No. 151 04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership;

- Resolution No. 128 04 that approves the General Regulation concerning the Use of the Radio Electric Spectrum;

- Resolution No. 120 04 that approves the Regulation concerning Television Broadcasting Service;

- Resolution No. 093 02 dated November 14, 2002, that amends several Articles of Resolution No. 045 02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM);

- Resolution No. 046 02 dated July 20, 2002, that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM);

Trademark/Copyright Laws

From a technical standpoint, broadcasting services are essentially regulated by Law 153 98 and the regulations approved by the regulator. Now, in connection with the content of the broadcasting services, they shall be governed by the provisions of the specific legislation which regulates the social communications media and by the laws that regulate copyrights, whether they are national laws or resulting from international conventions or agreements signed and ratified by the Dominican Republic.

In the Dominican Republic, patents of invention, trademarks, service marks, commercial names, signs, logos and commercial slogans are governed by Industrial Property Law No. 20 00 dated May 8, 2000, modified by Law No.424 06 for the Implementation of the Free Trade Agreement between the Dominican Republic, Central America and the United States (DR CAFTA).

The Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic work, under the Copyright Law No. 65 00 dated august 21, 2000, also modified by Law No.424 06 for the implementation of the free trade agreement between the Dominican Republic, Central America and the United States Of America (DR CAFTA).

MANAGEMENT AND GOVERNANCE

The Issuer

The Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on January 3, 2014, under the name of "Altice S.A." The registered office (*siège social*) of the Issuer is at 3, Boulevard Royal, L 2449 Luxembourg, Grand Duchy of Luxembourg. The Issuer's telephone number is +352 278 58 901. The Issuer is registered with the Luxembourg Register of Commerce and Companies under number B183391.

Board of Directors

The members of the board of directors of the Issuer (the "Board") as of the date hereof are set forth below. The Executive Directors specified below are non-independent members of the Board and, except for Jérémie Bonnin, were all appointed on January 6, 2014. Jérémie Bonnin was appointed as a Director on January 3, 2014. The Non-Executive Directors specified below are the independent members of the Board. Michel Combes was appointed on January 6, 2014 and his term expires at the third annual general meeting following the date of his appointment and Scott Matlock was appointed on January 16, 2014 and his term expires at the third annual general meeting following the date of his appointment. Jean-Luc Allavena was appointed on September 10, 2014 and his term expires on December 31, 2017.

Name	Age	Position	Independent/ Non-Independent	Term (Years)
Patrick Drahi..........	50	Executive Chairman	Non-Independent	5
Dexter Goei............	41	Chief Executive Officer	Non-Independent	5
Dennis Okhuijsen....	43	Chief Financial Officer	Non-Independent	4
Jérémie Bonnin	40	General Secretary	Non-Independent	4
Michel Combes	51	Non-Executive Director	Independent	3
Scott Matlock..........	48	Non-Executive Director	Independent	3
Jean-Luc Allavena ..	51	Non-Executive Director	Independent	3

The business address of each Director is: 3, boulevard Royal, L-2449 Luxembourg.

Patrick Drahi, Executive Chairman

Patrick Drahi began his professional career with the Philips Group in 1988 where he was in charge of international marketing (UK, Ireland, Scandinavia, Asia) in satellite and cable TV (DTH, CATV, MMDS). In 1991, Patrick joined the US/Scandinavian group Kinnevik-Millisat, where he was in charge of the development of private cable networks in Spain and France and was involved in the launch of commercial TV stations in Eastern Europe. In 1993, Patrick Drahi founded CMA, a consulting firm specialized in telecommunications and media, which was awarded a mandate from BCTV for the implementation of Beijing's full service cable network. In addition, Patrick founded two cable companies, Sud Câble Services (1994) and Médiaréseaux (1995), where he was involved in several buy-outs. When Médiaréseaux was taken over by UPC at the end of 1999, Patrick Drahi advised UPC on its M&A activities until mid-2000. He then started Altice in 2002. Patrick Drahi graduated from the Ecole Polytechnique and Ecole Nationale Supérieure de Télécommunications de Paris (post graduate degree in Optics and Electronics) in 1986.

Dexter Goei, Chief Executive Officer

Dexter Goei joined Altice in 2009, after working for 15 years in investment banking. Dexter began his investment banking career with JP Morgan and joined Morgan Stanley in 1999 working in their Media & Communications Group. Over the years, Dexter has worked across all segments of the media industry in the US and EMEA region covering primarily cable, pay-TV, broadcasting, internet, content and gaming companies eventually becoming Co-Head of Morgan Stanley's European TMT Group. Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honors.

Dennis Okhuijsen, Chief Financial Officer

Dennis Okhuijsen joined as the CFO of the Altice Group in September 2012. Before joining Altice, he was the Treasurer for Liberty Global. From 1993-1996, he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005 before joining Liberty Global. In his previous capacities, he was also responsible for financial risk management, treasury and operational financing. Dennis holds a Master of Business Economics from Erasmus University, Rotterdam.

Jérémie Bonnin, General Secretary

Jérémie Bonnin joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was a Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since his appointment at Altice, he has been involved in all of Altice's acquisitions which have increased its footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories and the Dominican Republic). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary, he also focuses on the implementation of consistent operating policies and corporate structure across the Altice Group, where he holds various board positions. Jérémie received his engineering degree from the Institut d'Informatique d'Entreprise in France in 1998. He also graduated from the DECF in France, equivalent to the CPA.

Michel Combes, Independent Non-Executive Director

Michel Combes has been Chief Executive Officer of Alcatel-Lucent since April 2013. He has more than 20 years of experience in the telecommunications sector and a strong international background. Michel was previously Executive Director of the global mobile communications operator Vodafone plc, where he was appointed CEO, Europe Region in October 2008. In addition to his position as CEO of Alcatel-Lucent, Michel is also Chairman of the Supervisory Board of Assystem SA in France and non-executive board member of MTS. Michel graduated from the Ecole Polytechnique and Ecole Nationale Supérieure des Télécommunications in France.

Scott Matlock, Independent Non-Executive Director

Scott Matlock recently retired from Morgan Stanley & Co., where he was an investment banker for 25 years. He was the Global Head of Media and Communications M&A from 2005 to 2008, the Chairman of Asia M&A (including Australia, India and Japan) from 2008 through to 2010, and the Chairman of International M&A from 2010 to 2014. Scott started his career at Morgan Stanley focused on transportation, industrial and technology companies. In 1997, he switched his focus to the media and communications sectors. When he moved to London in 2002, he became the Head of European Media Coverage and then the Co-Head of European Media and Communications Coverage for the firm. Scott was responsible for some of Morgan Stanley's most important clients and transactions in the media and communication sectors. Sectors on which he has been particularly focused have included cable, mobile/cellular, satellite and broadcast. Scott graduated from the University of California, Berkeley in 1988.

Jean-Luc Allavena, Independent Non-Executive Director

Jean-Luc Allavena was elected as the Chairman of the Board of the French- American Foundation—France in December, 2010. He was selected as a "Young Leader" of the French-American Foundation in 2001 and has served as a member of the Board since 2008. Jean-Luc is a Partner in the investment fund Apollo Management. Jean-Luc graduated from the Hautes études commerciales (HEC Paris) in the class of 1986. He began his career at the Paribas Bank (1986-88), then at Lyonnaise des Eaux (1989-1992). He then went on to serve as Assistant General Manager of the group Techpack International (Pechiney-LBO France) from 1996 to 2000, and then served as CFO from 1992 to 1996. From 2000 to 2005, he was the Executive Vice-President of the Group Lagardère Media. At the same time, he was the acting administrator of Lagardère Active as well as the three other branches of the group: Hachette Livre, Hachette Filipacchi Médias, and Hachette Distribution Services.

A native of Monaco, Jean-Luc served as the Chief of Staff to Prince Albert II of Monaco from 2005 to 2006. In 2007, he joined Apollo Management in London, where he is responsible for the fund's investments in France. He engineered the purchase of Alcan Engineered Products by Apollo and the French Strategic Investment Fund. Jean-Luc is involved in a number of organizations. He serves on the international advisory board of HEC as served as Chairman of the HEC Alumni Association from 2001 to 2003 and the HEC Foundation from 2003 to 2005. He is currently honorary Chairman of both groups. Jean- Luc has sat on the board of the French Association of Capital Investors (AFIC) since 2009, and the Jacques Rougerie Foundation, under the patronage of the Institute of France, since 2010.

Senior Management

In addition to the executive members of our Board, our senior management includes:

Max Aaron, Company Secretary and General Counsel

Max Aaron became General Counsel of Altice in September 2013 and was appointed Company Secretary on January 13, 2014. Prior to joining Altice, Max was a partner for over 14 years at Allen & Overy focusing on capital markets and where he was one of the founding members of Allen & Overy's US law practice. Prior to joining Allen & Overy, Max worked at Shearman & Sterling in both their New York and London Offices. Consistently rated in Europe by the legal directories as one of the top practitioners in his area, Max has done transactions in over 30 countries in a wide variety of industry sectors, including telecoms, media, technology and utilities. Max received a BA from Brown University and a JD from Boston University School of Law where he was on the Law Review.

Eric Denoyer, Chairman and Chief Executive Officer, Numericable

Eric Denoyer has been chairman and chief executive officer of Numericable since January 2011. He was general manager of Completel's wholesale division from September 2008 to January 2011 and CEO of Numericable from April 2005 to September 2008. Eric is a graduate of the Ecole Nationale Supérieure de Télécommunications de Paris (class of 1988) and of the Ecole Polytechnique de Paris (class of 1986).

Hertzel Ozer, Chairman, HOT Telecommunication Systems Ltd.

Hertzel Ozer joined HOT-Telecommunication Systems Ltd. in December 2008. He served as the CEO of HOT and also served as chairman in a number of HOT subsidiaries. In April 2013 Hertzel was nominated Chairman of HOT. Hertzel has previously been employed as CEO of a number of companies in the telecommunication, retail, industry, food and consumers fields including the OSEM group (2004-2008), NESHER—Israel Cement Enterprises (2003- 2004). Between 1997-2003 Hertzel served as VP Marketing, Sales, Customer Care & Business Development of BEZEQ, the Israeli telecommunications company. Hertzel holds an MBA in Business Administration, and a BA in economics and statistics from the Hebrew University in Jerusalem.

Ilan Zachi, Chief Executive Officer, HOT Telecommunication Systems Ltd.

Ilan Zachi joined HOT Telecommunication Systems Ltd. in April 2010. He served as the VP for Customer Service. In June 2013, Ilan was nominated as the CEO of HOT Mobile, a subsidiary of HOT Telecommunication Systems Ltd., and, in March 2014, he was nominated as CEO of HOT Telecommunication Systems Ltd. Ilan has previously been employed in various roles in Cellcom, one of the leading Israeli cellular companies (2001-2010). Ilan holds an MBA in Business Administration from the College of Management of Rishon LeZion, and a BA in Business Administration from the Rupin Academic Center.

Jean-Michel Hegesippe, CEO of the French Overseas Territories

Jean-Michel Hegesippe founded his own company, Infotel, in 1986. Based in the French Overseas Territories, Infotel provided transaction processing services to the banking industry. In 1998, Infotel was awarded telecom licenses by the French regulatory authority to rollout fixed telecommunication networks. From 1998 to 2004, Infotel (renamed Outremer Telecom in 2000) developed fixed-line telephony and DSL services and reached a total turnover of €70 million. From 2004 to 2007, Outremer Telecom rolled out five independent mobile operations in French Guiana, Martinique, Guadeloupe, La Réunion and Mayotte. Today, the company is the only quadruple-play (fixed-line and mobile) alternative player to Orange and Vivendi, and the third mobile operator in the French Overseas Territories. Jean-Michel is an engineer in computer sciences with a master's degree and a diploma of advanced studies in information technology (Paris VII University).

Board Committees

The Board has two committees: the Audit Committee and the Remuneration Committee. The Committees may seek assistance from external experts for the fulfilment of its duties.

Audit Committee

The Audit Committee has been established to:

- supervise the activities of the Executive Directors with respect to:
- the operation of the internal risk management and control systems, including supervision of the enforcement of relevant primary and secondary legislation, and supervising the operation of codes of conduct;
- the provision of financial information by the Issuer (including choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial statements, forecasts, work of internal and external auditors);
- compliance with recommendations and observations of the internal audit function and external auditors;

- the role and functioning of the internal audit function;
- the policy of the Issuer on tax planning;
- relations with the external auditor, including, in particular, its independence and remuneration as well as the performance of any non audit services of the external auditor for the Issuer;
- the financing of the Issuer; and
- the applications of information and communication technology.
- regularly examine the effectiveness of the financial reporting, internal control and risk management system adopted by the Issuer;
- ensure that audits carried out and the subsequent audit reports comply with the audit plan approved by the Board and/or the Audit Committee; and
- present all material findings and recommendations to the Board for consideration.

The Audit Committee presents recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for all decisions made, irrespective of whether the issue in question has been reviewed by such a committee or not.

The responsibilities of the audit committee are defined in the Audit Committee Regulations which have been approved by the Board. All decisions by the committee must be taken by unanimous vote.

The Audit Committee regularly evaluates its own effectiveness as a collective body and makes recommendations to the Board for the necessary adjustments in its internal regulations.

The Audit Committee consists of at least two and no more than three non executive members of the Board who are appointed prior to Admission and each of whom are independent. Once a third independent Director is appointed to the Board, such third independent Director is appointed to the Audit Committee thereby increasing the membership of the Audit Committee to three members of the Board. All members of the Audit Committee are independent. The Chairman of the Audit Committee is Michel Combes. The Audit Committee meets as frequently as necessary to ensure effective operation of the Audit Committee; as a minimum at least four times per year.

Remuneration Committee

The Board of Directors has established the Remuneration Committee to, in particular:

- make recommendations to the Board on the remuneration policy of the Executive Directors;
- prepare the remuneration report that the Board incorporates into the Corporate Governance Statement in the Issuer's Annual Report and to present the remuneration report at the Issuer's annual general meeting;
- meet annually with the CEO of the Board to discuss the functioning and performance of the Executive Directors, with a view to setting the variable remuneration;
- present all material findings and recommendations to the Board for consideration;
- check its operation and efficiency each year and provide the Board with clear regular information about the discharge of its functions. It informs the Board about any areas in which the Remuneration Committee considers action or improvement to be necessary. The Remuneration Committee prepares recommendations concerning the necessary steps to be taken;
- the CEO participates in the meetings of the Remuneration Committee when it deals with the remuneration of members of the executive management (other than the CEO).

The Remuneration Committee consists of two and not more than three Non Executive Directors who are appointed prior to Admission and each of whom are independent. Once a third independent Director is appointed to the Board, such third independent Director is appointed to the Remuneration Committee thereby increasing the membership of the Remuneration Committee to three members of the Board. The members of the Remuneration Committee have the requisite expertise in the area of remuneration policy to fulfil the Remuneration Committee's role effectively. The Remuneration Committee is chaired by an independent Non Executive Director designated by the Board.

Conflicts Management Framework

General Conflicts

Where a Director has an interest that conflicts with the interests of the Issuer, the Director must report such conflict(s) to the Board and is to be excluded from deliberations and voting on the conflicted matter. If the conflicted Director is Patrick Drahi and Patrick Drahi is appointed as Chairman, the Non Executive Vice Chairman acts as chairman of the meeting and in the event of a tied vote has a casting vote save where the conflict relates to the warrant, the warrant instrument or warrant shares, in which case the Executive Vice Chairman acts as chairman and in the event of a tied vote has a casting vote. The conflict is to be disclosed at the next general meeting and in the next annual accounts of the Issuer.

Conflicts and Related Party Transactions

The general conflicts procedures under Luxembourg law apply to all related party transactions. The conflicted Directors must not participate in deliberations concerning, and voting with respect to, the conflicted matter. The resulting Board considered the transaction, disclosing to the Audit Committee material conflicts and related party transactions. An independent expert was commissioned to opine to the Issuer that a transaction is entered into under normal market conditions.

If a related party commercial contract is an ordinary course arrangement that is to be entered into under normal market conditions and is the subject of arm's length negotiations then it is not deemed to give rise to a conflict of interest. However, the Issuer has established that, notwithstanding that a commercial contract is entered into under normal market conditions and is the subject of arm's length negotiations, in the event the value of the contract exceeds one per cent. of Group revenue, such contract is subject to a Board approval and the conflicted Director is not entitled to participate in the deliberations or vote on the subject matter. Disclosure to the Audit Committee is required where material.

There are no conflicts of interest between any duties to the Issuer of any member of the Board and their private interests and other duties.

Corporate Opportunities

For so long as Next L.P. or any other entity controlled by Patrick Drahi owns more than thirty per cent. (30%) in aggregate of the share capital of the Issuer, Patrick Drahi must present all new opportunities that he believes are capable of execution and relating to a relevant opportunity ("Corporate Opportunities") to the Board. Patrick Drahi and any other entity controlled by Patrick Drahi may, but without any obligation to do so, present opportunities other than relevant opportunities to the Board if Patrick Drahi and any such entity or entities think the opportunity is one which is in the interests of the Issuer or the Group and shareholders as a whole. Patrick Drahi and any other entity controlled by Patrick Drahi must be clear as to their intention to pursue the relevant opportunity in personal capacity in the event the Issuer does not pursue the relevant opportunity.

Subject to the application of law relating to directors' conflicts of interest procedures, the full Board considers the Corporate Opportunity having regard to the interests of the Issuer, the group and shareholders as a whole.

If the Board decides against pursuit of the Corporate Opportunity, Patrick Drahi and any other entity controlled by Patrick Drahi is entitled to pursue the Relevant Opportunity in a private capacity.

This obligation on Patrick Drahi and any other entity controlled by Patrick Drahi with respect to the disclosure of Corporate Opportunities terminates upon Next L.P.s shareholding falling below thirty per cent. (30%) of the Issuer's issued Ordinary Share capital.

Patrick Drahi and any other entity controlled by Patrick Drahi are not obliged to present to the Issuer any opportunities and interests relating to assets held by Patrick Drahi and any such entity or entities outside of the group prior to the Issuer's admission and listing on the Euronext in Amsterdam.

PRINCIPAL SHAREHOLDER

The Issuer's principal shareholder is Next L.P., which is controlled by Mr. Patrick Drahi. As of September 30, 2014, Next L.P. holds approximately 56.8% of the share capital of the Issuer. The public, along with Cinven and Carlyle hold the remaining 43.2% of the share capital of the Issuer.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, 2012 and 2013 we incurred an aggregate of €3.6 million, €6.2 million, €0.6 million, in management fees to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks. In addition, we pay a fee to broadcast the news channel i-24 over our networks. I-24 is majority-held by our principal shareholder, Next L.P. Also, except as disclosed in the notes to the Historical Consolidated Financial Information of the Issuer included in these Listing Particulars, we did not have any other material transactions with related parties during 2011, 2012, 2013, and the nine months up to September 30, 2014.

Acquisition of Notes

Certain board members and executives of the Issuer have placed a purchase order for and have been allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of these Listing Particulars.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of our key items of indebtedness. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Indebtedness of the Altice International Group

The 2012 Notes

On December 12, 2012, and December 20, 2012, Altice Financing issued $460 million aggregate principal amount of its $7^7/_8$% senior secured notes due 2019 (the "2012 Dollar Senior Secured Notes") and €210 million aggregate principal amount of its 8% senior secured notes due 2019 (the "2012 Euro Senior Secured Notes" and together with the 2012 Dollar Senior Secured Notes, the "2012 Senior Secured Notes"), and Altice Finco issued $425 million aggregate principal amount of its $9^7/_8$% senior notes due 2020 (the "2012 Senior Notes", and together with the 2012 Senior Secured Notes, the "2012 Notes").

The 2012 Senior Secured Notes

The 2012 Senior Secured Notes mature on December 15, 2019. Interest on the 2012 Senior Secured Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Financing that is not subordinated in right of payment to the 2012 Senior Secured Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2012 Senior Secured Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2012 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Secured Notes are currently guaranteed on a senior basis (the "2012 Senior Secured Notes Guarantees") by Altice International and certain of subsidiaries, including Cool Holding and SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, and Knewon (the "2012 Senior Secured Notes Guarantors"). Each 2012 Senior Secured Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee, (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee, (iii) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Secured Notes. The 2012 Senior Secured Notes Guarantees are subject to the terms of the Intercreditor Agreement. The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Secured Notes currently benefit from the senior secured guarantees provided by the Existing Senior Secured Guarantors and, following regulatory approval of such guarantees, Tricom and ODO. Following the New Transactions, the 2012 Senior Secured Notes are expected to benefit from the Senior Secured Guarantee provided by PT Portugal and PT OpCo. See "*Corporate and Financing Structure*".

The 2012 Senior Secured Notes are currently secured on a first-ranking basis by (i) share pledges over all of the share capital of Altice Financing and the 2012 Senior Secured Notes Guarantors (other than Winreason) (subject to the non-pledged shares of Green's minority shareholders), (ii) a pledge over the bank accounts and all receivables of Altice Financing, including Altice Financing Pledged Proceeds Notes, (iii) subject to certain exceptions, a pledge over all of the material assets of each of the 2012 Senior Secured Notes Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Senior Notes Proceeds Loans, and (v) a pledge over the Cool Shareholder Loan. Following the Transactions, the 2012 Senior Secured Notes are expected to benefit from the collateral securing the 2015 Senior Secured Notes (the "Senior Secured Collateral"). See "*Simplified Corporate and Financing Structure*".

Prior to December 15, 2015, Altice Financing may redeem all or a portion of the 2012 Senior Secured Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Altice Financing may redeem some or all of the 2012 Senior Secured Notes at any time on or after December 15, 2015, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, Altice Financing may redeem up to 40% of the aggregate principal amount of each series of the 2012 Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 107.875% of the principal amount of the 2012 Dollar Senior Secured Notes and 108.000% of the principal amount of the 2012 Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2012 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Upon certain Minority Shareholder Option Exercises (as defined in the 2012 Senior Secured Notes Indenture), Altice Financing must offer to repurchase the Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Option Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Finco must offer to repurchase the 2012 Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2012 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the 2012 Senior Secured Notes Indenture) and their respective subsidiaries sell certain of their assets, or if Altice Financing or the Covenant Parties experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2012 Senior Notes.

The 2012 Senior Secured Notes Indenture, among other things, limits the ability of Altice Financing, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The 2012 Senior Secured Notes permit the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the 2012 Senior Secured Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2012 Senior Secured Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2012 Senior Secured Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Secured Notes Indenture, the 2012 Senior Secured Notes and the 2012 Senior Secured Notes Guarantees are governed by the laws of the State of New York.

The 2012 Senior Notes

The 2012 Senior Notes mature on December 15, 2020. Interest on the 2012 Senior Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Finco that is not subordinated in right of payment to the 2012 Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2012 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2012 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Notes are currently guaranteed on a senior subordinated basis (the “2012 Senior Notes Guarantees”) by Altice International and certain of its subsidiaries, including Cool Holding, SPV1, Altice Financing, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon (the "2012 Senior Notes Guarantors"). Each 2012 Senior Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the relevant 2012 Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Notes. The 2012 Senior Notes Guarantees are subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. The 2012 Senior Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Notes benefit from the senior notes guarantees provided by the entities guaranteeing the 2015 Senior Notes (the "Senior Notes Guarantors"). See "*Simplified Corporate and Financing Structure*".

The 2012 Senior Notes are currently secured by (i) a first-ranking share pledge over all of the share capital of Altice Finco, (ii) second-ranking share pledges over all of the share capital of the 2012 Altice Financing and Cool Holding, (iii) a second-ranking pledge over the Cool Shareholder Loan, and (iv) a second-ranking pledge over the 2012 Senior Notes Proceeds Loan. Following the Transactions, the 2012 Senior Notes are expected to benefit from the collateral securing the 2015 Senior Notes (the "Senior Notes Collateral"). See "*Simplified Corporate and Financing Structure*".

Prior to December 15, 2016, Altice Finco may redeem all or a portion of the 2012 Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Altice Finco may redeem some or all of the 2012 Senior Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2012 Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.875% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2012 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2012 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the 2012 Senior Notes Indenture) and their respective subsidiaries sell certain of their assets, or if Altice Finco or the Covenant Parties experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2012 Senior Notes.

The 2012 Senior Notes Indenture, among other things, limits the ability of Altice Finco, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The 2012 Senior Notes permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2012 Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2012 Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2012 Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Notes Indenture, the 2012 Senior Notes and the 2012 Senior Notes Guarantees are governed by the laws of the State of New York.

The 2013 June Senior Notes

On June 14, 2013, Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 June Senior Notes").

The 2013 June Senior Notes mature on June 15, 2023. Interest on the 2013 June Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 June Senior Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the 2013 June Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 June Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 June Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 June Senior Notes benefit from guarantees from the 2013 June Senior Notes Guarantors on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to June 15, 2018, Altice Finco may redeem all or a portion of the 2013 June Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Altice Finco may redeem some or all of the 2013 June Senior Notes at any time on or after June 15, 2018, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

In addition, prior to June 15, 2016, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2013 June Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.000% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 June Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2013 June Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 June Senior Notes at specified redemption prices.

The indenture governing the 2013 June Senior Notes (the "2013 June Senior Notes Indenture"), among other things, limits the ability of Altice Finco, the ability of certain other Group entities and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness, (subject to an incurrence based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The 2013 June Senior Notes permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 June Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 June Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2013 June Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period provided, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 June Senior Notes Indenture, the 2013 June Senior Notes and the 2013 June Senior Notes Guarantees are governed by the laws of the State of New York.

The 2013 December Notes

On December 12, 2013, Altice Financing issued $900 million aggregate principal amount of its $6^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 December Dollar Senior Secured Notes") and €300 million aggregate principal amount of its $6^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 December Euro Senior Secured Notes" and together with the 2013 December Dollar Senior Secured Notes, the "2013 December Senior Secured Notes"), and Altice Finco issued $400 million aggregate principal amount of its $8^{1}/_{8}$ senior notes due 2022 (the "2013 December Dollar Senior Notes", and together with the 2013 December Senior Secured Notes, the "December 2013 Notes").

The 2013 December Senior Secured Notes

The 2013 December Senior Secured Notes mature on January 15, 2022. Interest on the 2013 December Senior Secured Notes is payable semi-annually in cash in arrears on each July 15 and January 15, commencing July 15, 2014.

The 2013 December Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Financing that is not subordinated in right of payment to the 2013 December Senior Secured Notes, (ii) rank senior in right of payment to any existing or future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2013 December Senior Secured Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2013 December Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 December Senior Secured Notes are guaranteed on a senior basis by the 2012 Senior Secured Notes Guarantors (other than ABO) (the "2013 December Senior Secured Notes Guarantees"). The 2013 December Senior Secured Notes Guarantees are subject to release under certain circumstances.

Following the Transactions, the 2013 December Senior Secured Notes are expected to benefit from the senior secured guarantee provided by PT Portugal and PT OpCo. The 2013 December Senior Secured Notes are secured by (i) first-ranking pledges over all of the share capital of Altice Financing, all the 2012 Senior Secured Notes Guarantors (other than Altice International, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon), the capital stock of HOT and, following regulatory approval of such pledge, Tricom and ODO, (ii) a first-ranking pledge over the bank accounts and all receivables of Altice Financing, (iii) subject to certain exceptions, first-ranking pledges over all of the material assets of each 2012 Senior Secured Notes Guarantor (other than ABO, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon) and ODO, (iv) a first-ranking pledge over the Senior Notes Proceeds Loans, (v) a first-ranking pledge over the Cool Shareholder Loan and, (vi) a first-ranking pledge over the Covenant Party Pledged Proceeds Loan (other than the Cabovisão Proceeds Notes and the Onitelecom Proceeds Notes) (collectively, the "2013 December Senior Secured Collateral"). Following the Transactions, the 2013 December Senior Secured Notes are expected to benefit from the Senior Secured Collateral. See "*Simplified Corporate and Financing Structure*".

Prior to December 15, 2016, Altice Financing may redeem all or a portion of the 2013 December Senior Secured Notes at a price equal to 100% of the principal amount plus a "make-whole premium". Altice Financing may redeem some or all of the 2013 December Senior Secured Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

In addition, prior to December 15, 2016, Altice Financing may redeem up to 40% of the aggregate principal amount of each series of the 2013 December Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 106.500% of the principal amount of the relevant 2013 December Senior Secured Note and 106.500% of the principal amount of the 2013 December Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2013 December Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of certain Minority Shareholder Option Exercises (as defined in the 2013 December Senior Secured Notes Indenture) Altice Financing must offer to repurchase the 2013 December Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Call Options Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Financing must offer to repurchase the 2013 December Senior Secured Notes and the 2013 December Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2013 December Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its respective subsidiaries sell certain of their assets, or if Altice Financing or Altice International experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2013 December Senior Secured Notes at specified redemption prices.

The indenture governing the 2013 December Senior Secured Notes (the "2013 December Senior Secured Notes Indenture") among other things, limits the ability of Altice Financing and the ability of the other subsidiaries of Altice International (other than Altice Finco) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The 2013 December Senior Secured Notes permit the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 December Senior Secured Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 December Senior Secured Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0.

The 2013 December Senior Secured Notes Indenture provides for certain customary events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 December Senior Secured Notes Indenture, the 2013 December Senior Secured Notes and the related guarantees are governed by the laws of the State of New York.

The 2013 December Senior Notes

The 2013 December Senior Notes mature on June 15, 2024. Interest on the 2013 December Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 December Senior Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the 2013 December Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 December Senior Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 December Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 December Senior Notes benefit from the 2012 Senior Notes Guarantors (except ABO) on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to December 15, 2018, Altice Finco may redeem all or a portion of the 2013 December Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. Altice Financing may redeem some or all of the 2013 December Senior Notes at any time on or after December 15, 2018, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

In addition, prior to December 15, 2016, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2013 December Senior Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 108.125% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 December Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2013 December Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and any additional amount. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 December Senior Notes at specified redemption prices.

The indenture governing the 2013 December Senior Notes (the "2013 December Senior Notes Indenture"), among other things, limits the ability of Altice International and its subsidiaries to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The 2013 December Senior Notes permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 December Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 December Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0.

The 2013 December Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 December Senior Notes Indenture, the 2013 December Senior Notes and the related guarantees are governed by the laws of the State of New York.

2015 Senior Secured Notes

On the Issue Date, Altice Financing issued €2,317 million (equivalent) in aggregate principal amount of senior secured notes, comprised of the following tranches: (i) $2,060 million aggregate principal amount of its Senior Secured Notes due 2023 denominated in U.S. dollars (the "*2015 Senior Secured Dollar Notes*") and (ii) €500 million aggregate principal amount of its Senior Secured Notes due 2023 denominated in euro (the "*2015 Senior Secured Euro Notes*" and, together with the 2015 Senior Secured Dollar Notes, the "*2015 Senior Secured Notes*"). The 2015 Senior Secured Notes mature on February 15, 2023. Interest on the New Altice Financing Senior Secured Notes is payable semi-annually in cash in arrears on each April 1 and October 1, commencing on October 1, 2015. The 2015 Senior Secured Notes are governed by an indenture to be entered into on or about the Issue Date (the "*2015 Senior Secured Notes Indenture*").

The 2015 Senior Secured Notes are general obligations of Altice Financing and (i) rank pari passu in right of payment with all existing and future indebtedness of Altice Financing that is not subordinated in right of payment to the 2015 Senior Secured Notes; (ii) rank senior in right of payment to all existing and future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2015 Senior Secured Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2015 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

On the Issue Date, the Initial Purchasers deposited the gross proceeds from the offering of the 2015 Senior Secured Notes into segregated escrow accounts in the name of Altice Financing for the benefit of the holders of the 2015 Senior Secured Notes.

Prior to the date on which the proceeds of the 2015 Senior Secured Notes are released from escrow (the "*Completion Date*"), the 2015 Senior Secured Notes are not guaranteed. On the Completion Date, the 2015 Senior Secured Notes will be guaranteed on a senior basis by each of by Altice International, Altice Caribbean S.à r.l., Cool Holding Ltd., H. Hadaros 2012 Ltd., Altice Holdings S.à r.l., Altice West Europe S.à r.l., green.ch AG ("*Green*"), Altice Portugal, Cabovisão—Televisão por Cabo, S.A. ("*Cabovisao*"), Altice Bahamas S.à r.l., Tricom S.A., Global Interlink Ltd., Altice Hispaniola S.A., Winreason—S.A. ("*Winreason*"), ONI S.G.P.S., S.A. ("*ONI S.G.P.S.*"), Onitelecom—Infocomunicações, S.A. ("*Onitelecom*") and Knewon, S.A. (collectively, the "*SSN Completion Date Guarantors*"). Within 90 days of the Completion Date, the New Altice Financing Senior Secured Notes will be guaranteed by PT Portugal and PT OpCo (together, the "*Post-Completion Date Guarantors*").

Prior to the Completion Date, the 2015 Senior Secured Notes are secured by a first-ranking pledge over the assets in the respective escrow accounts and Altice Financing's rights under the escrow agreement governing such escrow accounts. On the Completion Date, the 2015 Senior Secured Notes will benefit from (i) first ranking pledges over all of the share capital of the Altice Financing and the Completion Date Guarantors (other than Altice International, Green, Altice Portugal, Winreason, ONI S.G.P.S., Onitelecom and Knewon), Altice Blue One ("*ABO*"), the capital stock of HOT, (ii) a first ranking pledge over the bank accounts and all receivables of Altice Financing, (iii) subject to certain exceptions, first ranking pledges (or assignments as applicable) over all of the material assets of each Completion Date Guarantor (other than Cabovisao, Altice Portugal, Winreason, ONI S.G.P.S., Onitelecom and Knewon) and an assignment of claims and rights under the acquisition agreement signed by Altice Portugal in connection with the PT Portugal Acquisition, (iv) a first ranking pledge over the Senior Notes Proceeds Loans, (v) a first ranking pledge over the Cool Shareholder Loan, (vi) a first ranking pledge over the Covenant Party Pledged Proceeds Loans (other than the Onitelecom Proceeds Notes and the Cabovisao Proceeds Notes) and (vii) a first ranking pledge over the receivables under the AWE Proceeds Loan.

Within 10 Business Days after the Completion Date, the 2015 Senior Secured Notes will benefit from first ranking pledges over all the share capital of PT Portugal, and within 90 days after the Completion Date, the share capital of PT OpCo, PT Cloud e Data Centers, S.A. ("*PT Cloud"*), and PT—Móveis—Serviços de Telecomunicações, SGPS, S.A. (&!#od;'*PT Moveis*").

Prior to February 15, 2018, Altice Financing may redeem all or a portion of the 2015 Senior Secured Notes at a price equal to 100% of the principal amount plus a make whole premium. Altice Financing may redeem some or all of the 2015 Senior Secured Notes at any time on or after February 15, 2018, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to February 15, 2018, Altice Financing may redeem up to 40% of each series of the aggregate principal amount of the 2015 Senior Secured Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 106.625% of the principal amount of the 2015 Senior Secured Dollar Notes and 105.250% of the principal amount of the 2015 Senior Secured Euro Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2015 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of certain Minority Shareholder Option Exercises (as defined in the 2015 Senior Secured Notes Indenture) Altice Financing must offer to repurchase the 2015 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Call Options Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Financing must offer to repurchase the 2015 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts if any, which such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2015 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its respective subsidiaries sell certain of their assets, or if Altice Financing or Altice International experience specific kinds of changes in control constituting a Change of Control Trigger Event (as defined in the Description of Senior Secured Notes), Altice Financing may be required to make an offer to repurchase the 2015 Senior Secured Notes at specified redemption prices.

The 2015 Senior Secured Notes Indenture permits the incurrence of indebtedness by Altice Financing so long as the consolidated net senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the 2015 Senior Secured Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the 2015 Senior Secured Notes Indentures are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The 2015 Senior Secured Notes Indenture, among other things, further limits the ability of Altice Financing and the ability of the Restricted Subsidiaries (as defined therein), subject to a number of important exceptions and qualifications, to (i) incur or guarantee additional indebtedness (subject to the incurrence-based consolidated net senior secured leverage ratio test described above); (ii) make investments or other restricted payments; (iii) create liens; (iv) sell assets and subsidiary stock (subject to certain exceptions, including for disposals required by competition laws in relation to the Target Acquisition); (v) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (vi) engage in certain transactions with affiliates; (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications, including those discussed in the preceding paragraph.

In addition, the 2015 Senior Secured Notes Indenture provides that, for so long as no payment block events (as defined in such instruments) have occurred and are continuing, Altice International may pay dividends or other distributions to Altice S.A. in an amount equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes.

The 2015 Senior Secured Notes Indentures provide for certain events of default, including, among others, a default due to the failure to promptly consummate the Target Acquisition after release of the escrowed proceeds (subject to a grace period), and defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2015 Senior Secured Notes Indenture is governed by the laws of the State of New York.

2015 Senior Notes

On or about the Issue Date, Altice Finco issued $385 million in aggregate principal amount of senior notes (the "*2015 Senior Notes*"). The 2015 Senior Notes mature on February 15, 2025. Interest on the 2015 Senior Notes is payable semi-annually in cash in arrears on each April 1 and October 1, commencing on October 1, 2015. The 2015 Senior Notes are governed by an indenture to be entered into on or about the Issue Date (the "*New Altice Finco Senior Notes Indenture*").

The 2015 Senior Notes are general obligations of Altice Finco and (i) rank pari passu in right of payment with all existing and future indebtedness of Altice Finco that is not subordinated in right of payment to the 2015 Senior Notes; (ii) rank senior in right of payment to all existing and future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2015 Senior Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2015 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

On the Issue Date, the Initial Purchasers deposited the gross proceeds from the offering of the 2015 Senior Notes into an escrow account in the name of Altice Finco for the benefit of the holders of the 2015 Senior Notes.

Prior to the Completion Date, the 2015 Senior Notes are not guaranteed. On the Completion Date, the 2015 Senior Notes will be guaranteed on a senior basis by each of by Altice Financing, Altice International, and the SSN Completion Date Guarantors (collectively, the "*Completion Date Guarantors*"). Within 90 days of the Completion Date, the 2015 Senior Notes will be guaranteed by PT Portugal and PT OpCo (together, the "*Post-Completion Date Guarantors*").

Prior to the Completion Date, the 2015 Senior Notes are secured by a first-ranking pledge over the assets in the escrow account and Altice Finco's rights under the escrow agreement governing such escrow account. On the Completion Date, the 2015 Senior Notes will be secured by (i) a first-ranking pledge over all of the share capital of the Altice Finco; (ii) second-ranking pledges over all of the share capital of the Altice Financing, Cool Holding and Altice Holdings; (iii) second-ranking pledges over the Senior Notes Proceeds Loans; and (iv) a second-ranking pledge over the Cool Shareholder Loan.

Prior to February 15, 2020, Altice Finco may redeem all or a portion of the 2015 Senior Notes at a price equal to 100% of the principal amount plus a make whole premium. Altice Finco may redeem some or all of the 2015 Senior Notes at any time on or after February 15, 2020, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to February 15, 2018, Altice Finco may redeem up to 40% of each series of the aggregate principal amount of the 2015 Senior Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 107.625% of the principal amount of the 2015 Senior Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2015 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of certain Minority Shareholder Option Exercises (as defined in the 2015 Senior Notes Indenture) Altice Finco must offer to repurchase the 2015 Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Call Options Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Finco must offer to repurchase the 2015 Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Finco may redeem all of the 2015 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its respective subsidiaries sell certain of their assets, or if Altice Finco or Altice International experience specific kinds of changes in control constituting a Change of Control Trigger Event (as defined in the Description of Senior Notes), Altice Finco may be required to make an offer to repurchase the 2015 Senior Notes at specified redemption prices.

The 2015 Senior Notes Indenture permits the incurrence of indebtedness by Altice Financing so long as the consolidated net senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0, and also permits the incurrence of indebtedness by Altice Finco so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the 2015 Senior Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the 2015 Senior Notes Indentures are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. In addition, the 2015 Senior Notes Indenture provides that, for so long as no payment block events (as defined in such instruments) have occurred and are continuing, Altice International may pay dividends or other distributions to Altice S.A. in an amount equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes.

The 2015 Senior Notes Indenture, among other things, further limits the ability of Altice Finco and the ability of the Restricted Subsidiaries (as defined therein), subject to a number of important exceptions and qualifications, to (i) incur or guarantee additional indebtedness (subject to the incurrenced-based net leverage ratio test described above), (ii) make investments or other restricted payments; (iii) create liens; (iv) sell assets and subsidiary stock (subject to certain exceptions, including for disposals required by competition laws in relation to the Target Acquisition); (v) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (vi) engage in certain transactions with affiliates; (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications, including those discussed in the preceding paragraph.

The 2015 Senior Notes Indenture provides for certain events of default, including, among others, a default due to the failure to promptly consummate the Target Acquisition after release of the escrowed proceeds (subject to a grace period), and defaults under other debt instruments which (i) is caused by the failure to pay principal of, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2015 Senior Notes Indenture is governed by the laws of the State of New York.

The 2013 Altice Financing Term Loan

On June 24, 2013 a senior secured term loan credit facility (as amended from time to time, the “2013 Altice Financing Term Loan Facility”) which provide for U.S. dollar term loans (the “2013 Altice Financing Term Loans”) in an aggregate principal amount equivalent to $1,034 million, was entered into among Altice Financing, as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, Goldman Sachs Lending Partners LLC, as administrative agent and Citibank, N.A., London Branch as security agent (the “2013 Altice Financing Term Loan Agreement”). The entire amount available under the 2013 Altice Financing Term Loan has been drawn.

Interest Rate and Fees

Borrowings under the 2013 Altice Financing Term Loan Facility bear interest at a rate per annum equal to an applicable margin plus, at Altice Financing’s option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds Rate as published by the Federal Reserve Bank of New York, plus 0.50%, (2) the prime rate of interest per annum quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime rate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 2.00% (any such borrowing, an “ABR Loan”) or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such LIBOR rate shall not be lower than 1.00% (any such borrowing, a “Eurodollar Loan”).

The applicable margin is, for any day, (a) with respect to any ABR Loan, 3.50% per annum and (b) with respect to any Eurodollar Loan, 4.50% per annum.

Mandatory Prepayments

The 2013 Altice Financing Term Loan Agreement requires Altice Financing to prepay outstanding term loans thereunder, subject to certain exceptions, with (i) 100% of the net cash proceeds in excess of a specified threshold amount of certain asset sales, subject to reinvestment rights and certain other exceptions; (ii) commencing with the fiscal year ended December 31, 2014, 50% of the annual excess cash flow, which percentage will be reduced to 0% if the Consolidated Leverage Ratio is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount of certain Minority Shareholder Option Exercises (as defined in the 2013 Altice Financing Term Loan Agreement) at, in the case of such Minority Shareholder Option Exercise prepayments, a price for such term loans prepaid equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any.

Voluntary Prepayments

Prepayments of the 2013 Altice Financing Term Loan Facility on or prior to the first anniversary of July 2, 2013 are subject to a make-whole provision and a minimum call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Altice Financing Term Loan Facility after July 2, 2014 but on or prior to July 2, 2015, are subject to a call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Altice Financing Term Loan Facility after July 2, 2015 but on or prior to July 2, 2016 are subject to a call premium of 1.00%. Otherwise, the 2013 Altice Financing Term Loan Facility may be voluntarily prepaid at any time subject to customary "breakage" costs with respect to Eurodollar Loans.

Amortization and Final Maturity

Beginning with the quarter ending March 31, 2014, Altice Financing is required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the 2013 Altice Financing Term Loan Facility, with the balance due on July 2, 2019.

Guarantees

Each of the 2012 Senior Secured Notes Guarantors of the 2012 Senior Secured Notes guarantees, on a senior basis, the obligations of each other obligor under the 2013 Altice Financing Term Loan Agreement and related finance documents.

Security

The 2013 Altice Financing Term Loan Facility is secured by the same collateral securing, *inter alia,* the Existing Senior Secured Notes.

Certain Covenants and Events of Default

The 2013 Altice Financing Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence-based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. The 2013 Altice Financing Term Loan Agreement permits the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the 2013 Altice Financing Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 Altice Financing Term Loan Agreement are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2013 Altice Financing Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the 2013 Altice Financing Term Loan Facility will be entitled to take various actions, including the acceleration of amounts due under the 2013 Altice Financing Term Loan Facility and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

New Altice Financing Term Loan

Overview

On or around the Issue Date, Altice Financing entered into a senior secured term loan credit facility (the "New Altice Financing Term Loan") which is expected to provide euro and U.S. dollar term loans in an aggregate principal amount equivalent to €841 million, with Altice Financing as borrower (the "Term Loan Borrower"), certain lenders party thereto and Deutsche Bank AG, London Branch and Deutsche Bank AG, New York Branch as the administrative agents and Citibank N.A., London Branch as the security agent (the "New Altice Financing Term Loan Agreement"). The New Altice Financing Term Loan Agreement permits the Term Loan Borrower, upon prior notice to the lenders thereunder, to draw term loans up to the committed principal amount on a single occasion prior to June 9, 2016. Availability of the New Altice Financing Term Loan on such date is subject to specified conditions precedent. Proceeds of the term loans, together with the other sources of funds described under "*Use of Proceeds*," will be used to finance a portion of the Transactions and related fees and expenses.

Altice Financing has drawn under the New Altice Financing Term Loan on February 4, 2015. The amounts drawn have been deposited into an escrow account and used on the Completion Date.

Interest Rate and Fees

Borrowings under the New Altice Financing Term Loan bear interest at a rate per annum equal to an applicable margin plus (i) in the case of U.S. dollar denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds Effective Rate as published by the Federal Reserve Bank of New York plus 0.50%, (2) the prime rate determined from time to time by Deutsche Bank AG, New York Branch as the prime rate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 2.00% or (b) a LIBOR rate equal to the greater of (A) a rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, and (B) 1.00%, and (ii) in the case of euro-denominated loans, a EURIBOR rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such EURIBOR rate shall not be less than 1.00%.

The applicable margin shall mean, for any day, (a) with respect to any alternative base rate loan, 3.25% per annum, (b) with respect to any Eurodollar loan, 4.25% per annum and (c) with respect to any Euro denominated loan, 4.25% per annum.

In addition to paying interest on outstanding principal under the New Altice Financing Term Loan, we are required to pay a ticking fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

Mandatory Prepayments

The New Altice Financing Term Loan Agreement requires us to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to thereunder reinvestment rights and certain other exceptions; and (ii) commencing with the later of (a) the fiscal year ended December 31, 2015 or (b) the first full fiscal year ended after the Completion Date, provided that if the Completion Date is after June 30, 2015, such period shall commence with the fiscal year ending December 31, 2016, 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than 4.5:1.0. We will not be required to make any such prepayments from the proceeds of asset sales made as a consequence of competition laws to the extent that such proceeds do not exceed 2% of the pro forma total assets of Altice International and its Restricted Subsidiaries.

Voluntary Prepayments

Prepayments of the New Altice Financing Term Loan on or prior to the six month anniversary of the closing date of the New Altice Financing Term Loan which are either (x) in connection with a Repricing Transaction (as defined in the New Altice Financing Term Loan) or (y) effects any amendment of the New Altice Financing Term Loan resulting in a Repricing Transaction, are subject to a call premium payable to the Administrative Agent on behalf of the lenders of, in the case of (x) 1% of the principal amount of the New Altice Financing Term Loan so repaid and in the case of (y) a payment equal to 1% of the aggregate amount of the New Altice Financing Term Loan subject to such Repricing Transaction.

Amortization and Final Maturity

Beginning with the first full fiscal quarter of Altice International after the Commitment Termination Date or, if earlier, the first date after the occurrence of the PT Portugal Acquisition, we will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the New Altice Financing Term Loan, with the balance expected to be due on the sixth anniversary of the completion date.

Guarantees

Each Guarantor of the New Senior Secured Notes and Altice Financing guarantees, on a senior basis, the obligations of each other obligor under the New Altice Financing Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein.

Security

The New Altice Financing Term Loan is secured by the same collateral securing, *inter alia*, the New Senior Secured Notes (other than any security over the proceeds of the New Senior Secured Notes in any escrow accounts).

Certain Covenants and Events of Default

The New Altice Financing Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the indenture governing the New Senior Secured Notes, and, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The New Altice Financing Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the New Altice Financing Term Loan will be entitled to take various actions, including the acceleration of amounts due under the New Altice Financing Term Loan and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

Following the Transactions, the New Altice Financing Term Loan will permit the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the New Altice Financing Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the New Altice Financing Term Loan Agreement are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

For so long as no default or event of default is outstanding under the relevant debt instrument, and while Altice International or a parent of Altice International is a public company, Altice International will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received by Altice International from certain public equity offerings and (ii) the greater of 5% of the market capitalization of The Issuer at the time of its initial public offering and 5% of market capitalization of The Issuer at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Altice International is 4.0x or less and provided further that the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the capital stock of such parent.

AI Mandatory Convertible Notes

It is expected that the Issuer will contribute the proceeds of the Notes to Altice International in exchange for €2,055 million of mandatory convertible notes issued by Altice International (the "*AI Mandatory Convertible Notes*").

The AI Mandatory Convertible Notes are direct, unconditional, subordinated and unsecured obligations of Altice International and are non-transferable (other than in case of enforcement of the collateral over the AI Mandatory Convertible Notes). The proceeds of the AI Mandatory Convertible Notes will be used to finance the Target Acquisition and to pay any tax and operational expenses. The AI Mandatory Convertible Notes will bear interest corresponding to the weighted annual interest rate of the Senior Debt as defined under the Altice S.A. Intercreditor Agreement (see "*Description of Other Indebtedness—Altice S.A. Intercreditor Agreement*") plus an arm's length margin in accordance with OECD guidelines. The interest accrues on a semi-annual basis.

In case of an early reimbursement of the Senior Debt (as defined under the Altice S.A. Intercreditor Agreement), Altice International shall have the right (subject to notice requirements) to convert all or part of the AI Mandatory Convertible Notes into shares of Altice International ("*AI Shares")* up to the amount of the early reimbursement of the Senior Debt. In addition, the AI Mandatory Convertible Notes will be automatically converted into AI Shares upon the occurrence of certain insolvency, bankruptcy or related events of Altice International. The AI Mandatory Convertible Notes cannot be converted into cash and the Issuer cannot demand a cash reimbursement. The conversion of AI Mandatory Convertible Notes into AI Shares will be in such amount of ordinary AI Shares whose nominal value equals the sum of the nominal value of the AI Mandatory Convertible Notes so converted. Once converted, the AI Mandatory Convertible Notes will no longer be outstanding and the Issuer has no rights other than of the conversion shares (which shall be fully paid up) and the payment of any interest then due and unpaid.

The AI Mandatory Convertible Notes are governed by the laws of the Grand Duchy of Luxembourg and the terms and conditions thereof may be amended or waived with the written consent of Altice International, Altice S.A. and the creditors of any Senior Debt as defined under the Intercreditor Agreement or their representative or agent provided that the consent of Altice S.A. and the majority creditors of any Senior Debt or their representative or agent will not be required if such amendment or waiver (a) is not materially less favourable to the creditors of the Senior Debt as determined by an independent third party or (b) is of a minor, administrative or technical nature or to correct a technical or administrative error.

The Coditel Senior Facilities Agreement

The Coditel Senior Facilities Agreement consists of an aggregate of € 150 million of senior facilities and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the original borrower, and ING Bank N.V. as agent and security agent. On July 2, 2013, Altice Holdings purchased all of the remaining interests of the lenders under the Coditel Senior Facilities Agreement (the "Coditel Refinancing"). As of September 30, 2014, the amount outstanding under the Coditel Senior Facility was € 131 million.

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility

The Existing Altice Financing Revolving Credit Facility Agreements are comprised of: (1) a $80 million revolving credit facility (the "2012 Altice Financing Revolving Credit Facility") agreement entered into on November 27, 2012, as amended form time to time, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, ING Bank N.V., J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent (the "2012 Altice Financing Revolving Credit Facility Agreement"), and (2) a €80 million revolving credit facility (the "2013 Altice Financing Revolving Credit Facility", together with the 2012 Altice Financing Revolving Credit Facility, the "Existing Altice Financing Revolving Credit Facilities") agreement entered into on July 1, 2013, as amended from time to time, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the "2013 Altice Financing Revolving Credit Facility Agreement" and together with the 2012 Altice Financing Revolving Credit Facility Agreement, the "Existing Altice Financing Revolving Credit Facility Agreements"). Each Existing Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower", "borrowers", "guarantor" or "guarantors" under this section refer to Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the Existing Altice Financing Revolving Credit Facility Agreements in that capacity.

Structure of the Existing Altice Financing Revolving Credit Facility Agreements

The final maturity date of the 2012 Altice Financing Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after December 27, 2012 (the "2012 Transaction Completion Date") and (ii) the date on which the 2012 Altice Financing Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the 2013 Altice Financing Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after July 2, 2013 (the

"2013 Release Date") and (ii) the date on which the 2013 Altice Financing Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Existing Altice Financing Revolving Credit Facility Agreements for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Existing Altice Financing Revolving Credit Facility Agreement. Drawdowns under the Existing Altice Financing Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

Limitations on Use of Funds

The Existing Altice Financing Revolving Credit Facilities and the 2013 Guarantee Facility (defined below) may be used by the borrowers for general corporate and working capital purposes of the Restricted Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the Restricted Group.

The commitments under the 2013 Altice Financing Revolving Credit Facility may be increased by up to an additional maximum amount of $80 million euro equivalent, provided that an amount equal to any such increase is simultaneously cancelled under the 2012 Altice Financing Revolving Credit Facility.

The 2013 Guarantee Facility

A guarantee facility agreement for an amount of up to €15 million (the "2013 Guarantee Facility") was entered into on July 1, 2013, as amended from time to time, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch, and ING Bank N.V. as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch as security agent (the "2013 Guarantee Facility Agreement"). The 2013 Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the Restricted Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the Restricted Group. The 2013 Guarantee Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower", "borrowers", "guarantor" or "guarantors" under this section refer to the Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the Guarantee Facility Agreement in that capacity.

The final maturity date of the 2013 Guarantee Facility is the earlier of (i) the date falling five years after the 2013 Release Date and (ii) the date on which the 2013 Guarantee Facility has been repaid and cancelled in full.

Conditions to Borrowings

Drawdowns under the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following (in the case of the Existing Altice Financing Revolving Facility Agreements): (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Existing Altice Financing Revolving Credit Facility Agreements being true in all material respects.

Interest Rates and Fees

The interest rate on each loan under the Existing Altice Financing Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) (i) LIBOR, in respect of the 2012 Altice Financing Revolving Credit Facility Agreement, and (ii) LIBOR, or, in relation to any loan in Euro, EURIBOR, in respect of the 2013 Altice Financing Revolving Credit Facility Agreement; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The initial margin under the 2012 Altice Financing Revolving Credit Facility Agreement is 4.25% per annum but if: (i) no event of default has occurred and is continuing under the 2012 Altice Financing Revolving Credit Facility Agreement; (ii) at least twelve months have elapsed since the 2012 Transaction Completion Date, then the margin will be adjusted depending on the Consolidated Leverage Ratio (as defined in the 2012 Altice Financing Revolving Credit Facility Agreement) of the Restricted Group so that: (a) if the Consolidated Leverage Ratio is greater than or equal to 3.0:1, the applicable margin under the 2012 Altice Financing Revolving Credit Facility Agreement will be 4.25% per annum; (b) if the Consolidated Leverage Ratio is less than 3.0:1 but greater than or equal to 2.0:1, the applicable margin under the 2012 Altice Financing Revolving Credit Facility Agreement will be 3.75% per annum; and (c) if the Consolidated Leverage Ratio is less than 2.0:1, the applicable margin under the 2012 Altice Financing Revolving Credit Facility Agreement will be 3.25% per annum. The margin under the 2013 Altice Financing Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2013 Guarantee Facility is 3.50% per annum.

Interest under the Existing Altice Financing Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360- day year. With respect to any available but undrawn amounts under the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the relevant Existing Altice Financing Revolving Credit Facility Agreement and the 2013 Guarantee Facility (as applicable) until one month prior to the final maturity date of the relevant Existing Altice Financing Revolving Credit Facility Agreement and the 2013 Guarantee Facility (as applicable). A guarantee fee is payable to the relevant issuing bank issuing guarantees under the 2013 Guarantee Facility in an amount equal to 0.125% of the face value of the relevant guarantee. Each guarantee issued under the 2013 Guarantee Facility carries an issuance/administration fee in the amount and at the times specified in a fee letter.

Guarantees

Each of the Existing Senior Secured Guarantors and ABO guarantees, on a senior basis, the obligations of each other obligor under the Existing Altice Financing Revolving Credit Facility Agreements, the 2013 Guarantee Facility Agreement and, in each case, related finance documents.

Security

The Existing Altice Financing Revolving Credit Facilities and the 2013 Guarantee Facility are secured by the same collateral securing, *inter alia,* the Existing Senior Secured Notes.

Mandatory Prepayment

For so long as an event of default has occurred and is continuing under the Existing Altice Financing Revolving Credit Facility Agreements, proceeds otherwise required to be applied in prepayment of the 2012 Senior Secured Notes shall instead be applied in cancellation and prepayment of the Existing Altice Financing Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement, as applicable), the borrowers must repay the Existing Altice Financing Revolving Credit Facilities and the 2013 Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Existing Altice Financing Revolving Credit Facilities and the 2013 Guarantee Facility will be cancelled.

If an amount in excess of 50% of the 2012 Senior Secured Notes (and, in respect of the 2013 Altice Financing Revolving Credit Facility, an amount in excess of 50% of the 2012 Senior Secured Notes and all utilizations outstanding under and the 2013 Altice Financing Term Loan as at the date of the 2013 Altice Financing Revolving Credit Facility) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Restricted Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Existing Altice Financing Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the borrowers and guarantors from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Existing Altice Financing Revolving Credit Facilities.

Financial Covenants, Events of Default

Each of the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement requires Altice Financing and the Restricted Group to maintain a Consolidated Leverage Ratio (as defined in each of the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement), of no more than 5.25:1 to be tested at the end of each fiscal quarter.

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement, the proceeds of any enforcement of collateral will be applied towards repayment of the Existing Altice Financing Revolving Credit Facilities, the New Altice International Super

Senior Revolving Credit Facillity and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Altice Financing Term Loan, the 2012 Senior Notes, the 2013 June Senior Notes, the 2013 Guarantee Facility, the 2015 Senior Secured Notes and the New Altice International Pari Passu Revolving Credit Facility.

Representations and Warranties

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain restrictive covenants which substantially reflect the covenants contained in the 2012 Senior Secured Notes and the 2013 Altice Financing Term Loan.

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement also require the Restricted Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) *pari passu* ranking of all payment obligations under the relevant Existing Altice Financing Revolving Credit Facility Agreements or the 2013 Guarantee Facility, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Agent (as defined in the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the pledges over shares or partnership interests; (xii) an entity not moving its center of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice International, Cool Holding, SPV1 and Altice Financing; and (xiv) restricting the making of proceeds drawn under the Existing Altice Financing Revolving Credit Facility Agreements or the 2013 Guarantee Facility Agreement available to any sanctioned person or sanctioned country.

New Altice International Super Senior Revolving Credit Facility

On or about the Issue Date, Altice Financing entered into a super senior revolving facility agreement with, among others, Altice Financing, as original borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, J.P. Morgan Limited, Deutsche Bank AG, London Branch, Morgan Stanley Bank International Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Société Générale Corporate and Investment Bank, Nomura International plc, HSBC France and Citigroup Global Markets Limited as mandated lead arrangers, Citibank International Limited as facility agent and Citibank, N.A., London Branch as security agent (the "New Altice International Super Senior Revolving Credit Facility Agreement"). The New Altice International Super Senior Revolving Credit Facility Agreement comprises a €330 million revolving credit facility (the "New Altice International Super Senior Revolving Credit Facility"). The New Altice International Super Senior Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower", "borrowers", "guarantor" or "guarantors" under this section refer to Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the New Altice International Super Senior Revolving Credit Facility Agreement in that capacity.

Structure of the New Altice International Super Senior Revolving Credit Facility Agreement

The final maturity date of the New Altice International Super Senior Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after the date of closing in respect of the PT Portugal Acquisition and (ii) the date on which the New Altice International Super Senior Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the New Altice International Super Senior Revolving Credit Facility Agreement for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the New Altice International Super Senior Revolving Credit Facility Agreement. Drawdowns under the New Altice International Super Senior Revolving Credit Facility Agreement must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re borrowed up to one month prior to the final maturity date (save for certain roll over loans).

Limitations on Use of Funds

The New Altice International Super Senior Revolving Credit Facility may be used by the borrowers for general corporate and working capital purposes of the Restricted Group.

The commitments under the New Altice International Super Senior Revolving Credit Facility may be increased by way of issuance of new commitment notices and compliance with the conditions set out in the New Altice International Super Senior Revoving Credit Facility Agreement. Furthermore, in connection with the PT Portugal Acquisition the proceeds of the New Altice International Super Senior Revolving Credit Facility may be deposited into an escrow account pending consummation of the PT Portugal Acquisition.

Conditions to Borrowings

Drawdowns under the New Altice International Super Senior Revolving Credit Facility Agreement are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default (or, in the case of rollover loans, no event of default) continuing or occurring as a result of that drawdown; (ii) certain representations and warranties specified in the New Altice International Super Senior Revolving Credit Facility Agreement being true in all material respects and (iii) other than in respect of rollover loans, the facility agent having received certification from the Altice Financing that, pro forma for the drawdown, the consolidated leverage ratio for the ratio period immediately preceding the drawdown is not greater than 5.25:1.

Interest Rates and Fees

The interest rate on each loan under the New Altice International Super Senior Revolving Credit Facility Agreement for each interest period is equal to the aggregate of (i) the margin and (ii) LIBOR, or, in relation to any loan in Euro, EURIBOR.

The margin under the New Altice International Super Senior Revolving Credit Facility Agreement is 3.50% per annum.

Interest under the New Altice International Super Senior Revolving Credit Facility Agreement accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six month period) and is calculated on the basis of a 360 day year. With respect to any available but undrawn amounts under the New Altice International Super Senior Revolving Credit Facility Agreement and subject to the closing of the PT Portugal Acquisition having occurred, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the closing of the PT Portugal Acquisition until one month prior to the final maturity date of the relevant New Altice International Super Senior Revolving Credit Facility Agreement.

Guarantees

Each of the Existing Senior Secured Guarantors and ABO guarantees, on a senior basis, the obligations of each other obligor under the New Altice International Super Senior Revolving Credit Facility Agreement and related finance documents.

Security

The New Altice International Super Senior Revolving Credit Facility is secured by the same collateral securing, *inter alia*, the Existing Senior Secured Notes.

Mandatory Prepayment

Upon the occurrence of a Change of Control or Sale (each as defined in the New Altice International Super Senior Revolving Credit Facility Agreement), subject to certain conditions each lender shall be entitled to require repayment of all amounts payable under the New Altice International Super Senior Revolving Credit Facility and related finance documents. The borrowers must repay or procure the repayment of all utilizations provided by each lender which exercises such right and the commitments of each such lender under the New Altice International Super Senior Revolving Credit Facility will be cancelled.

Subject to certain exceptions, if an amount in excess of 50% of the Senior Secured Debt (as defined in the New Altice International Super Senior Revolving Facility Agreement) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Restricted Group, the relevant borrowers must apply a pro rata amount of such excess in cancellation of the Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Financial Covenants, Events of Default

The New Altice International Super Senior Revolving Credit Facility Agreement requires Altice Financing and the Restricted Group to maintain a Consolidated Net Leverage Ratio, (as defined in the New Altice International Super Senior Revolving Credit Facility Agreement), of no more than 5.25:1, only to be tested at each drawdown or to the extent there are loans outstanding under the New Altice International Super Senior Revolving Credit Facility Agreement at the end of each fiscal quarter.

The New Altice International Super Senior Revolving Credit Facility Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement, the proceeds of any enforcement of collateral will be applied towards repayment of the Existing Altice Financing Revolving Credit Facilities, the New Altice International Super Senior Revolving Credit Facility and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Altice Financing Term Loan, the 2012 Senior Notes, the 2013 June Senior Notes, the 2013 Guarantee Facility, the 2015 Senior Secured Notes, the New Altice International Pari Passu Revolving Credit Facility and the New Altice Financing Term Loan.

Representations and Warranties

The New Altice International Super Senior Revolving Credit Facility Agreement contains certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The New Altice International Super Senior Revolving Credit Facility Agreement contains certain restrictive covenants which substantially reflect the covenants in respect of the 2013 December Senior Secured Notes.

The New Altice International Super Senior Revolving Credit Facility Agreement also requires the Restricted Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) pari passu ranking of all payment obligations under the relevant finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Agent (as defined in the New Altice International Super Senior Revolving Credit Facility Agreement)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the pledges over shares or partnership interests; (xii) an entity not moving its center of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; (xiii) restricting the making of proceeds drawn under the New Altice International Super Senior Revolving Credit Facility Agreement available to any sanctioned person or sanctioned country and (xiv) certain conditions subsequent undertakings customary for facilities of this type.

New Altice International Pari Passu Revolving Credit Facility

On December 9, 2014, Altice Financing entered into a revolving facility agreement with, among others, Altice Financing, as original borrower and guarantor, certain lenders party thereto, Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, J.P. Morgan Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Barclays Bank plc and ING Bank France as mandated lead arrangers, Citibank International Limited as facility agent and Citibank, N.A., London Branch as security agent (as amended and restated on December 10, 2014, the "New Altice International Pari Passu Revolving Credit Facility Agreement"). The New Altice International Pari Passu Revolving Credit Facility Agreement comprises a €501 million revolving credit facility (the "New Altice International Pari Passu Revolving Credit Facility"). The New Altice International Pari Passu Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower", "borrowers", "guarantor" or "guarantors" under this section refer to the Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the New Altice International Pari Passu Revolving Credit Facility Agreement in that capacity.

Structure of the New Altice International Pari Passu Revolving Credit Facility Agreement

The final maturity date of the New Altice International Pari Passu Revolving Credit Facility Agreement is the earlier of (i) date falling five years after the original date of the New Altice International Pari Passu Revolving Credit Facility Agreement and (ii) the date on which the New Altice International Pari Passu Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the New Altice International Pari Passu Revolving Credit Facility Agreement for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the New Altice International Pari Passu Revolving Credit Facility Agreement. Drawdowns under the New Altice International Pari Passu Revolving Credit Facility Agreement must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll over loans).

Limitations on Use of Funds

The New Altice International Pari Passu Revolving Credit Facility may be used by the borrowers for general corporate and working capital purposes of the Restricted Group, including, but not limited to (a) the refinancing of all or part of any existing financial indebtedness of the Restricted Group and (b) any financing of or payment of any costs, expenses and fees in connection with any acquisition of any person, business or undertaking of the Restricted Group.

The commitments under the New Altice International Pari Passu Revolving Credit Facility may be increased by way of issuance of new commitment notices and compliance with the conditions set out in the New Altice International Pari Passu Revolving Credit Facility Agreement.

Conditions to Borrowings

Drawdowns under the New Altice International Pari Passu Revolving Credit Facility Agreement are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default (or, in the case of rollover loans, no event of default) continuing or occurring as a result of that drawdown; (ii) certain representations and warranties specified in the New Altice International Pari Passu Revolving Credit Facility Agreement being true in all material respects and (iii) other than in respect of rollover loans, the facility agent has received certification from Altice Financing that, pro forma for the drawdown, the consolidated leverage ratio for the ratio period immediately preceding the drawdown is not greater than 5.25:1.

Interest Rates and Fees

The interest rate on each loan under the New Altice International Pari Passu Revolving Credit Facility Agreement for each interest period is equal to the aggregate of (i) the margin and (ii) LIBOR, or, in relation to any loan in Euro, EURIBOR.

The margin under the New Altice International Pari Passu Revolving Credit Facility Agreement is 4.00% per annum.

Interest under the New Altice International Pari Passu Revolving Credit Facility Agreement accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six month period) and is calculated on the basis of a 360 day year. With respect to any available but undrawn amounts under the New Altice International Pari Passu Revolving Credit Facility Agreement, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the New Altice International Pari Passu Revolving Credit Facility Agreement until one month prior to the final maturity date of the relevant New Altice International Pari Passu Revolving Credit Facility Agreement.

Guarantees

Each of the Existing Senior Secured Guarantors and ABO guarantees, on a senior basis, the obligations of each other obligor under the New Altice International Pari Passu Revolving Credit Facility Agreement and related finance documents.

Security

The New Altice International Pari Passu Revolving Credit Facility is secured by the same collateral securing, inter alia, the Existing Senior Secured Notes.

Mandatory Prepayment

Upon the occurrence of a Change of Control (as defined in the New Altice International Pari Passu Revolving Credit Facility Agreement), the borrowers must repay the New Altice International Pari Passu Revolving Credit Facility in full together with accrued interest and all other amounts accrued under related finance documents and the New Altice International Pari Passu Revolving Credit Facility will be cancelled.

Certain excess proceeds received by the borrowers and guarantors from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the New Altice International Pari Passu Revolving Credit Facility Agreement.

Financial Covenants, Events of Default

The New Altice International Pari Passu Revolving Credit Facility Agreement requires Altice Financing and the Restricted Group to maintain a Consolidated Leverage Ratio, calculated on a net basis (as defined in the New Altice International Pari Passu Revolving Credit Facility Agreement) of no more than 5.25:1, only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the New Altice International Pari Passu Revolving Credit Facility Agreement at the end of each fiscal quarter.

The New Altice International Pari Passu Revolving Credit Facility Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Representations and Warranties

The New Altice International Pari Passu Revolving Credit Facility Agreement contains certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The New Altice International Pari Passu Revolving Credit Facility Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the 2015 Senior Secured Notes.

The New Altice International Pari Passu Revolving Credit Facility Agreement also requires the Restricted Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) pari passu ranking of all payment obligations under the relevant finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Agent (as defined in the New Altice International Pari Passu Revolving Credit Facility Agreement)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the pledges over shares or partnership interests; (xii) an entity not moving its centre of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; and (xiii) restricting the making of proceeds drawn under the New Altice International Pari Passu Revolving Credit Facility Agreement available to any sanctioned person or sanctioned country.

The Existing HOT Unsecured Notes

On February 27, 2011, HOT entered into a trust deed between HOT and Ziv Haft Trust Co. Ltd with respect to the unsecured notes ("Existing HOT Unsecured Notes"), which were issued on March 30, 2011, in two series: (i) in a nominal value equal to NIS 825 million or €177 million (based on the exchange rate as of September 30, 2014) pursuant to a debenture dated March 30, 2011 (the "Existing Series A HOT Notes"), and (ii) in a nominal value equal to NIS 675 million or €145 million (based on the exchange rate as of September 30, 2014) pursuant to a debenture dated March 30, 2011 (the "Existing Series B HOT Notes"). The Existing Series A HOT Notes are linked to the Consumer Price Index in Israel ("CPI") and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As of September 30, 2014, the CPI linked principal amount of Existing Series A HOT Notes outstanding was NIS 687 million or €148 million (based on the exchange rate as of September 30, 2014) and the principal amount of the Existing Series B HOT Notes outstanding was NIS 535 million or €115 million (based on the exchange rate as of September 30, 2014).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The amortization schedule for each of the Existing Series A HOT Notes is as follows: 8.3% in 2013; 8.3% in 2014; 8.3% in 2015; 8.3% in 2016; 8.3% in 2017 and 54.2% in 2018. Based on the CPI as of December 31, 2012 of 105.7, we estimate the amortization schedule, which includes estimated future increases in CPI of three points per year, under the Existing Series A HOT Notes is approximately: NIS 71 million in 2013, NIS 71 million in 2014, NIS 71 million in 2015, NIS 71 million in 2016, NIS 71 million in 2017 and NIS 461 million in 2018. The amortization schedule for the Existing Series B Notes is as follows approximately: NIS 56 million in 2013, NIS 56 million in 2014, NIS 56 million in 2015, NIS 56 million in 2016, NIS 56 million in 2017 and NIS 366 million in 2018. The Existing HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing Series A HOT Notes bear interest at a rate of 3.9% per annum, payable semi-annually. The Existing Series B HOT Notes bear interest at a rate of 6.9% per annum, payable semi-annually.

The Existing HOT Unsecured Notes contain certain financial covenants, which require maintenance by HOT of a maximum net debt to EBITDA ratio of 6.0 and maintenance of minimum equity equal to NIS 300 million. Further, in order for HOT to be able to distribute dividends, the maximum net debt to EBITDA ratio is 5.5. In addition, the Existing HOT Unsecured Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration of other HOT indebtedness of NIS 300 million or more in the aggregate, grants the holders the right to call for immediate payment of the Existing HOT Unsecured Notes.

The Existing HOT Unsecured Notes are senior obligations that rank equally with all of its existing and future senior debt and are senior to all of its existing and future subordinated debt. The Existing HOT Unsecured Notes are not secured by any assets of HOT or its subsidiaries.

The Existing HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing HOT Unsecured Notes will be:

a. effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;

b. *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes; and

c. structurally senior to the 2012 Senior Notes, the 2012 Senior Secured Notes, the 2013 June Senior Notes, the 2015 Senior Notes, the 2014 Senior Secured, the 2012 Senior Secured Notes Guarantees and the 2013 June Senior Notes Guarantees granted by the 2012 Senior Secured Notes Guarantors, the 2012 Senior Notes Guarantors and the 2013 June Senior Notes Guarantors.

The Existing HOT Unsecured Notes will not be subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the Existing HOT Unsecured Notes are not required to be released or otherwise transferred.

License Guarantees

HOT and its subsidiaries are required to provide guarantees, often by way of a bank guarantee, to the Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including providing a bank guarantee in the amount of NIS 695 million in connection with the HOT Mobile's winning a frequency allotment and receiving a mobile license in 2011. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that would entitle us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of

Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. For more information "*Description of Our Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

HOT Mobile Earnout

In connection with the acquisition by HOT of HOT Mobile from Altice Securities S.à r.l. ("Altice Securities"), a subsidiary of Altice and affiliate of HOT, HOT agreed to pay to the managers of HOT Mobile and an unrelated third party ("Migad", and, together with the managers of HOT Mobile and Altice Securities, the "Earnout Recipients") additional consideration, in an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile (the "Earnout"). The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal installments of NIS 56.25 million, conditioned upon achievement of certain EBITDA targets by HOT Mobile for the years 2013 to 2016, inclusive, and (ii) a contingent future payment of NIS 225 million conditioned on achievement of 7% market share, as defined in the HOT Mobile's mobile license, in the mobile market by 2016. There is a mechanism to reduce the payments required under the Earnout to the extent HOT Mobile is required to make payments to the Israeli Ministry of Communications pursuant to the mobile license. As of September 30, 2014, we estimate that the fair value of the Earnout is NIS 75 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to Altice Finco (the assigned rights only include such payments that would actually have been received by Altice Securities). In June 2013, HOT paid NIS 90 million under the Earnout to the Earnout Recipients in accordance with the terms of the Earnout, out of which Altice Finco received NIS 86.4 million. Furthermore, in the months of August and September 2013, HOT transferred amounts of NIS 4.5 million and NIS 1.5 million to Migad Communications Ltd. and to the other parties, respectively on behalf their share of the above consideration. See "*Certain Relationships and Related Party Transactions—HOT Mobile Earnout*".

HOT Refinancing Note

The following contains a summary of the terms of the HOT Proceeds Term Note and the HOT Refinancing RCF Note. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

HOT Proceeds Term Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an NIS 1,900 million (€408 million equivalent) intercompany term note (the "HOT Proceeds Term Note") issued by HOT.

Interest

The HOT Proceeds Term Note bears interest at a rate of 6.3% per annum, which is payable semi-annually in cash in arrears on the date which is two business days prior to each June 15 and December 15, commencing on the date which is two business days prior to June 15, 2013, and shall be calculated on the basis of a three hundred and sixty (360) day year composed of twelve (12) months of thirty (30) days each. Interest accrues from 2012 Transaction Completion Date. The maturity date of the HOT Proceeds Term Note is the same as the maturity date of the 2012 Senior Secured Notes.

Guarantees and Security

The HOT Proceeds Term Note is a senior obligation of HOT and is guaranteed on a senior basis by the HOT Refinancing Note Guarantors. The HOT Proceeds Term Note is secured by a pledge over substantially all of the assets of the HOT and the HOT Refinancing Note Guarantors (including all of the share capital of HOT Mobile) but, in each case, excluding (a) licenses issued by the Israeli Ministry of Communications, which are not assignable as a matter of law, and (b) certain end-user equipment (the "HOT Refinancing Note Collateral").

Repayment

HOT may not prepay the HOT Proceeds Term Note except (i) in the event of a Change of Control, as defined in the HOT Proceeds Term Note, (ii) upon certain asset sales and (iii) if duly approved by HOT and required in order to facilitate or accommodate a repayment of the 2012 Senior Secured Notes by Altice Financing.

Change of Control

If a change of control occurs, Altice Financing will have the right to require HOT to prepay all or any part of the HOT Proceeds Term Note, together with a premium of 1% of the principal amount of the HOT Proceeds Term Note prepaid, plus accrued and unpaid interest, to the date of prepayment.

Change of Control is defined as

(a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (as defined in the HOT Proceeds Term Note, including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (as defined in the HOT Proceeds Term Note) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of HOT, measured by voting power rather than number of shares; or

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of HOT and its restricted subsidiaries taken as a whole to a Person (including any "person" as defined above), other than a Permitted Holder.

Covenants and Events of Default

HOT has agreed, and has agreed to cause each of its subsidiaries, for the sole benefit of Altice Financing, (i) to be bound by the covenants in Article 4 (*Covenants*) and Article 5 (*Merger and Consolidation*) of the 2012 Senior Secured Notes Indenture that are applicable to HOT and its subsidiaries as Restricted Subsidiaries (as defined in the 2012 Senior Secured Notes Indenture), (ii) if duly appointed as Paying Agent under the 2012 Senior Secured Notes Indenture, to be bound by the obligations in the 2012 Senior Secured Notes Indenture relating thereto and (iii) to comply with the obligations set forth in the section to be titled "Collateral and Security Documents" in the 2012 Senior Secured Notes Indenture.

The HOT Proceeds Term Note contains events of default, substantially similar to those contained in the 2012 Senior Secured Notes Indenture which, if such event of default occurs, permits Altice Financing to declare the HOT Proceeds Term Note due and payable immediately. However, upon an event of default under the 2015 Senior Notes or the 2015 Senior Secured Notes (or any other senior secured debt), HOT and its subsidiaries shall not be liable in any way, including by way of cross-default, and shall not be required to repay any amounts outstanding, including any repayment premiums and accrued and unpaid interest thereon, under the 2015 Senior Notes or the 2015 Senior Secured Notes (or any other senior secured debt). Further, the HOT Refinancing Note Guarantors will only guarantee HOT's obligations under the HOT Refinancing Notes (the "HOT Refinancing Note Guarantees"). The HOT Refinancing Note Guarantees will be limited to an aggregate amount equal to the amount outstanding under the HOT Refinancing Notes which may vary from time to time in accordance with the terms of the HOT Refinancing Notes. HOT and the HOT Refinancing Note Guarantors will only have liability to the holders of the Senior Secured Notes in the event of an event of default under the HOT Refinancing Notes, in each case, indirectly as a result of an assignment of the HOT Refinancing Notes and/or the ability of the holders of the 2012 Senior Secured Notes to direct the actions of Altice Financing in connection with the HOT Refinancing Notes in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The 2012 Senior Notes, the 2013 June Senior Notes and the 2015 Senior Notes will not benefit from any assignment of the HOT Refinancing Notes.

Limitation of Liability

For the avoidance of doubt and without in any way limiting HOT's and the HOT Refinancing Note Guarantors' obligations to Altice Financing pursuant to the HOT Proceeds Term Note, in any event, including in the event of a default by HOT and/or the HOT Refinancing Note Guarantors under the HOT Proceeds Term Note, or by Altice Financing under the 2012 Senior Secured Notes or the 2012 Altice Financing Revolving Credit Facility or the relevant borrower under the Cool Proceeds Note, the Acquisition Proceeds Note or any documents related to any of the foregoing, HOT and the HOT Refinancing Note Guarantors shall not be liable in any way, including by way of cross default, and shall not be required to repay any amounts outstanding, any repayment premiums and accrued and unpaid interest thereon, under the 2012 Senior Secured Notes, the 2012 Altice Financing Revolving Credit Facility, the Cool Proceeds Note and the Acquisition Proceeds Note or any documents related to any of the foregoing. It is further clarified that the HOT Refinancing Note Guarantors serve as guarantors only with respect to the HOT's debt obligation under the HOT Proceeds Term Note.

Conflicts

For the avoidance of doubt, and despite HOT not being party to such agreements, other than with respect to the covenants described above, in the event that any of the other terms or provisions of this HOT Proceeds Term Note conflict with any terms or provisions of the 2012 Senior Secured Notes Indenture, Intercreditor Agreement or related agreements that are applicable to HOT and the HOT Proceeds Term Note, Altice Financing has agreed and acknowledged that (as between HOT and Altice Financing only) the terms or provisions of the HOT Proceeds Term Note shall prevail.

HOT Refinancing RCF Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an intercompany revolving credit facility note (the "HOT Refinancing RCF Note" and, together with the HOT Proceeds Term Note, the "HOT Refinancing Notes") issued by HOT pursuant to which Altice Financing may make available to HOT amounts borrowed by Altice Financing under the 2012 Altice Financing Revolving Credit Facility Agreement. The HOT Refinancing RCF Note contains substantially similar terms as the HOT Proceeds Term Note except that, in addition to the covenants contained in the HOT Proceeds Term Note, the HOT Refinancing RCF Note contains one leverage based maintenance covenant. The HOT Refinancing RCF Note is guaranteed by the HOT Refinancing Note Guarantors and secured by the same HOT Refinancing Note Collateral that secures the HOT Refinancing Term Note.

Senior Notes Proceeds Loans

The Senior Notes Proceeds Loans comprise of the following:

(i) On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Finco made an intercompany loan (the "2012 Senior Notes Proceeds Loan") in aggregate principal amount of approximately $425 million pursuant to which it loaned the proceeds of the offering of the 2012 Senior Notes to Altice Financing;

(ii) On July 2, 2013, Altice Finco made an intercompany loan of €250 million pursuant to which the proceeds of the 2013 June Senior Notes were loaned to Altice Financing (the "2013 June Senior Notes Proceeds Loan");

(iii) On December 12, 2013, Altice Finco made an intercompany loan of €400 million pursuant to which the proceeds of the 2013 December Senior Notes were loaned to Altice Financing (the "2013 December Senior Notes Proceeds Loan", and, together with the 2012 Senior Notes Proceeds Loan and the 2013 June Senior Notes Proceeds Loan the "Existing Senior Notes Proceeds Loans").

(iv) Upon release of the proceeds of the 2015 Senior Notes from escrow, Altice Finco will make an intercompany loan to Altice Financing pursuant to which it will loan such proceeds to Altice Financing (the "2015 Senior Notes Proceeds Loan" and, together with the Existing Senior Notes Proceeds Loans, the "Senior Notes Proceeds Loans"). The terms of the Senior Notes Proceeds Loans are customary for intercompany proceeds loans. The 2012 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2012 Senior Notes. The maturity date of the 2012 Senior Notes Proceeds Loan is the same as the maturity date of the 2012 Senior Notes. The 2013 June Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 June Senior Notes. The maturity date of the 2013 June Senior Notes Proceeds Loan is the same as the maturity date of the 2013 June Senior Notes. The 2013 December Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 December Senior Notes. The maturity date of the 2013 December Senior Notes Proceeds Loan will be the same as the maturity date of the 2013 December Senior Notes. The 2015 Senior Notes Proceeds Loan will accrue interest at a rate equal to the interest rate of the 2015 Senior Notes. The maturity date of the 2015 Senior Notes Proceeds Loan will be the same as the maturity date of the 2015 Senior Notes. Payments on the Senior Notes Proceeds Loans are subject to the Intercreditor Agreement.

Additional Intercompany Proceeds Loans

On the 2012 Transaction Completion Date, Altice Financing made intercompany proceeds loans, in addition to the HOT Refinancing Note, to certain entities in the Group with the proceeds of the 2012 Senior Secured Notes and the 2012 Senior Notes Proceeds Loan.

On July 2, 2013 Altice Financing made an intercompany loan to Altice Holdings with the proceeds of the 2013 June Senior Notes and the 2013 Altice Financing Term Loan. Altice Holdings made additional intercompany proceed loans (or subscribe to bonds), including the ABO Proceeds Loan, the New Cabovisão Proceeds Notes, the Altice West Europe Proceeds Loan, the Outremer Proceeds Loans, the Le Cable Proceeds Loans and the Onitelecom Proceeds Notes (together with the Original Cabovisão Proceeds Notes the "Covenant Party Pledged Proceeds Loans") to certain entities in the Group in connection with consummation of the 2013 June Transactions.

On December 12, 2013, Altice Financing made intercompany proceeds loans to certain entities in the Group with the proceeds of the 2013 December Senior Secured Notes and the 2013 June Senior Notes Proceeds Loan in connection with the consummation of the Tricom Acquisition and the ODO Acquisition.

On December 2, 2014, in connection with the repayment of the Existing Coditel Mezzanine Facility Agreement, Altice Financing made intercompany proceeds loans to Altice Holdings in an aggregate principal amount of €126 million. Altice Holdings further on-lent this amount through two intercompany proceeds loans of €19 million and approximately €107 million.

In connection with the Transactions, Altice Financing will use amounts borrowed under the 2015 Senior Notes Proceeds Loan and the proceeds of the offering of the 2015 Senior Secured Notes to make a proceeds loan (the "New AH Proceeds Loan") to Altice Holdings. Altice Holdings will use the proceeds under the New AH Proceeds Loan and the ASA Notes Proceeds Contribution to make the AWE Proceeds Loan to Altice West Europe which in turn will make the AP Proceeds Loan to Altice Portugal to consummate the PT Portugal Acquisition. Furthermore, Altice Portugal, PT Portugal, PT OpCo, PT Móveis and SIRESP intend to enter into the PT Group Loans as part of the PT Portugal Acquisition.

These loans (other than the AP Proceeds Loan and the PT Group Loans) are pledged as security for the Senior Secured Debt. The 2013 December Senior Notes and 2012 Senior Notes do not benefit from any security over the intercompany proceeds loans granted by Altice Financing. For further details, see "—*Simplified Corporate and Financing Structure*".

Indebtedness of the Numericable Group

Numericable Term Loan

Overview

On May 8, 2014, Numericable entered into a senior secured term loan credit facility (the "Numericable Term Loan") which provided euro and U.S. dollar term loans in aggregate principal amounts of €1,900 million and $2,600 million, with Numericable, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the "Term Loan Borrowers"), certain lenders party thereto and Deutsche Bank AG, London Branch as the Administrative Agent and as the security agent (the "Numericable Term Loan Agreement"). As described above, the proceeds of the Numericable Term Loans were used to finance the 2014 Numericable Refinancing Transactions and certain related fees and expenses, and the remainder was placed in escrow until completion of the 2014 SFR Acquisition, with such amounts being released from escrow on November 27, 2014.

Numericable Term Loan Borrowers were permitted to draw under the Numericable Term Loan on a single occasion at any time on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the Numericable Term Loan not related to the Numericable Refinancing Transactions cease to exist by virtue of the 2014 SFR Acquisition being abandoned or funded by other means, (b) July 31, 2014, unless the exclusivity granted to Numericable in respect of the 2014 SFR Acquisition was extended, and (c) April 30, 2015 (the "Commitment Termination Date"). Amounts drawn but not used on the Numericable Refinancing Transactions were deposited into an escrow account and used on November 27, 2014 for the 2014 SFR Acquisition.

On May 21, 2014, the following drawdowns were made under the Numericable Term Loan Agreement: Numericable borrowed €635 million, Numericable U.S. LLC borrowed US$2,600 million and Ypso France borrowed €1,265 million. The entire amount available under the Numericable Term Loan Agreement has been drawn.

Interest Rate and Fees

Borrowings under the Numericable Term Loan bear an interest at a rate per annum equal to an applicable margin plus (i) in the case of U.S. dollar denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus 0.50%, (2) the prime rate determined from time to time by Deutsche Bank AG, New York Branch as the prime rate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 1.75%, or (b) a LIBOR rate equal to the greater of (A) a rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, and (B) 0.75%, and (ii) in the case of euro-denominated loans, a EURIBOR rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such EURIBOR rate shall not be less than 0.75%.

The applicable margin means, for any day, (a) with respect to any alternative base rate loan, 2.75% per annum, (b) with respect to any Eurodollar loan, 3.75% per annum, and (c) with respect to any Euro denominated loan, 3.75% per annum.

In addition to paying interest on outstanding principal under the New Numericable Term Loan, we were required to pay a ticking fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

Mandatory Prepayments

The Numericable Term Loan Agreement requires us to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to thereunder reinvestment rights and certain other exceptions, and (ii) commencing with the fiscal year ended December 31, 2014, 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than 4.0:1.0. We will not be required to make any such prepayments from the proceeds of asset sales made as a consequence of competition laws to the extent that such proceeds do not exceed 2% of the pro forma total assets of Numericable and its Restricted Subsidiaries.

Voluntary Prepayments

Prepayments of the Numericable Term Loan on or prior to November 21, 2014, which are either (x) in connection with a Repricing Transaction (as defined in the Numericable Term Loan) or (y) effects any amendment of the Numericable Term Loan resulting in a Repricing Transaction, are subject to a call premium payable to the Administrative Agent on behalf of the lenders of, in the case of (x) 1% of the principal amount of the Numericable Term Loan so repaid and in the case of (y) a payment equal to 1% of the aggregate amount of the Numericable Term Loan subject to such Repricing Transaction.

Amortization and Final Maturity

Numericable is required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the Numericable Term Loan Agreement, with the balance due on May 21, 2020. The first repayment will take place at the end of the first full quarter after November 27, 2014.

Guarantees

Each Guarantor of the Numericable Senior Secured Notes and Numericable guarantees, on a senior basis, the obligations of each other obligor under the Numericable Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein.

Security

The Numericable Term Loan is secured by the same collateral securing, *inter alia*, the Numericable Senior Secured Notes (other than any security over the proceeds of the Numericable Senior Secured Notes in any escrow accounts).

Certain Covenants and Events of Default

The Numericable Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the indenture governing the Numericable Senior Secured Notes, and, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations.

The Numericable Term Loan Agreement also contains certain customary representations and warranties, covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the Numericable Term Loan will be entitled to take various actions, including the acceleration of amounts due under the Numericable Term Loan and all actions permitted to be taken by a secured creditor, subject to the 2014 Numericable Group Intercreditor Agreement.

Following the 2014 Numericable Group Transactions, the Numericable Term Loan Agreement permits the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the Numericable Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Numericable Group Term Loan Agreement are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The Numericable Term Loan Agreement also provides that, for so long as no payment block events have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes and the 2014 Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable is also permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Numericable at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less.

Numericable Senior Secured Notes

On May 8, 2014, Numericable issued €7,873 million (equivalent) in aggregate principal amount of senior secured notes, comprised of the following tranches: (i) $2,400 million aggregate principal amount of its Senior Secured Notes due 2019 denominated in U.S. dollars (the "2019 Notes"), (ii) $4,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in U.S. dollars (the "2022 Dollar Notes"), (iii) €1,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in euro (the "2022 Euro Notes" and, together with the 2022 Dollar Notes, the "2022 Notes"), (iv) $1,375 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in U.S. dollars (the "2024 Dollar Notes"), and (v) €1,250 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in euro (the "2024 Euro Notes" and, together with the 2024 Dollar Notes, "2024 Notes" and the 2019 Notes, the 2022 Notes and the 2024 Notes collectively, the "Numericable Senior Secured Notes"). The 2019 Notes will mature on May 15, 2019 the 2022 Notes will mature on May 15, 2022 and the 2024 Notes will mature on May 15, 2024. Interest on the New Numericable Senior Secured Notes is payable semi-annually in cash in arrears on each February 15 and August 15, commencing on August 15, 2014. Each of the 2019 Notes, the 2022 Notes and the 2024 Notes are governed by an indenture to be entered into on or about the Issue Date (collectively, the "Numericable Senior Secured Notes Indentures").

The Numericable Senior Secured Notes are general obligations of Numericable and (i) rank *pari passu* in right of payment with all existing and future indebtedness of Numericable that is not subordinated in right of payment to the New Numericable Senior Secured Notes, including indebtedness under the Numericable Term Loan, the Numericable Group Revolving Credit Facilities Agreement and certain hedging obligations, (ii) rank senior in right of payment to all existing and future indebtedness of Numericable that is expressly subordinated in right of payment to the Numericable Senior Secured Notes, and (iii) will be effectively subordinated to any existing and future indebtedness of Numericable that is secured by property or assets that do not secure the Numericable Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The Numericable Senior Secured Notes are guaranteed on a senior basis by each of Ypso France S.A.S., Coditel Debt S.à r.l., Ypso Finance S.à r.l., NC Numericable S.A.S., Altice B2B France S.A.S., Completel S.A.S., Numericable US S.A.S. and Numericable U.S. LLC (such guarantors, collectively, the "*Completion Date Guarantors*"). Within 90 days of the completion of the 2014 SFR Acquisition, the Numericable Senior Secured Notes are to be guaranteed by SFR and may be guaranteed by certain of its subsidiaries.

The Numericable Senior Secured Notes are secured by: (i) senior pledges over all of the capital stock of the Completion Date Guarantors; (ii) certain intercompany loans being entered into in connection with the 2014 Numericable Group Transactions; (iii) senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S.; (iv) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Completion Date Guarantors; and (v) certain bank accounts of the Issuer.

In addition, within 90 days after the completion of the 2014 SFR Acquisition, the Numericable Senior Secured Notes will benefit from: (i) senior pledges over all of the capital stock of SFR and any of its subsidiaries that become guarantors of the New Numericable Senior Secured Notes; (ii) a senior pledge over certain bank accounts of SFR; (iii) a senior pledge over the business (*fonds de commerce*) (including intellectual property) of SFR; and (iv) senior pledges over receivables owed to SFR by certain of its subsidiaries. Under the terms of the Numericable Group Intercreditor Agreement, in the event of an enforcement of the collateral securing the Numericable Senior Secured Notes, the holders of the Numericable Senior Secured Notes will receive proceeds from such collateral *pari passu* with the lenders under the Numericable Term Loan, the lenders under the Numericable Group Revolving Credit Facilities Agreement and counterparties to certain hedging agreements.

Prior to May 15, 2016, Numericable may redeem all or a portion of the 2019 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2019 Notes at any time on or after May 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2016, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2019 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 104.875% of the principal amount of the 2019 Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2019 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2017, Numericable may redeem all or a portion of the 2022 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2022 Notes at any time on or after May 15, 2017, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2017, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2022 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.375% of the principal amount of the 2022 Euro Notes and 106.00% of the principal amount of the 2022 Dollar Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2022 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2019, Numericable may redeem all or a portion of the 2024 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2024 Notes at any time on or after May 15, 2019, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2017, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2024 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.625% of the principal amount of the 2024 Euro Notes and 106.250% of the principal amount of the 2024 Dollar Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2024 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

The Numericable Senior Secured Notes Indentures permit the incurrence of indebtedness by Numericable or a guarantor of the Numericable Senior Secured Notes so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding, the Numericable Senior Secured Notes Indentures permit the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the Numericable Senior Secured Notes Indentures are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Further, subject to certain payment blocking events (i.e. a payment default or acceleration of New Numericable Senior Secured Notes) the Numericable Senior Secured Notes Indentures permit Numericable to pay dividends or other distributions to its shareholders in an amount such that Altice France S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes and the 2014 Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the 2014 provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Numericable at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less.

The Numericable Senior Secured Notes Indentures, among other things, further limit the ability of Numericable and the ability of the Restricted Subsidiaries (as defined therein) to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The Numericable Senior Secured Notes Indentures provide for certain events of default, including, among others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Numericable Senior Secured Notes Indentures are governed by the laws of the State of New York.

The 2014 Numericable Group Revolving Credit Facilities

Numericable entered into a €750 million revolving credit facilities agreement (the "Numericable Group Revolving Credit Facilities Agreement") on May 8, 2014, with, among others, the original lenders party thereto (the "Numericable RCF Lenders"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and as security agent, pursuant to which the Numericable RCF Lenders agreed to provide Numericable and certain of its subsidiaries with a €750 million senior secured revolving credit facilities (the "Numericable Group Revolving Credit Facilities"), split into (i) a €300 million revolving facility (the "Numericable Group Facility A"), and (ii) a €450 million revolving facility (the "Numericable Group Facility B"), both of which are now available. Subject to certain requirements, the Numericable Group Revolving Credit Facilities may be utilized by way of cash drawings and guarantees.

Limitations on Use of Funds

The Numericable Group Revolving Credit Facilities Agreement were used by Numericable and certain of its subsidiaries for general corporate and working capital purposes of Numericable and its subsidiaries (excluding certain unrestricted subsidiaries) (the "Numericable Borrower Group"), including, but not limited to, the Numericable Refinancing Transaction and the 2014 SFR Acquisition.

Conditions to Borrowing

A drawdown under the Numericable Group Revolving Credit Facilities Agreement cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated net senior secured leverage ratio is not greater than the ratio specified in the Numericable Group Revolving Credit Facilities Agreement.

Incremental Facility

Subject to the satisfaction of certain conditions set out in the Numericable Group Revolving Credit Facilities Agreement, a new commitment lender (selected by Numericable) may provide new or additional commitments under the Numericable Group Revolving Credit Facilities Agreement.

Interest Periods, Interest Rates and Fees

Numericable and certain of its subsidiaries are permitted to make a specified number of drawdowns under each Numericable Group Revolving Credit Facility for terms of one, two, three or six months (or any other period agreed by the Numericable and the facility agent), but no such period shall end beyond the final maturity date of the Numericable Group Revolving Credit Facilities Agreement. Drawdowns under the Numericable Group Revolving Credit Facilities must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the Numericable Group Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Numericable Group Revolving Credit Facilities Agreement is between 3.25% and 3.50% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

With respect to any available but undrawn amounts under the Numericable Group Revolving Credit Facilities Agreement, Numericable is obligated to pay a commitment fee on the available undrawn amounts at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments from a date to be agreed between Numericable and the Lenders until one month prior to the final maturity date of the Numericable Group Revolving Credit Facilities Agreement.

Repayment

The final maturity date of the Numericable Group Revolving Credit Facilities Agreement will be the earlier of (i) the date falling five years after the date of the Refinancing Transaction, (ii) the date falling five years after November 27, 2014 are released, and (iii) the date on which the Numericable Group Revolving Credit Facilities are fully repaid and cancelled.

Automatic Cancellation

Customary partial or total cancellation events apply to the Numericable Group Revolving Cedit Facilities Agreement, including where it becomes unlawful for any Numericable RCF Lender to fund, issue or maintain its participation in the Numericable Group Revolving Cedit Facilities Agreement.

Mandatory Prepayment

Upon the occurrence of a Change of Control Triggering Event (as defined in the Numericable Group Revolving Credit Facilities Agreement), Numericable and the other borrowers thereunder must repay the Numericable Group Revolving Credit Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Numericable Group Revolving Credit Facilities Agreement will be cancelled.

Certain excess proceeds received by Numericable from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Numericable Group Revolving Credit Facilities.

Guarantees

Each of the guarantors of the Numericable Senior Secured Notes and Numericable will also guarantee the obligations of each obligor under the Numericable Group Revolving Credit Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein.

Security

The Numericable Group Revolving Credit Facilities Agreement is secured by the same collateral as the Numericable Senior Secured Notes (other than any security over proceeds of the Numericable Senior Secured Notes in any escrow accounts).

Representations and Warranties

The Numericable Group Revolving Credit Facilities Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Numericable Group Revolving Credit Facilities Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the indenture governing the Numericable Senior Secured Notes.

The Numericable Group Revolving Credit Facilities Agreement will also require Numericable and the Numericable Borrower Group to observe certain general undertakings subject to materiality and other customary and agreed exceptions. These general undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) *pari passu* ranking of all payment obligations under the Numericable Group Revolving Credit Facilities Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) maintenance and protection of intellectual property rights; (x) no amendments to constitutional documents that are likely to materially adversely affect the collateral; (xi) an Obligor not moving its centre of main interest from, or having an "establishment" in any jurisdiction other than, its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the Numericable Group Revolving Credit Facilities available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The Numericable Group Revolving Credit Facilities Agreement requires Numericable and the Numericable Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio (as defined in the Numericable Group Revolving Credit Facilities Agreement) of no more than 4.00:1.00 only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Numericable Group Revolving Credit Facilities Agreement at the end of each financial quarter.

The Numericable Group Revolving Credit Facilities Agreement will contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, will allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the 2014 Numericable Group Intercreditor Agreement.

The Numericable Group Revolving Credit Facilities Agreement permits the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transactions) and so long as there is no default or event of default outstanding, the Numericable Group Revolving Credit Facilities Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Numericable Group Revolving Credit Facilities Agreement are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. The Numericable Group Revolving Credit Facilities Agreement also provides that, for so long as no payment block events have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes and the 2014 Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable is also permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Numericable at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable is 4.0x or less.

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum €25 million principal amount (excluding capitalized interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) ("TSDI") to Vilorex, a subsidiary of GDF Suez of which a €23.65 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication). The TSDI bear interest at 7% per annum. Interest has been capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019 the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Security Deposits Received from Customers

Security deposits received from customers amounted to €51.9 million, €44.5 million and €42.9 million as at December 31, 2013, 2012 and 2011 respectively. These deposits are made when customers receive equipment from the Numericable Group, and the increase in the amount of deposits from December 31, 2011, to December 31, 2013, reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Indebtedness of Altice S.A.

2014 Senior Notes

On May 8, 2014, Altice S.A., (the "*Issuer*") issued € 4,172 million (equivalent) in aggregate principal amount of senior notes, comprised of the following tranches: (i) $2,900 million aggregate principal amount of its Senior Notes due 2022 denominated in U.S. dollars (the "*2014 Dollar Senior Notes*"), and (ii) €2,075 million aggregate principal amount of its Senior Notes due 2022 denominated in euro (the "*2014 Euro Senior Notes*" and, together with the 2014 Dollar Senior Notes, the "*2014 Senior Notes*"). The 2014 Senior Notes will mature on May 15, 2022. Interest on the 2014 Senior Notes is payable semi-annually in cash in arrears on each February 15 and August 15, commencing on August 15, 2014. The 2014 Senior Notes are governed by the indenture entered into on May 8, 2014 (the "*2014 Senior Notes Indenture*").

The 2014 Senior Notes are general obligations of the Issuer and (i) rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the 2014 Senior Notes; (ii) rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the 2014 Senior Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the 2014 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

Prior to the date on which the proceeds of the 2014 Senior Notes were released from the 2014 Senior Notes were guaranteed by Altice France S.A.

The 2014 Senior Notes are senior obligations of the Issuer. The 2014 Senior Notes benefit from first ranking pledges (the "*Collateral*") over all of the share capital of Altice International and Altice France S.A. and, following the Completion Date, the AI Mandatory Convertible Notes.

The Collateral will also secure the obligations of the Issuer under the 2014 Altice S.A. Revolving Credit Facility Agreement and certain hedging agreements expected to be entered into by the Issuer in connection with the Transactions. Under the terms of the Altice S.A. Intercreditor Agreement, in the event of an enforcement of the Collateral, the holders of the Existing 2014 Notes will receive proceeds from such Collateral only after the lenders under the 2014 Altice S.A. Revolving Credit Facility Agreement and the counterparties to the aforementioned hedging agreements have been repaid in full.

At any time prior to May 15, 2017, the Issuer may redeem some or all of the 2014 Senior Notes at a price equal to 100% of the principal amount plus a "make whole" premium. At any time on or after May 15, 2017, the Issuer may redeem some or all of the 2014 Senior Notes at the redemption prices set forth herein. In addition, prior to November 15, 2015, the Issuer may redeem up to 40% of the aggregate principal amount of each series of the 2014 Senior Notes with the proceeds of certain public or private equity or equity-linked offerings at a redemption price equal to 103% of the principal amount of the 2014 Dollar Senior Notes and 103% of the principal amount of the 2014 Euro Senior Notes, and on or after November 15, 2015, and prior to May 15, 2017, the Issuer may redeem up to 40% of the aggregate principal amount of each series of the 2014 Senior Notes (less the percentage of each series of 2015 Senior Notes redeemed pursuant to this provision prior to November 15, 2015) with the proceeds of certain public or private equity offerings at a redemption price equal to 107.750% of the principal amount of the 2014 Dollar Senior Notes and 107.250% of the principal amount of the 2014 Euro Senior Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2014 Senior Notes remains outstanding after the redemption. Further, the Issuer may redeem all of the 2014 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Issuer and its restricted subsidiaries sell certain of their assets or, if the Issuer experiences specific kinds of changes of control, the Issuer may be required to make an offer to repurchase the 2014 Senior Notes at the prices set forth herein.

The 2014 Senior Notes Indenture, among other things, further limits the ability of the Issuer and the ability of the Restricted Subsidiaries to (i) make investments or other restricted payments, (ii) create liens, (iii) sell assets and subsidiary stock, (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt, (v) engage in certain transactions with affiliates, (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, (vii) engage in mergers or consolidations, and (viii) incur indebtedness. These covenants are subject to a number of important exceptions and qualifications.

The 2014 Senior Notes Indenture provides for certain events of default, including, among others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €50 million or more.

The 2014 Senior Notes Indenture is governed by the laws of the State of New York.

The 2014 Altice S.A. Revolving Credit Facility Agreement

The Issuer entered into the 2014 Altice S.A. Revolving Credit Facility Agreement on May 8, 2014, with, amongst others, the original lenders party thereto (the "Altice S.A. RCF Lenders"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch, as facility agent and Deutsche Bank AG, London Branch, as security agent, pursuant to which the Altice S.A. RCF Lenders agreed to provide the Issuer with a €200 million senior secured revolving credit facility.

The description set forth below sets out the principal terms and conditions of the 2014 Altice S.A. Revolving Credit Facility Agreement.

Limitations on Use of Funds

The 2014 Altice S.A. Revolving Credit Facility can be used by the Issuer for general corporate and working capital purposes of the Issuer and its subsidiaries (excluding certain unrestricted subsidiaries) (the "Altice S.A. Borrower Group").

Conditions to Borrowing

A drawdown of the 2014 Altice S.A. Revolving Credit Facility cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated leverage ratio is not greater than the specified ratio in the 2014 Altice S.A. Revolving Credit Facility Agreement.

Interest Periods, Interest Rates and Fees

The Issuer is permitted to make a specified number of drawdowns under the 2014 Altice S.A. Revolving Credit Facility Agreement with interest periods relating thereto of one, two, three or six months (or any other period agreed by the Issuer and the facility agent), but no such interest period shall end after the final maturity date of the 2014 Altice S.A. Revolving Credit Facility. Drawdowns under the 2014 Altice S.A. Revolving Credit Facility Agreement must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the 2014 Altice S.A. Revolving Credit Facility Agreement for each interest period is equal to the aggregate of: (x) the applicable margin, and (y) EURIBOR. The margin under the 2014 Altice S.A. Revolving Credit Facility is between 4.25% and 5.00% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

With respect to any available but undrawn amounts under the 2014 Altice S.A. Revolving Credit Facility Agreement, the Issuer is obligated to pay a commitment fee on such undrawn amounts calculated on undrawn and un-cancelled commitments from a date to be agreed between the Issuer and the Lenders until one month prior to the final maturity date of the 2014 Altice S.A. Revolving Credit Facility.

Repayment

The final maturity date of the 2014 Altice S.A. Revolving Credit Facility is the earlier of the date falling five years after the Issue Date and the date on which the 2014 Altice S.A. Revolving Credit Facility is fully repaid and cancelled.

Mandatory Prepayment

Upon the occurrence of a Change of Control (as defined in the 2014 Altice S.A. Revolving Credit Facility Agreement), the Issuer must repay the 2014 Altice S.A. Revolving Credit Facility in full together with accrued interest and all other amounts accrued under related finance documents and the 2014 Altice S.A. Revolving Credit Facility Agreement will be cancelled.

If an amount in excess of 50% of the 2014 Senior Notes is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Borrower Group, the Issuer must apply an amount equal to such excess in cancellation of the 2014 Altice S.A. Revolving Credit Facility and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the Issuer from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the 2014 Altice S.A. Revolving Credit Facility.

Guarantees

Each of the guarantors of the Notes and the Issuer will also guarantee the obligations of each Obligor under the 2014 Altice S.A. Revolving Creditor Facility.

Security

The 2014 Altice S.A. Revolving Credit Facility is secured by the same collateral as the 2014 Senior Notes (other than collateral in respect of the escrow property).

Representations and Warranties

The 2014 Altice S.A. Revolving Credit Facility Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The 2014 Altice S.A. Revolving Credit Facility Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Indenture.

The 2014 Altice S.A. Revolving Credit Facility Agreement also requires the Issuer and the Altice S.A. Borrower Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) *pari passu* ranking of all payment obligations under the 2014 Altice S.A. Revolving Credit Facility Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) permitting access to the facility agent, security agent and advisors in certain circumstances; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the collateral; (xii) an Obligor not moving its center of main interest from, or having an “establishment” in any jurisidiction other than, its jurisdiction of incorporation; and (xiii) restricting the making of proceeds drawn under the 2014 Altice S.A. Revolving Credit Facility available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The 2014 Altice S.A. Revolving Credit Facility Agreement requires the Issuer and the Altice S.A. Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio (as defined in the 2014 Altice S.A. Revolving Credit Facility Agreement) of no more than 5.50:1, tested prior to utilization and quarterly to the extent there are loans outstanding.

The 2014 Altice S.A. Revolving Credit Facility Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the Altice S.A. Intercreditor Agreement.

The Altice S.A. Intercreditor Agreement

To establish the relative rights of certain creditors, on May 8, 2014, the Issuer entered into an Intercreditor agreement (the "Altice S.A. Intercreditor Agreement") with, amongst others:

- the creditors under the Altice S.A. Revolving Credit Facility Agreement (the "RCF Creditors");
- upon its accession, the Trustee for the Notes on its behalf and on behalf of the holders of the Notes (the "Senior Notes Creditors");
- any persons that accedes to the Altice S.A. Intercreditor Agreement as counterparties to certain hedging agreements (the "Hedging Agreements") in accordance with the terms of the Altice S.A. Intercreditor Agreement (the "Hedging Banks", together with the RCF Creditors, the "Super Priority Creditors");
- any persons that accedes to the Altice S.A. Intercreditor Agreement under any future term or revolving credit facility (other than the RCF Agreement) designated as a senior bank facility (a "Senior Bank Facility") in accordance with the terms of the Altice S.A. Intercreditor Agreement (the "Senior Bank Creditors", together with the Senior Notes Creditors, the "Senior Creditors"); and
- any person that accedes to the Altice S.A. Intercreditor Agreement in their capacity as a creditor (the "Shareholders") any shareholder indebtedness provided to the Issuer (the "Shareholder Debt");

The Altice S.A. Intercreditor Agreement provides that existing indebtedness of the Issuer may be refinanced and/or future indebtedness may be incurred by the Issuer subject to the terms of the Altice S.A. Intercreditor Agreement and each finance document then existing. Future debt designated under the Altice S.A. Intercreditor Agreement as ranking on enforcement the security in priority to liabilities owed to the Senior Creditors is subject to certain conditions, including that it may only be in the form of a revolving credit facility, which is a working capital facility, or hedging indebtedness, and to the extent permitted (or not prohibited) by the terms of each finance document.

For the purposes of the Altice S.A. Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent within that class of debt (a "Representative") may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt or Senior Bank Debt (as defined below), on the instructions of $66^2/_3\%$ of creditors of that class of debt) (a "Relevant Majority"). Hedging Banks will vote together with the Super Priority Debt. In addition, in certain circumstances (as set out in the Altice S.A. Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the "Instructing Group"), which is the Relevant Majority of (i) (if Senior Bank Debt has been discharged and while any Senior Notes Debt remains outstanding) the Senior Notes Creditors and (ii) (while Senior Bank Debt remains outstanding) the Senior Creditors.

By accepting a Note the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Altice S.A. Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Altice S.A. Intercreditor Agreement that relate to the rights and obligations of the Senior Notes Creditors. It does not restate the Altice S.A. Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt and you are urged to read that documents in its entirety because it, and not the discussions here, define certain rights of the parties to the Altice S.A. Intercreditor Agreement, including the Notes.

Order of Priority

Ranking & Priority

The Altice S.A. Intercreditor Agreement provides, subject to certain provisions, the liabilities of the Issuer (and any member of its group which accedes to the Altice S.A. Intercreditor Agreement as a new obligor (together with, amongst others, the Issuer, the "Obligors")) under or in respect of, amongst others, the (i) Altice S.A. Revolving Credit Facility Agreement (the "RCF Debt"), (ii) the Hedging Agreements (the "Hedging Debt" and together with the RCF Debt, the "Super Priority Debt"), (iii) the Notes (the "Senior Notes Debt"), (iv) the Senior Bank Facilities (the "Senior Bank Debt" and together with the Senior Notes Debt, the "Senior Debt") and (v) the Shareholder Debt will rank in right and order of payment in the following order:

i. first, the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt, Senior Debt and amounts due to the Trustee, pari passu without any preference between them; and

ii. second, the Shareholder Debt.

Priority of Security

The Altice S.A. Intercreditor Agreement provides that the security provided by the Obligors (the "Security") for the Senior Debt and the Super Priority Debt (together, the "Senior Secured Debt") will rank the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt and Senior Debt and amounts due to the Trustee pari passu without any preference between them.

Additional Secured Debt

The creditors party to the Altice S.A. Intercreditor Agreement acknowledge that the Obligors may wish to incur incremental Senior Secured Debt, which in any such case is intended to rank pari passu with any existing Secured Secured Debt and/or share pari passu with any existing Security. By execution of the Altice S.A. Intercreditor Agreement, the creditors confirm that if and to the extent such a financing and such ranking and such Security is permitted by the terms of the finance documents at such time, they will (at the cost of the Obligors) co operate with the Obligors with a view to enabling such financing and such sharing in the Security to take place. In particular, but without limitation, the Super Priority Creditors, the Senior Bank Creditors, the Hedging Banks, and the Senior Notes Creditors have authorised and directed its Representative to execute any amendment to the Altice S.A. Intercreditor Agreement and such other finance documents required to reflect such arrangements to the extent such financing and/or sharing is permitted by such finance documents.

Restrictions

Subject to certain limited exceptions and subject to, inter alia, the provisions set forth under the captions "*—Permitted Payments*" and "*—Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Altice S.A. Intercreditor Agreement restricts (to the extent not otherwise consented to by the relevant Representative representing the Relevant Majority of: (i) Super Priority Creditors (while any Super Priority Debt is outstanding); (ii) Senior Bank Creditors (while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Indenture) the Senior Notes Creditors; and/or (iii) (only to the extent prohibited under the Indenture) the Senior Notes Creditors (while any Senior Notes Debt remains outstanding)):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any Shareholder Debt;

- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Shareholder Debt, or otherwise to provide financial support in relation to such liabilities; and

- the ability of the Obligors to discharge the Shareholder Debt by set off, any right of combination of accounts or otherwise.

Limitation of Credit Support

Pursuant to the Altice S.A. Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt.

Permitted Payments

While any Senior Secured Debt is outstanding, Obligors will only be permitted to make payments of Shareholder Debt:

a. with the prior written consent of:

   i. (while any Super Priority Debt is outstanding) the relevant Representatives representing the Relevant Majority of the Super Priority Creditors;

   ii. (if any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of the Senior Bank Creditors; and

   iii. (if any Senior Notes Debt is outstanding) (only to the extent prohibited by the Indenture) the relevant Representatives representing the Relevant Majority of the Senior Notes Creditors; or

b. such payments are not prohibited by the debt documents in respect of the Senior Secured Debt and if, at that time, no Senior Secured Creditor has accelerated any of the Senior Secured Debt.

Restrictions on Enforcement

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors, the Shareholders cannot: (i) demand payment of any Shareholder Debt; (ii) accelerate any of the Shareholder Debt or otherwise declare any of the aforementioned debt prematurely due or payable on an event of default or otherwise; (iii) enforce any of the Shareholder Debt by attachment, set off, execution or otherwise; (iv) petition for, initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor; (vi) sue or bring or support any legal proceedings against any Obligor or its subsidiaries; or (vii) otherwise exercise any remedy for the recovery of any Shareholder Debt.

A Shareholder will be allowed to bring or support proceedings to prevent the loss of any right to bring or support proceedings by reason of expiry of statutory limitation periods.

Enforcement Instructions

No Senior Secured Creditor has any independent power to enforce, or has recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by the Relevant Majority of Super Priority Creditors or the Instructing Group. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Altice S.A. Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it has not received security and/or indemnity to its satisfaction by the relevant creditors.

To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Representative 10 business days prior to the date it issues the enforcement instructions (the "Proposed Enforcement Instruction Date"). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter date as may be agreed) (the "Consultation Period"). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing representatives determines in good faith that consultation (and thereby delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realization of proceeds of enforcement.

While any Super Priority Debt is outstanding, if the Security Agent receives conflicting enforcement instructions from the Representatives of the Super Priority Debt or the Instructing Group, and the Consultation Period has passed, the Security Agent shall comply with the instruction from the Instructing Group. The failure by a creditor group to issue enforcement instructions will be deemed to be conflicting, provided that if the representatives of the Instructing Group fail to give instructions as to enforcement and the Consultation Period has elapsed, the Security Agent will comply with the instructions of the representative of the Super Priority Debt. The instructions of the Super Priority Creditors will prevail if (i) the Super Priority Creditors have not been fully and finally discharged in cash within six months of the Proposed Enforcement Instruction Date, or (ii) the Security Agent has not commenced any enforcement action within 3 months of the Proposed Enforcement Date. All enforcement instructions will need to comply with the following security enforcement principles:

1. It shall be the aim of any enforcement of the Security to achieve the Security Enforcement Objective. "Security Enforcement Objective" means maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Super Priority Creditors and (without prejudice to the waterfall described in "Application of Proceeds" below) the Senior Creditors.

2. The security enforcement principles may be amended, varied or waived with the prior written consent of the Relevant Majority of Super Priority Creditors, an Instructing Group and the Security Agent.

3. Without prejudice to the Security Enforcement Objective, the Security will be enforced and other action as to enforcement of the Security will be taken such that either:

   (a) in the event enforcement is being effected in accordance with the instructions of the Instructing Group either:

      (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "Application of Proceeds" below; or

      (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the waterfall described in "Application of Proceeds" below), the Super Priority Debt is repaid and discharged in full (unless the Relevant Majority of Super Priority Creditors agree otherwise); or

   (b) in the event enforcement is being effected in accordance with the instructions of the Super Priority Creditors either:

      (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "Application of Proceeds" below; or

      (ii) with the consent of the Instructing Group, the proceeds are received by the Security Agent in cash and non cash consideration for distribution in accordance with the waterfall described in "Application of Proceeds" below.

4. The enforcement must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Altice S.A. Intercreditor Agreement, the time frame for realization of value from the enforcement of the Security pursuant to enforcement will be determined by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group provided that it is consistent with the Security Enforcement Objective.

5. On:

   (a) a proposed enforcement of any of the Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds \$3,000,000 (or its equivalent); or

   (b) a proposed enforcement of any of the Security over some, but not all, of the shares in a member of the Group over which Security exists;

   the Security Agent shall, if so requested by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group, and at the expense of such creditors, obtain an opinion from any (X) reputable and independent internationally recognized accounting firm, (Y) reputable and independent internationally recognized investment bank, or (Z) other reputable and independent professional services firm experience in restructuring and enforcement (a "Financial Advisor"), that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances. If the Security Agent is unable to obtain an opinion pursuant to this paragraph 5, it shall notify the Super Priority Representatives and the Senior Representatives representing an Instructing Group and may proceed to enforce the Security without obtaining such opinion.

6. The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the security enforcement principles or any other provision of the Altice S.A. Intercreditor Agreement.

7. The Financial Advisor's opinion will be conclusive evidence that the Security Enforcement Objective has been met.

8. If enforcement of any Security is conducted by way of public auction in any relevant jurisdiction, no Financial Advisor shall be required to be appointed in relation to such enforcement action. Nothing shall require the enforcement of Security to take place by way of public auction.

Release of Security and Guarantees

If a disposal of an asset owned by the Obligor is made to a person or persons outside of the Group and either (i) the disposal is not permitted or prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the Altice S.A. Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or (iii) the disposal is pursuant to enforcement action in accordance with the Altice S.A. Intercreditor Agreement, and, in each case, the Security Agent is authorized to release any Security and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal applied in accordance with the relevant finance document and with the Altice S.A. Intercreditor Agreement.

Where a disposal relates to (ii) or (iii) above, and the asset which is disposed of consists of shares in an Obligor or its holding company and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (a) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party; and (b) dispose of all (and not part) of such liabilities owed to the Senior Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

Turnover

The Altice S.A. Intercreditor Agreement provides that if any Super Priority Creditor or Senior Creditor or Shareholder receives or recovers a payment which is prohibited by the Altice S.A. Intercreditor Agreement or not paid in accordance with the provisions described under "—*Application of Proceeds*", subject to certain exceptions, the receiving or recovering creditor will promptly notify the Security Agent and hold any amount on trust for the creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under "—*Application of Proceeds*". These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set off arrangements with Obligors, permitted refinancing, or otherwise in accordance with the loss sharing provisions of the Altice S.A. Intercreditor Agreement.

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "Insolvent Obligor"), the Shareholder Debt owed by the Insolvent Obligor will be subordinated in right of payment to the Super Priority Debt and Senior Debt owed by such Insolvent Obligor.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of (while any Super Priority Debt) the Relevant Majority of Super Priority Creditors or the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to Shareholder Debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor and (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor.

If the Security Agent is not entitled or does not take any of the actions referred to above, the Shareholders will do so promptly when requested by the Security Agent (acting on the instructions of the Relevant Majority of Super Priority Creditors or the Instructing Group).

Application of Proceeds

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received pursuant to the provisions described under "—Turnover" or otherwise recovered by the Security Agent (or any other creditors) in connection with the realization or enforcement of all or any part of the security in favor of the Senior Secured Debt, apply them at any time as the Security Agent sees fit, and to the extent permitted by law, in the following order:

- first, in payment of the following amounts in the following order of priority: (i) pari passu and pro rata to the Security Agent and thereafter to the Trustee to the Notes in respect of any amounts due to each such party, and (ii) pari passu and pro rata to each representative of Senior Secured Debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents or the Altice S.A. Intercreditor Agreement;

- second, in payment pari passu and pro rata of the balance of the costs and expenses of each Super Priority Creditor and each Senior Creditor in connection with such enforcement;

- third, in payment pari passu and pro rata to the representative of the Super Priority Debt and the Hedging Banks for application towards the balance of the Super Priority Debt;

- fourth, in payment pari passu and pro rata to each representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Notes Debt;

- fifth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

Amendment

Prior consent of each Representative is required for any waivers, consents, or amendments in relation to any security documents if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of Security is distributed.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Security Agent and the Issuer), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Notes Creditors the Issuer and the Security Agent.

DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this "Description of Notes" under the heading "Certain Definitions". Certain capitalized terms used in this "Description of Notes" may have different definitions that the same term used in other sections of these Listing Particulars. For purposes of this "Description of Notes", references to the "Issuer" refer only to Altice S.A.

Altice S.A., a Luxembourg public limited liability company (*société anonyme*), with registered office at 3 Boulevard Royal, L 2449 Luxembourg (the "*Issuer*") will be the issuer of the Notes offered hereby.

The Issuer has issued $1,480 million aggregate principal amount of its 7.625% Senior Notes due 2025 (the "*Dollar Notes*") and € 750 million aggregate principal amount of its 6.250% Senior Notes due 2025 (the "*Euro Notes*" and, together with the Dollar Notes, the "*Notes*") under an indenture (the "*Indenture*"), between, *inter alios*, itself, Deutsche Bank AG, London Branch, as trustee (the "*Trustee*"), Deutsche Bank Trust Company Americas as US Paying Agent, US Transfer Agent and US Registrar, Deutsche Bank AG, London Branch as Principal Paying Agent and Deutsche Bank Luxembourg S.A. as Euro Transfer Agent and Euro Registrar and Deutsche Bank AG, London Branch as security agent (the "*Security Agent*"). The Notes were issued in a private transaction that is not subject to the registration requirements of the Securities Act.

The Issuer will contribute the net proceeds of the Notes, after deducting fees and expenses related thereto to Altice International in exchange for mandatory convertible notes to be issued by Altice International and to be subscribed by Altice S.A., and Altice International will in turn contribute such proceeds (the "*Altice Proceeds Contribution*") to Altice Holdings to enable Altice Holdings to consummate the Target Acquisition as described in these Listing Particulars under "The Transactions" and "Use of Proceeds". The Issuer Transactions (as defined herein) will only be completed if the Target Acquisition is consummated. The completion of the Target Acquisition is subject to the conditions set out in the Target Acquisition Agreement, including the approval by the competent regulatory authorities in Portugal. The date on which the Target Acquisition is consummated is herein referred to as the "*Completion Date*".

Pending consummation of the Target Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers have, concurrently with the closing of the offering of the Notes on the Issue Date, deposited the gross proceeds of this offering of the Notes into segregated escrow accounts (the "*Escrow Accounts*") pursuant to the terms of an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Deutsche Bank AG, London Branch as escrow agent (the "*Escrow Agent*"). If the Target Acquisition is not consummated on or prior to June 9, 2016 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). The release of the proceeds of the offering of the Notes from the Escrow Accounts will be subject to certain conditions. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

The Indenture is unlimited in aggregate principal amount and €750 million aggregate principal amount of Euro Notes and $1,480 million aggregate principal amount of Dollar Notes were issued in this offering on the Issue Date. The Issuer may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the "*Additional Notes*"); *provided*, *however*, that the Issuer will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Liens*"). The Notes issued in this offering are, and, if issued, any Additional Notes will be, treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to be denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the Dollar Notes or the Euro Notes, as applicable, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes. Unless the context otherwise requires, in this "Description of Notes", references to the "Notes" include the Notes and any Additional Notes that are actually issued. The terms of the Notes include those set forth in the Indenture. The Indenture is not qualified under, and does not incorporate by reference any of the provisions of, nor be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This "Description of Notes" is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement, the Escrow Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the form of Notes, the Intercreditor Agreement, the Escrow Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents, the Escrow Agreement and the Intercreditor Agreement are available as set forth under "Available Information". See the section entitled "*Description of Other Indebtedness—Indebtedness of Altice S.A.—The Altice S.A. Intercreditor Agreement*" for a summary of certain material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders will have rights under the Indenture.

General

The Notes

The Notes:

- are general obligations of the Issuer;
- are, prior to the Completion Date, secured by a first ranking assignment over the Escrowed Property (as defined below) and the rights of the Issuer under the Escrow Agreement;
- will, as of the Completion Date, be guaranteed by Altice France and benefit from the security as set forth below under "*—Notes Security*";
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Altice Credit Facility, the Existing Senior Notes and certain Hedging Obligations;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; and
- are effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness.

As of September 30, 2014, on an as-adjusted consolidated basis after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds therefrom as described under "Use of Proceeds" elsewhere in these Listing Particulars, the Issuer and its Restricted Subsidiaries would have had outstanding €25,412 million equivalent aggregate principal amount of Indebtedness, out of which €7,425 million equivalent represents Indebtedness of Altice International and its Restricted Subsidiaries and €11,760 million equivalent represents Indebtedness of Numericable and its Restricted Subsidiaries. The Indenture permits the Issuer and the Restricted Subsidiaries to Incur additional Indebtedness in the future.

The Issuer is a holding company and does not conduct any operations and is wholly dependent on payments from its Subsidiaries to meet its obligations, including under the Notes. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Guarantee*."

The Notes are effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Subsidiaries of the Issuer and Altice France that do not guarantee the Notes, including Numericable and its Subsidiaries and Altice International and its Subsidiaries. Any right of the Issuer to receive assets of any of the Subsidiaries of the Issuer upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer.

Principal, Maturity and Interest

The Issuer issued $1,480 million aggregate principal amount of Dollar Notes and €750 million aggregate principal amount of Euro Notes on the Issue Date. The Notes will mature on February 15, 2025, at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein. The Dollar Notes were issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, and the Euro Notes were issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer may issue an unlimited principal amount of Additional Notes; *provided*, *however*, that the Issuer will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Liens*"). The Notes issued in this offering are and, if issued, any Additional Notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to be denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the Dollar Notes or the Euro Notes, as applicable, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes.

Interest on the Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable semi-annually in arrears on each April 1 and October 1, commencing on October 1, 2015;
- be payable in cash to the holder of record of such Notes on March 15 and September 15 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that payments on the Dollar Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Dollar Global Notes, and payments on the Euro Global Notes (as defined below) will be made to the Paying Agents which will, in turn, make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and DTC or its nominee (in the case of the Dollar Global Notes).

Principal, interest and premium, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York and London, United Kingdom. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "—*Paying Agents and Registrars for the Notes*".

Paying Agents and Registrars for the Notes

The Issuer will maintain one or more paying agents for the Notes (each a "Paying Agent" and together the "Paying Agents") in (i) the City of London, United Kingdom (the "*Principal Paying Agent*") and (ii) New York, New York (the "*U.S. Paying Agent*"). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to such Directive. The Principal Paying Agent will be Deutsche Bank AG, London Branch in London and the U.S. Paying Agent will be Deutsche Bank Trust Company Americas in New York (together, and collectively with any other paying agents, the "*Paying Agents*").

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The initial Registrars will be Deutsche Bank Luxembourg S.A. (the "*Euro Registrar*") and Deutsche Bank Trust Company Americas (the "*U.S. Registrar*" and, together with the Euro Registrar, the "*Registrars*" and each a "*Registrar*"). The Issuer will also maintain a transfer agent. The initial transfer agents will be Deutsche Bank Luxembourg S.A. (the "*Euro Transfer Agent*") and Deutsche Bank Trust Company Americas (the "*U.S. Transfer Agent*" and, together with the Euro Registrar, the "*Transfer Agents*" and each a "*Transfer Agent*"). The Registrars will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent. Each Registrar shall provide a copy of the register and any update thereof to the Issuer and the Issuer shall maintain a register of the Notes at its registered office in order to comply with Luxembourg law (the "*Duplicate Register*"). In case of discrepancy between any register and the Duplicate Register, the Duplicate Register shall prevail for Luxembourg law purposes.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and the regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes have been issued in the form of several registered notes in global form, without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "*144A Global Notes*").

- The 144A Global Notes representing the Dollar Notes (the "*Dollar 144A Global Note*"), were deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC, on the Issue Date.

- The 144A Global Notes representing the Euro Notes (the "*Euro 144A Global Note*"), were deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme ("*Clearstream*"), on the Issue Date.

- Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "*Regulation S Global Notes*" and together with the 144A Global Notes, the "*Global Notes*").

- During the 40-day "distribution compliance period" (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Regulation S Global Notes representing the Dollar Notes (the "*Dollar Regulation S Global Note*," and together with the Dollar 144A Global Note, the "*Dollar Global Notes*") will initially be credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the permanent Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.

- The Regulation S Global Notes representing the Euro Notes (the "*Euro Regulation S Global Note*", and together with the Euro 144A Global Note, the "*Euro Global Notes*") will, on the closing date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Notes may be (1) held only through Euroclear and Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book- Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes were issued, they were issued only in minimum denominations of $200,000 or €100,000 principal amount, as the case may be, and integral multiples of $1,000 in excess thereof or € 1,000 in excess thereof, as the case may be, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof and Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the transfer agents and the Registrars will be entitled to treat the registered holder of a Note as the owner of it for all purposes.

The Note Guarantees

General

On the Completion Date, the Notes will be guaranteed by Altice France.

The Note Guarantee of the Notes will:

- be a general obligation of Altice France;

- rank *pari passu* in right of payment with all existing and future Indebtedness of Altice France that is not subordinated in right of payment to Altice France's Note Guarantee, including Altice France's Guarantee of Indebtedness under the Altice Credit Facility, the Existing Senior Notes and certain Hedging Obligations;

- rank senior in right of payment to all existing and future obligations of Altice France that is expressly subordinated in right of payment to such Note Guarantee;

- benefit from the security as set forth below under "—*Notes Security*";

- be effectively subordinated to all existing and future Indebtedness of Altice France that is secured by liens on property or assets of Altice France, to the extent of the value of the property or assets securing such Indebtedness; and

- be effectively subordinated to the Indebtedness and other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

The Note Guarantee shall be granted on a senior basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise, provided that the obligations of Altice France under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable law or capital maintenance regulations. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantee and the Security Interests*".

As of September 30, 2014, on an as-adjusted consolidated basis after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds therefrom as described under "Use of Proceeds" elsewhere in these Listing Particulars, the Issuer and its Restricted Subsidiaries would have had outstanding €25,412 million equivalent aggregate principal amount of Indebtedness. The Indenture permits the Issuer and the Restricted Subsidiaries to incur additional Indebtedness in the future.

Altice France is a holding company and does not conduct any operations and is wholly dependent on payments from its Subsidiaries to meet their obligations, including under its Note Guarantee. Numericable is the only Subsidiary of Altice France and Altice France owns 60.3% of Numericable. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Guarantee*."

The Notes and the Note Guarantees are effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Subsidiaries of the Issuer that do not Guarantee the Notes. Any right of the Issuer or Altice France to receive assets of any of the Subsidiaries of the Issuer that do not Guarantee the Notes upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or Altice France is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or Altice France, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or Altice France.

Future Note Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (the "*Additional Guarantors*") by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with Altice France and each other Additional Guarantor, irrevocably guarantee (each guarantee, a "*Note Guarantee*") on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Note Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. For purposes of the Indenture and this "Description of Notes", references to the Note Guarantees are references to any such future Note Guarantees and references to the Guarantors are references to any such Additional Guarantors.

Releases of the Note Guarantees

The Note Guarantee of a Guarantor will terminate:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or "*—Certain Covenants—Minimum Holdings*";

- upon the designation in accordance with the Indenture of that Guarantor as an Unrestricted Subsidiary;

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

- in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under "*—Amendments and Waivers*";

- as described under "*—Certain Covenants—Additional Guarantors*";

- with respect to any Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under "*—Merger and Consolidation—The Guarantors*"; or

- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Trustee and the Security Agent (as applicable) shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Notes Security

General

On the Issue Date, the Notes are secured only by a security interest in the Escrowed Property. On the Completion Date, the Notes will be secured by security interests granted on a first-priority basis over (i) all of the Capital Stock of Altice France and Altice International and (ii) the AI Mandatory Convertible Notes (the "*Notes Collateral*").

The Notes Collateral will also secure Indebtedness under the Altice Credit Facility, the Existing Senior Notes and certain Hedging Obligations of the Issuer which, in the case of the Altice Credit Facility and such Hedging Obligations, is Super Priority Indebtedness. The pledge agreements and the other security documents in respect of the Notes Collateral to be entered into on the Completion Date are referred to as the "*Security Documents*". Any other additional security interests that may in the future be granted to secure the obligations under the Notes, the Note Guarantees and the Indenture would also constitute Notes Collateral.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interests*", the Issuer and its Restricted Subsidiaries will be permitted to Incur certain additional Indebtedness in the future that may be secured on the Notes Collateral, including any Additional Notes, certain Indebtedness under Credit Facilities (including revolving credit facility Indebtedness which may be Super Priority Indebtedness) and Hedging Obligations (which in the case of Interest Rate Agreements and Currency Agreements may be Super Priority Indebtedness) and certain other Hedging Obligations (which may be Super Priority Indebtedness), in each case, permitted under the Indenture and other Indebtedness of the Issuer and its Subsidiaries.

The proceeds from the sale of the Notes Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Notes Collateral have been made in connection with this offering of Notes. By its nature, some or all of the Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Indebtedness of Altice S.A.—The Altice S.A. Intercreditor Agreement*" and "*Risk Factors—Risks Relating to the Notes and the Structure—The value of the Collateral may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*."

The creditors under the Altice Credit Facility, the counterparties to certain Hedging Obligations, the trustee under the Existing Senior Notes Indenture, the holders of the Existing Senior Notes, and the Trustee have, and by accepting a Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the Security Documents. The creditors under the Altice Credit Facility, the counterparties to certain Hedging Obligations, the trustee under the Existing Senior Notes Indenture, the holders of the Existing Senior Notes, and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Security Documents

Under the Security Documents, the applicable grantor of security will grant security over the Notes Collateral to secure the payment when due of the Issuer's and/or the Guarantors' payment obligations under the Notes, the Note Guarantees and/or the Indenture (as applicable). The Security Documents will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties referred to therein. When entering into the Security Documents, the Security Agent will act in its own name, but also (except where the Security Documents only secure the "parallel debt" created under the Intercreditor Agreement and owed to the Security Agent) as a representative of the secured parties (including the Holders from time to time). Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Altice Credit Facility, the holders of the Existing Senior Notes, the counterparties to certain Hedging Obligations and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indenture provides that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by the security interest in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes, the Note Guarantees and/or the Indenture (the "*Security Interests*"). Such Security Interests in the Notes Collateral will also secure the obligations under the Altice Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Notes Collateral*" below. See "*Risk Factors—Risks Relating to the Notes and the Structure—There are circumstances other than repayment or discharge of the Notes under which the Guarantee and the Collateral will be released automatically, without your consent or the consent of the Trustee*".

The Security Documents will provide that the rights with respect to the Notes and the Note Guarantees must be exercised by the Security Agent. Because the Holders will not be a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that the Issuer or other grantor of a security interest in the Notes Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantee and the Security Interests*".

Release of Notes Collateral

The Issuer and the Guarantors will be entitled to release the Security Interests in respect of the Notes Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of the Notes Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain*

Covenants—Limitation on Sales of Assets and Subsidiary Stock" or "*—Certain Covenants—Minimum Holdings*"; but only in respect of the Notes Collateral sold or otherwise disposed of;

(2) in connection with the release of a Guarantor from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "*—Amendments and Waivers*", "*—Certain Covenants—Impairment of Security Interests*" and the second paragraph under "*—Certain Covenants—Limitation on Liens*";

(7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;

(8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) in connection with a transaction permitted by the covenant described below under the caption "*—Certain Covenants—Merger and Consolidation*"; or

(10) with the consent of holders of at least 75% in aggregate principal amount of Notes (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes);

provided that, the Security Interests created by the Escrow Assignment may only be released upon release of all of the Escrowed Property from the Escrow Accounts in accordance with the terms of the Escrow Agreement.

Upon certification by the Issuer, the Trustee (to the extent action is required by it) and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the lenders under the Altice Credit Facility, the trustee and holders of notes under the Existing Senior Notes Indenture, the counterparties to certain Hedging Obligations secured on the Notes Collateral and the holders of the Notes, the Issuer, the facility agent under the Altice Credit Facility, certain hedging counterparties, the trustee under the Existing Senior Notes Indenture and the Security Agent entered into or acceded to the Intercreditor Agreement. Please see "*Description of Other Indebtedness—Indebtedness of Altice S.A.—Altice S.A. Intercreditor Agreement*". Upon release of the proceeds of the Notes from escrow, the Trustee will become party to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Altice Credit Facility and certain Hedging Obligations that are secured on the Notes Collateral will receive priority over amounts received from the sale of the Notes Collateral following an enforcement sale or other distressed disposal of such Notes Collateral. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Altice Credit Facility have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture, the Notes, the Existing Senior Notes and obligations under the Existing Senior Notes Indenture and any other Indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Note Collateral on a pari passu basis pursuant to the Indenture and the Intercreditor Agreement.

Subject to the Security Interests becoming enforceable, the Holders of the Notes (together with any other holders of Indebtedness of the Issuer that ranks pari passu with the Notes) and the holders of Super Priority Indebtedness, in each case acting through their respective agent or trustee, are entitled to instruct the Security Agent on enforcement of the Notes Collateral. In the event either group of creditors issues conflicting enforcement instructions, subject to certain exceptions, a 30 day consultation period is required. In the event both creditor groups do not agree on the manner of enforcement after the consultation period, the Intercreditor Agreement provides that the Security Agent will act on the instructions of the majority of the aggregate principal amount of the Notes and all other Indebtedness of the Issuer which ranks pari passu with the Notes. If all Super Priority Indebtedness is not repaid within six months after date on which proposed enforcement instructions are issued or the Security Agent has not commenced any enforcement action within three months of such date, thereafter the instructions of the majority holders of Super Priority Indebtedness will prevail. See "*Description of Other Indebtedness—Indebtedness of Altice S.A.—Altice S.A. Intercreditor Agreement*".

The Indenture also provides that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Additional Intercreditor Agreements; Agreement to Be Bound

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Issuer's Subsidiaries (other than Green Datacenter and Auberimmo SAS) were Restricted Subsidiaries. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer entered into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers deposited with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes into the Escrow Accounts. The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*". The Escrowed Property is controlled by the Escrow Agent, and pledged on a first ranking basis in favor of the Trustee on behalf of the Holders of the Notes.

Pursuant to the Escrow Agreement, the Issuer will be entitled to instruct the Escrow Agent to release some or all of the cash in the Escrow Accounts to invest such cash in certain permitted investments including in cash and/or any highly-rated stable net asset value money market fund. The Escrow Agreement will require that all proceeds of such investments be deposited back into the relevant Escrow Account when such investments are sold, liquidated or otherwise returned.

In order to cause the Escrow Agent to release any Escrowed Property to the Issuer for purposes of completing the PT Portugal Acquisition (any such release, the "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an officer's certificate, in the form attached to the Escrow Agreement to the effect that:

(i) (A) the Target Acquisition Agreement has not been modified, amended or waived in any respect that is material and adverse to Holders of the Notes without the prior consent of the Holders of a majority of the outstanding Notes (it being understood and agreed that any increase or reduction in the purchase price shall not be deemed to be materially adverse to the Holders of the Notes; *provided* that any increase in the purchase price shall not be funded by Indebtedness; and (B) Target Acquisition Agreement remains in full force and effect; and

(ii) as of the Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer.

The Release will occur promptly upon the satisfaction of the conditions set forth above. Upon the Release, the Escrowed Property will be paid out in accordance with the Escrow Agreement and the Escrow Accounts will be reduced to zero.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Target Acquisition Agreement is terminated at any time prior to the Escrow Longstop Date; or (c) there is an event of bankruptcy, insolvency or court protection with respect to the Issuer on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the initial issue price of each Note, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below and subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*"). On or before the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each holder of the Notes to be redeemed the Special Mandatory Redemption Price for such holder's Notes and, concurrently with the payment to such holders, shall deliver any excess Escrowed Property (if any) to the Issuer.

To secure the payment of the Special Mandatory Redemption Price, the Trustee will be granted, for the benefit of the holders of the Notes, a security interest in the Escrow Accounts and the rights of the Issuer under the Escrow Agreement (the "*Escrow Assignment*").

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Optional Redemption

Except as described below and except as described under "*Redemption for Changes in Withholding Taxes*", and "*Escrow of Proceeds, Special Mandatory Redemption*", the Notes are not redeemable until February 15, 2020.

On and after February 15, 2020 the Issuer may redeem all or, from time to time, part of the Dollar Notes and/or the Euro Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on February 15 of the years indicated below:

	Redemption Price	
Year	**Dollar Notes**	**Euro Notes**
2020	103.813%	103.125%
2021	102.542%	102.083%
2022	101.271%	101.042%
2023 and thereafter	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to February 15, 2018, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Dollar Notes and up to 40% of the original amount of the Euro Notes (including, in each case, the principal amount of any Additional Notes denominated in such currencies), upon not less than 30 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.625% of the principal amount of the Dollar Notes and 106.250% of the principal amount of the Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of each of the Dollar Notes (including the principal amount of any Additional Notes denominated in U.S. dollars) and the Euro Notes (including the principal amount of any Additional Notes denominated in euro) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to February 15, 2020, the Issuer may redeem all or, from time to time, a part of the Dollar Notes and/or the Euro Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

For the avoidance of doubt, in each case above, the Issuer may choose to redeem each series of Notes, either together or separately.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Sinking Fund

Except as described under "*Escrow of Proceeds; Special Mandatory Redemption*", the Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected in accordance with the procedures of DTC, Euroclear and/or Clearstream, as applicable, or if DTC, Euroclear and/or Clearstream, as applicable, prescribe no method of selection, then the Issuer will instruct the Trustee or the relevant Registrar to select the Notes for redemption, in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the relevant Registrar or if the Notes are not so listed or such exchange prescribes no method of selection, then based on a method that most nearly approximates a *pro rata* selection or by lot; *provided*, *however*, that no Dollar Note of $200,000 in aggregate principal amount or less shall be redeemed in part and only Dollar Notes in integral multiples of $1,000 will be redeemed and no Euro Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Euro Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 30 nor more than 60 days prior to the redemption date, the Issuer will mail, if the Notes are in Definitive Certificated form, notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. If the Notes are in global form, notice of redemption will be delivered to DTC (in the case of Dollar Notes) or Euroclear and Clearstream (in the case of Euro Notes) for communication to entitled account holders. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Changes in Withholding Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax

Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in "*—Withholding Taxes*" below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

The Trustee will accept and shall be entitled to rely conclusively and without further inquiry on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes or any excise Taxes imposed on transfers;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(8) all United States federal backup withholding taxes;

(9) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(10) any combination of items (1) through (9) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (10) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) through (9) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder will have the right to require the Issuer to repurchase all or any part (equal to \$200,000 or an integral multiple of \$1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that the Issuer shall not be obliged to repurchase Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Dollar Notes held by any holder to below \$200,000 or the Euro Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, or, at the Issuer's option, at any time prior to a Change of Control following the public announcement thereof or if a definitive agreement is in place for the Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and the record date;

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See "*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture*".

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent (in the case of Euro Notes) and the U.S. Paying Agent (in the case of Dollar Notes), the applicable Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agents, at the Issuer's expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and, at the Issuer's expense, mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least $200,000 and integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and € 100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes of a series validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes of such series validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of such series that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of the delivery of the notice for such redemption.

The provisions of the Indenture do not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with the Issuer's management or its Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its Affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of a Change of Control may require, to the extent it also constitutes a "change of control" under the financing arrangements of Numericable or certain Subsidiaries of Altice International, as applicable, (1) Numericable to make an offer to repurchase or repay all of the outstanding Numericable Notes and/or the Numericable Term Loans if such an event constitutes a change of control under the Numericable Notes Indentures and/or the Numericable Senior Credit Facility or (2) certain Restricted Subsidiaries of Altice International to repurchase some or all of the Existing Altice International Indebtedness if such an event constitutes a change of control thereunder. The Existing Senior Notes, the Existing Altice International Senior Notes and Existing Altice International Senior Secure Notes contain, Altice International New Notes and Altice Financing New Term Loans contain and future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's and its Restricted Subsidiaries' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture*".

The definition of "Change of Control" includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above. However, subject to the conditions specified in sub-clause (3) of "*Certain Definitions—Change of Control*", a Change of Control shall be deemed not to have occurred as a result of the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of Altice International and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of Altice International or the Target) that is required pursuant to

Competition Laws or is taken to avoid or eliminate any impediment under Competition Laws (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws).

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that:

(1) Altice International and its Restricted Subsidiaries may Incur Indebtedness if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio of Altice International would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period;

(2) Numericable and its Restricted Subsidiaries may Incur Indebtedness if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio of Numericable would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period; *provided* that if such Indebtedness is Incurred prior to the occurrence of a Consolidation Event (other than any Indebtedness Incurred in connection with a Consolidation Event), the Proportionate Net Leverage Ratio would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period; and

(3) the Issuer and the Guarantors may Incur Pari Passu Indebtedness if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio of the Issuer would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Pari Passu Indebtedness had been incurred at the beginning of the relevant period, *provided* that:

   (a) on or prior to the 18-month anniversary of the Numericable Completion Date, if no default or Event of Default is outstanding (or would result therefrom), the Issuer and the Guarantors may Incur Pari Passu Indebtedness (the net cash proceeds of which are used to acquire ordinary shares of Numericable reasonably promptly after the date of Incurrence) if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio of the Issuer would have been no greater than 4.25 to 1.0 and the Altice S.A. Proportionate Net Leverage Ratio would have been no greater than 4.75 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Pari Passu Indebtedness had been incurred at the beginning of the relevant period; and

   (b) if Altice France is Incurring Indebtedness pursuant to this clause (3) and such Indebtedness is Incurred prior to the occurrence of a Consolidation Event (other than any Indebtedness Incurred in connection with a Consolidation Event), the Proportionate Net Leverage Ratio would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

(1) (a) Indebtedness Incurred by Altice International and its Restricted Subsidiaries pursuant (i) to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of €1,500 million and 80% of Consolidated EBITDA of Altice International;

(b) Indebtedness Incurred by Numericable and its Restricted Subsidiaries pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of €2,500 million and 80% of Consolidated EBITDA of Numericable; and

(c) Indebtedness Incurred by the Issuer and the Guarantors pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed €200 million;

plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such guarantee is of Indebtedness of the Issuer or a Guarantor, such Restricted Subsidiary complies with the first paragraph of the covenant described under "*—Additional Guarantors*"; *provided, however*, none of Altice International or any of its Restricted Subsidiaries shall Guarantee any Indebtedness of Numericable or any of its Restricted Subsidiaries; or (b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary (other than any Indebtedness of Altice International or any of its Restricted Subsidiaries owing to and held by Numericable or any of its Restricted Subsidiaries or any Indebtedness of Numericable or any of its Restricted Subsidiaries owing to and held by Altice International or any of its Restricted Subsidiaries); *provided*, *however*, that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities Incurred in connection with cash management positions of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; *provided* that

(i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) (i) Indebtedness represented by the Notes (other than any Additional Notes) issued on the Issue Date and the Note Guarantees thereof, (ii) the Altice International New Notes issued on the Issue Date and the Guarantees of the Altice International New Notes by Restricted Subsidiaries of Altice International, and (iii) indebtedness under the Altice International New Senior Credit Facility incurred on or prior to the Completion Date (in an aggregate amount not to exceed € 841 million (equivalent as of the date of the Altice International New Senior Credit Facility)) and Guarantees thereof by Restricted Subsidiaries of Altice International;

(b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, after giving effect to the Transactions, the issuance of the Notes, the Altice International New Notes, the Incurrence of Indebtedness under the Altice International New Senior Credit Facility and the application of the proceeds of each of the foregoing (including after such proceeds are released from the Escrow Accounts and the Altice International Notes Escrow Accounts);

(c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b) or (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

(d) Management Advances; and

(e) Indebtedness represented by the Altice International Notes Security Documents and the Security Documents and, including, with respect to each such Indebtedness "parallel debt" obligations created under the Intercreditor Agreement the Altice International Group Intercreditor Agreement, Altice International Notes Security Documents and the Security Documents;

(5) Indebtedness:

(a) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of Numericable or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Numericable or any Restricted Subsidiary of Numericable or (ii) of Numericable or any Restricted Subsidiary of Numericable Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of Numericable or was otherwise acquired by Numericable or a Restricted Subsidiary of Numericable or otherwise in connection with or contemplation of such acquisition; *provided*, however, with respect to each of clause (5)(a)(i) and (5)(a)(ii), that immediately following consummation of such acquisition or other transaction (x) Numericable would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (2) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(a) or (y) neither the Consolidated Net Leverage Ratio of Numericable nor the Proportionate Net Leverage Ratio would be greater than it was immediately prior to giving effect to such acquisition or other transaction; and

(b) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of Altice International or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice International or any Restricted Subsidiary of Altice International or (ii) of Altice International or any Restricted Subsidiary of Altice International Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of Altice International or was otherwise acquired by Altice International or a Restricted Subsidiary of Altice International or otherwise in connection with or contemplation of such acquisition; *provided*, however, with respect to each of clause (5)(b)(i) and (5)(b)(ii), that immediately following consummation of such acquisition or other transaction (x) Altice International would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (1) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(b) or (y) the Consolidated Net Leverage Ratio of Altice International would not be greater than it was immediately prior to giving effect to such acquisition or other transaction; and

(c) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer (other than a Restricted Subsidiary of Altice International, Numericable or any of their Restricted Subsidiaries) or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Altice International, Numericable or any of their Restricted Subsidiaries) or (ii) of the Issuer or any Restricted Subsidiary of the Issuer (other than Altice International, Numericable or any of their Restricted Subsidiaries) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of the Issuer (other than a Restricted Subsidiary of Altice International, Numericable or any of their Restricted Subsidiaries) or was otherwise acquired by the Issuer or a Restricted Subsidiary (other than Altice International, Numericable or any of their Restricted Subsidiaries) or otherwise in connection with or contemplation of such acquisition; *provided*, however, with respect to each of clause (5)(c)(i) and (5)(c)(ii), that immediately following consummation of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (3) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(c) or (y) the Consolidated Net Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(6) [Reserved];

(7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business so long as (i) such operating expenses and capital expenditures are denominated in euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of the Issuer or the Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer, Altice International or Numericable, as applicable), in each case, other than any such Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements of (x) Altice International or any of its Restricted Subsidiaries in respect of Indebtedness or other obligations of Numericable or any of its Restricted Subsidiaries or (y) Numericable or any of its Restricted Subsidiaries in respect of Indebtedness or other obligations of Altice International or any of its Restricted Subsidiaries;

(8) (a) Indebtedness Incurred by Altice International or any of its Restricted Subsidiaries consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8)(i) and then outstanding, will not exceed at any time outstanding the greater of €350 million and 2.8% of Altice International Total Assets; and

(b) Indebtedness Incurred by Numericable or any of its Restricted Subsidiaries consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8)(ii) and then outstanding, will not exceed at any time outstanding the greater of € 250 million and 2.8% of Numericable Total Assets;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(10) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness in connection with such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(12) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(13) (a) Indebtedness Incurred by a Receivables Subsidiary of Altice International in a Qualified Receivables Financing of Altice International and its Restricted Subsidiaries; and (b) Indebtedness Incurred by a Receivables Subsidiary of Numericable in a Qualified Receivables Financing of Numericable and its Restricted Subsidiaries;

(14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of the Issuer in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or a Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon; and

(15) (a) Indebtedness Incurred by the Issuer and the Guarantors (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by the Issuer pursuant to this clause (15)(a) and then outstanding, will not exceed €100 million;

(b) Indebtedness Incurred by Altice International and its Restricted Subsidiaries (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by Altice International and its Restricted Subsidiaries pursuant to this clause (15)(b) and then outstanding, will not exceed the greater of €500 million and 4.0% of Altice International Total Assets; and

(c) Indebtedness Incurred by Numericable and its Restricted Subsidiaries (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by Numericable and its Restricted Subsidiaries pursuant to this clause (15)(c) and then outstanding, will not exceed the greater of €400 million and 4.0% of Numericable Total Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that:

(i) Indebtedness Incurred under clause (1) of the second paragraph of the description of this covenant cannot be reclassified;

(ii) Indebtedness outstanding on the Issue Date under the Existing Altice International RCFs will be deemed to be Incurred under clause (1)(a) of the second paragraph of the description of this covenant cannot be reclassified; and

(iii) Indebtedness permitted to be Incurred by Numericable and its Restricted Subsidiaries under this covenant cannot be reclassified to include Indebtedness of Altice International and its Restricted Subsidiaries and Indebtedness permitted to be Incurred by Altice International and its Restricted

Subsidiaries under this covenant cannot be reclassified to include Indebtedness of Numericable and its Restricted Subsidiaries.

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of the Issuer or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Net Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (b) the Euro Equivalent of the principal amount of any such

Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the "Foreign Currency"):

(1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International, Altice France or Numericable, by Altice International or any of its Restricted Subsidiaries, Altice France or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or

(2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Net Leverage Ratio, the aggregate principal amount of Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary (or Altice International or any of its Restricted Subsidiaries, Altice France or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer) any (a) Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock)) or (b) Capital Stock of HOT (including the Minority Shareholder Call Option) held by any party to a Minority Shareholder Purchase Agreement (other than Cool);

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*").

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to the Issuer or a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the last paragraph of this covenant) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or such Restricted Subsidiary, and (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case under (a) and (b), is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case (other than such sale of Preferred Stock of the Issuer that is not Disqualified Stock) constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

   (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have first complied with the terms described under "Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed €30 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof);

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:

   (a) any Parent Expenses or any Related Taxes; and

   (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses Incurred in connection with the transactions described therein), (5) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions;*"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), and for so long as the Issuer is a Public Company, the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from a Public Offering (other than the Initial Public Offering) or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, in each case, after May 8, 2014 and (b) an amount equal to the greater of (i) 5% of the Market Capitalization and (ii) 5% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio of the Issuer shall be equal to or less than 4.0 to 1.0; *provided*, *further*, that if such Public Offering was of Capital Stock of a Parent, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(15) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; *provided*, *however*, that the amount of all dividends declared or paid by the Issuer pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer from the issuance or sale of such Designated Preference Shares;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the extent that, after giving *pro forma* effect to any such Restricted Payment, the Consolidated Net Leverage Ratio of the Issuer would be no greater than 4.0 to 1.0; and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed €50 million.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the categories described in clauses (1) through (17) above, the Issuer will be entitled to classify such Restricted Payment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment or any other property, assets or securities required to be valued by this covenant shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of their property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Notes Collateral, (i) Permitted Liens or (ii) Liens on assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Notes Security—Release of Notes Collateral*."

No Layering of Debt

The Issuer will not Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under "*—Limitation on Indebtedness*") that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms (as determined in good faith by the Issuer); *provided*, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

At all times, each of Altice International and Altice France shall be a direct Subsidiary of the Issuer and Numericable shall be a direct Subsidiary of Altice France.

No Guarantor will Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under "*—Limitation on Indebtedness*") that is contractually subordinated in right of payment to any Indebtedness of such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to such Guarantor's Note Guarantee on substantially identical terms (as determined in good faith by the Issuer); provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

The Issuer will not permit Altice France to Incur any Indebtedness other than (i) Guarantees of Indebtedness of the Issuer Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" and (ii) Indebtedness Incurred pursuant to clause (3) of the first paragraph and clauses (3),(4)(a),(4)(c)(other than in respect of Refinancing Indebtedness that refinances Indebtedness of Altice International, Numericable or any of their Restricted Subsidiaries), (4)(e), (5)(c), (9), (10), (11), (12), (14) and (15)(a) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*".

Minimum Holdings

The Issuer shall at all times own directly (i) at least 75% of each class of Capital Stock of Altice International and (ii) 100% of each class of Capital Stock of Altice France. Altice France shall at all times own directly at least 50.1% of each class of Capital Stock of Numericable.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (other than the Minority Shareholder Purchase Agreements), and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer);

(2) the Minority Shareholder Purchase Agreements as in effect on December 12, 2012;

(3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Note Guarantees, the Existing Senior Notes Indenture, the Existing Senior Notes and the Guarantees thereof, the Numericable Notes Indentures, the Numericable Notes and the Guarantees thereof, the Numericable Senior Credit Facility, Numericable RCF, the Altice Credit Facility, the Existing Altice International Indebtedness and the Guarantees thereof, the Altice International New Indentures, the Altice International New Notes and the Guarantees thereof, the Altice International New Senior Credit Facility, the Altice International New RCFs, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Numericable Group Intercreditor Agreement (or any additional intercreditor agreement on substantially the same terms as the Numericable Group Intercreditor Agreement), the Existing Altice International Intercreditor Agreements (or any additional intercreditor agreement on substantially the same terms as the applicable Existing Altice International Intercreditor Agreements), the Escrow Agreement, the Altice International Notes Escrow Agreements, the Security Documents, the Altice International New Security Documents, the Existing Altice International Security Documents and the Numericable Notes Security Documents.

(4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which (i) such Person was acquired by

or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under "—*Merger and Consolidation*"), or any Subsidiary thereof, any agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(5) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (1), (3) or (4) of this paragraph or this clause (5) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (3) or (4) of this paragraph or this clause (5); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

(6) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements;

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; or

(d) pursuant to the terms of any license, authorization, concession or permit;

(7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority or stock exchange;

(11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the

encumbrances and restrictions contained in the Numericable Senior Credit Facility, the Existing Altice International Senior Credit Facility, the Altice International New Senior Credit Facility, the Existing Altice International RCFs, the Altice International New RCFs or the Altice Credit Facility on the Issue Date, together with the security documents associated therewith, if any, and the Intercreditor Agreement, the Numericable Group Intercreditor Agreement or the Existing Altice International Intercreditor Agreements as in effect on or immediately prior to the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

(14) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing;

(15) any encumbrance or restriction existing by reason of any Lien permitted under "—*Limitation on Liens*"; or

(16) any encumbrance or restriction applicable to Numericable and/or its Subsidiaries approved by a majority of the members of the Board of Directors of Numericable in good faith; *provided* that the members of the Board of Directors of Numericable appointed by Altice France shall not vote in favor of the imposition of any such encumbrance of restriction unless such action would conflict with the fiduciary duties of such directors, contravene any legal prohibition or have the potential to result in a risk of personal or criminal liability on the part of any such director.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition or such series of related Asset Dispositions (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition (other than any Asset Disposition of Capital Stock of Altice International), the Issuer or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of the Issuer or such Restricted Subsidiary):

(a) within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash (i) to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral, which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (i) only if the Issuer or such Guarantor makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (ii) to prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary that is not a Guarantor; *provided* that at the time of any such prepayment, repayment, purchase or redemption, the Issuer owns, directly or indirectly, at least 75% of each class of Capital Stock of such Restricted Subsidiary or (y) any Indebtedness of the Issuer or a Guarantor that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any

Restricted Subsidiary); *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such Indebtedness being prepaid, repaid, purchased or redeemed shall be Indebtedness of Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Numericable and its Restricted Subsidiaries, such Indebtedness being prepaid, repaid, purchased or redeemed shall be Indebtedness of Numericable and its Restricted Subsidiaries; (iii) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (iv) in the manner specified under sub-clause (3) of "*Certain Definitions—Change of Control*";

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 395 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer, Altice International or Numericable, as applicable, that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 395th day; *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such investment in or purchase or commitment to invest in or purchase Additional Assets, shall be made by Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Numericable and its Restricted Subsidiaries, such investment in or purchase or commitment to invest in or purchase Additional Assets, shall be made by Numericable and its Restricted Subsidiaries;

(c) to make a capital expenditure within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer, Altice International or Numericable, as applicable, that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 395th day; *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such capital expenditure shall be made by Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Numericable and its Restricted Subsidiaries, such capital expenditure shall be made by Numericable and its Restricted Subsidiaries; or

(d) any combination of the foregoing,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

After the receipt of any Net Cash Proceeds from an Asset Disposition of any Capital Stock of Altice International, the Issuer or a Restricted Subsidiary, as the case may be, shall apply such Net Cash Proceeds directly or indirectly within 30 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Cash Proceeds to make an offer (an "*Altice International Share Disposition Offer*") to all holders of Notes to purchase the maximum principal amount of Notes to which the Altice International Disposition Offer applies that may be purchased out of such Net Cash Proceeds, at an offer price in respect of the Notes in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the second paragraph of this covenant will be deemed to constitute "Excess Proceeds". On the 396th day (or the 576th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer, Altice International or Numericable (as applicable) pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €50 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an "Asset Disposition Offer") to all holders of Notes and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that the aggregate amount of Notes so validly tendered and not properly withdrawn pursuant to an Altice International Share Disposition Offer is less than the Net Cash Proceeds for the Asset Disposition of Capital Stock of Altice International, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Altice International Share Disposition Offer by Holders exceeds the amount of such Net Cash Proceeds, the Net Cash Proceeds shall be allocated among the Notes to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period.

To the extent that any portion of Net Available Cash or Net Cash Proceeds payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash or Net Cash Proceeds, as applicable, into such currency.

The Asset Disposition Offer or the Altice International Share Disposition Offer, as applicable, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer or Altice International Share Disposition Offer, as applicable.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer or Altice International Share Disposition Offer, as applicable, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agents, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of $200,000, in the case of Dollar Notes, and €100,000, in the case of Euro Notes. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant (other than an Asset Disposition of Capital Stock of Altice International), the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition, to the extent of the cash received;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary (as applicable) are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or a Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) (i) if such Asset Disposition relates to assets owned by Altice International or any of its Restricted Subsidiaries, any Designated Non-Cash Consideration received by Altice International or any of its Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received by Altice International and its Restricted Subsidiaries pursuant to this covenant that is at that time outstanding, not to exceed the greater of €185 million and 1.5% of Altice International Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); (ii) if such Asset Disposition relates to assets owned by Numericable or any of its Restricted Subsidiaries, any Designated Non-Cash Consideration received by Numericable and its Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non- Cash Consideration received by Numericable and its Restricted Subsidiaries pursuant to this covenant that is at that time outstanding, not to exceed the greater of €150 million and 1.5% of Numericable Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and (iii) if such Asset Disposition relates to assets owned by the Issuer or any of its Restricted Subsidiaries (other that Altice International and its Restricted Subsidiaries and Numericable and its Restricted Subsidiaries), any Designated Non-Cash Consideration received by the Issuer and such Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received by the Issuer and such Restricted Subsidiaries pursuant to this clause (iii) that is at that time outstanding, not to exceed €75 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €25 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no

Disinterested Directors, any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this covenant if the Issuer or any of its Restrictions Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (17) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) other than any transaction directly or indirectly between or among Altice International or any of its Restricted Subsidiaries on the one hand and Numericable or any of its Restricted Subsidiaries on the other, any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among the Issuer, Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering (including the Initial Public Offering and the Numericable Initial Public Offering);

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) without duplication in respect of payments made pursuant to the definition of Parent Expenses, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to €50 million per year; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) payments of all fees and expenses related to the Transactions and the SFR Transactions;

(12) any transaction effected as part of a Qualified Receivables Financing;

(13) any participation in a rights offer or public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;

(14) any transaction between or among Altice International and its Restricted Subsidiaries, on the one hand, and Numericable and its Restricted Subsidiaries, on the other hand, if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of each of the Board of Directors of Altice International and Numericable resolving that the terms of such transaction taken as a whole are not materially less favorable to Altice International and its Restricted Subsidiaries and Numericable and its Restricted Subsidiaries, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate;

(15) any transaction by Altice International or its Restricted Subsidiaries (other than a transaction described in clause (14) of this paragraph), if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of Altice International resolving that the terms of such transaction taken as a whole are not materially less favorable to Altice International and its Restricted Subsidiaries than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(16) any transaction by Numericable or its Restricted Subsidiaries (other than a transaction described in clause (14) of this paragraph), if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of Numericable resolving that the terms of such transaction taken as a whole are not materially less favorable to Numericable and its Restricted Subsidiaries than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange.

Reports

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2014, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all

material respects to the annual report of the Issuer for the year ended December 31, 2013, the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of the Issuer for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for (i) any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* consolidated basis or (ii) recapitalizations by the Issuer or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments (to the extent not previously reported pursuant to clause (2) or (3) below).

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending March 31, 2015 (provided that, if the Completion Date occurs in any such fiscal quarter, the foregoing reference to 60 days shall be deemed to be 90 days for such fiscal quarter), all quarterly reports of the Issuer containing the following information in a level of detail comparable in all material respects to the quarterly report of the Issuer for the nine months ended September 30, 2014: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to- date period ending on the date of the unaudited condensed balance sheet, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) a summary operating and financial review of the unaudited financial statements, including a discussion of revenues, EBITDA, capital expenditures, operating cash flow, and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments (to the extent not previously reported pursuant to clause (3) below); and

(3) promptly after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Issuer, (b) any material acquisition, disposal, merger or similar transaction or (c) any development determined by an Officer of the Issuer to be material to the business of the Issuer and its Restricted Subsidiaries (taken as a whole).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods.

Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these Listing Particulars and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time if any Subsidiary of the Issuer is an Unrestricted Subsidiary and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that such reports cannot be made available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes. the Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the Issuer's registered office in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Issuer) will be a Person organized and existing under the laws of any member state of the European Union, Switzerland, Canada, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of applicable four-quarter period, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to sub-clause (3) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Net Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Subject to the third paragraph of the covenant "*Merger and Consolidation—The Guarantors*", for purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence in which the Issuer is the Successor Company), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer; and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or the Issuer; *provided* that Altice International or any of its Restricted Subsidiaries shall not consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Altice France or any of its Restricted Subsidiaries. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the first paragraph of this covenant, the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “Merger and Consolidation” covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

The Guarantors

None of the Guarantors (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it;

unless:

(A) the other Person is the Issuer or Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction; or

(B) (1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement and Security Documents, as applicable; and

(2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor or the Issuer and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

The provisions under this covenant “*Merger and Consolidation—The Issuer*” and “*Merger and Consolidation—The Guarantors*” shall not apply to any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of Altice International and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of Altice International or the Target) that is required pursuant to Competition Laws in relation to the Target Acquisition or is taken to avoid or eliminate any impediment under

Competition Laws in relation to the Target Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws)); *provided* that, solely to the extent the Issuer is relying on the foregoing exception, in the event the fair market value of any such sold, leased, transferred, conveyed or disposed of assets exceeds 2.0% of Altice International Total Assets (on a pro forma consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries), (i) the Consolidated Net Leverage Ratio of Altice International (on a pro forma consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries) shall not increase; and (ii) Altice Financing shall promptly make an offer to all holders of the Existing Altice International Term Loans and to the extent required by the terms of any Pari Passu Indebtedness that is not Public Debt, any such Pari Passu Indebtedness to repay or repurchase such Existing Altice International Term Loans and Pari Passu Indebtedness at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption in an amount equal to the Net Cash Proceeds of such sale, lease, transfer, conveyance or other disposition (on a *pro rata* basis on the basis of the aggregate principal amount of tendered Existing Altice International Term Loans and Pari Passu Indebtedness) and in the event the principal amount of Existing Altice International Term Loans and such Pari Passu Indebtedness tendered is less than the amount of such Net Cash Proceeds, Altice International shall apply any such remaining proceeds to prepay an equal principal amount of Existing Altice International Term Loans at par on a pro rata basis.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Lines of Business

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and the Restricted Subsidiaries, taken as a whole.

Additional Guarantors

The Issuer will not permit any of its Restricted Subsidiaries (other than a Guarantor) to Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*", except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Note Guarantees granted after the Issue Date pursuant to this covenant shall be released as set forth under "*—Releases of the Note Guarantees*". Note Guarantees granted after the Issue Date pursuant to the first paragraph of this covenant may be released at the option of the Issuer if, at the date of such release, (i) the Indebtedness which required such Note Guarantee has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. The Trustee and the Security Agent (to the extent action is required by it) shall each take all necessary actions requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to become a Guarantor to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Guarantee by the terms of any Indebtedness of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); provided that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*", and "*—Impairment of Security Interests*", the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*" and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*".

Impairment of Security Interests

The Issuer shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Notes Collateral (it being understood that, subject to the next succeeding paragraph, the Incurrence of Permitted Collateral Liens, shall under no circumstances be deemed to materially impair the security interest with respect to the Notes Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate), for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien over any of the Notes Collateral; provided, that, subject to the next succeeding paragraph, (x) the Issuer may Incur Permitted Collateral Liens, (y) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (z) the Issuer and the Restricted Subsidiaries may consummate any other transaction permitted under "*—Merger and Consolidation*".

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien over Notes Collateral in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement transactions permitted under "*—Merger and Consolidation*"; (iv) add to the Notes Collateral; (v) provide for the release of any Lien on any properties or assets constituting Notes Collateral from the Lien of the Security Documents, provided that such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes or any Note Guarantee; or (vi) make any other change thereto that does not adversely affect the Holders in any material respect; provided, however, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting the Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the

Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer and the Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Payments for Consents

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states or the State of Israel), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Additional Intercreditor Agreements

The Indenture provides that, at the request of the Issuer, in connection with the Incurrence by the Issuer or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer and such Restricted Subsidiary, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Liens over the Notes Collateral (or terms not materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Lien).

The Indenture also provides that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) make any change reasonably necessary or desirable, in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption "*—Merger and Consolidation*"; or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of Indebtedness that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Lien over the Notes Collateral in a manner than would adversely affect the rights of the Holders in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional

Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "Amendments and Waivers", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also provides that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Limitations on Holding Company Activities

Notwithstanding anything contained in the Indenture, neither the Issuer nor Altice France will, engage in any business activity or undertake any other activity, except:

(1) Investments in its direct Subsidiaries;

(2) the provision of administrative, management, legal and accounting services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

(3) relating to the offering, sale, issuance, Incurrence, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of Notes, any Additional Notes, the Altice Credit Facility, the Existing Senior Notes, or other Indebtedness (including any Refinancing Indebtedness in respect of any of the foregoing) permitted to be Incurred by the terms of the Indenture (including the lending, directly or indirectly, of the proceeds of such sale of the Notes, any Additional Notes or other Indebtedness permitted by the terms of the Indenture pursuant to intercompany proceeds loans) or the performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under this Indenture;

(4) the granting of Liens permitted pursuant to the covenant described under "*—Limitation on Liens*";

(5) undertaken with the purpose of, directly or indirectly, fulfilling its obligations or exercising its rights under the Indenture, the Intercreditor Agreement, the Security Documents, the Escrow Agreement or documents related to any Indebtedness specified in clause (3) above;

(6) the ownership of cash and Cash Equivalents or any activities related to cash management activities on behalf of its Restricted Subsidiaries;

(7) making Investments in the Notes and any Indebtedness specified in clause (3) above or any Investments permitted to be made by it under the definition of Permitted Investments;

(8) making Restricted Payments (other than Restricted Investments) and Permitted Payments not prohibited under the covenant described under "*—Limitation on Restricted Payments*";

(9) directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence and, in the case of the Issuer, to the maintenance of its status as a Public Company;

(10) directly related or reasonably incidental to the Transactions; or

(11) (i) any transaction or activity not to exceed €10 million in the aggregate and (ii) other activities not specifically enumerated above that are immaterial in nature.

Completion of Transactions

The Issuer shall cause the Target Acquisition to be consummated, promptly upon the release of the Escrowed Property following delivery by the Issuer to the Escrow Agent of a release officer's certificate.

Completion Date Guarantees and Security

On the Completion Date, the Issuer will execute and deliver to the Security Agent the Security Documents and grant Liens over the Notes Collateral described above under "Notes Security", and the Issuer will cause the Guarantor to execute a supplemental indenture guaranteeing the Notes.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its obligations under the covenants described under "Change of Control" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than (i) a failure to purchase Notes, which will constitute an Event of Default under clause (2) above, (ii) a failure to comply with the covenant described under "*—Certain Covenants—Completion Date Guarantees and Security*", which shall be governed by clause (10) below, (iii) a failure to comply with the Escrow Agreement, (iv) failure to comply with the covenant described under "*—Certain Covenants—Minimum Holdings*", which shall be governed by clause (11) below) and (v) failure to comply with the covenant described under "*—Certain Covenants—Completion of Transactions*", which are governed by clause (12) below;

(4) failure by the Issuer, any Restricted Subsidiary or any other grantor of a Lien over the Notes Collateral to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

  (a) is caused by the failure to pay principal of such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default ("*payment default*"); or

  (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross-acceleration provision*"),

  and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €50 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €50 million, exclusive of any amounts that a solvent insurance company has acknowledged liability for, which judgments are not paid,

discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(8) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Notes Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*");

(9) failure by the Issuer to consummate a Special Mandatory Redemption as described under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*";

(10) failure by the Issuer to comply for 30 days with the provisions of the covenant described under "*—Certain Covenants—Completion Date Guarantees and Security*";

(11) failure by the Issuer to comply with any of the provisions of the covenant described under "*—Certain Covenants—Minimum Holdings*"; and

(12) failure by the Issuer to comply with the covenant described above under "*Completion of Transactions*" by more than 5 Business Days following the date on which the Escrowed Property are released from the Escrow Accounts.

However, a default under clauses (3), (4), (5), (7), (10) or (11) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7) and (10), the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7) or (10), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) or (9) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes, and additional amounts, if any, will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee on behalf of the Holders or of exercising any trust or power conferred on the Trustee on behalf of the Holders.

The Indenture provides that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture provides that if a Default occurs and is continuing and a responsible officer of the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); provided, however that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or Euro Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided*, *however* that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as the case may be (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver, supplement or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "—*Optional Redemption*" (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes (it being understood that this clause (6) will not apply to provisions under the caption "*Change of Control*" and "*Limitation on Sales of Assets and Subsidiary Stock*" except to the extent payments thereunder are at such time due and payable);

(7) make any change in the provision of the Indenture described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(9) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

In addition, (A) without the consent of at least 75% in aggregate principal amount of Notes then outstanding (provided, however that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the holders of at least 75% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as the case may be (and not the consent of at least 75% of the aggregate principal amount of all Notes of such series then outstanding) will be required), no amendment or supplement may: (1) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or (2) release any of the security interests granted for the benefit of the Holders in the Notes Collateral (to the extent any Notes Collateral so released in any transactions or series of transactions has a fair market value in excess of €25 million) other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes Incurred in accordance with the terms of the Indenture;

(6) to provide for a Restricted Subsidiary to provide a Note Guarantee in accordance with the Indenture, to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document; or

(9) as provided in "—*Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under "—*Certain Covenants*" and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the first paragraph and clauses (1) and (2) of the first paragraph of the covenant described under "—*Certain Covenants—Merger and Consolidation*"), (4), (5), (6) (with respect only to the Issuer and Significant Subsidiaries), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or an entity designated or appointed (as agent) by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro- denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel from United States counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the relevant Paying Agent for cancellation; or (b) all Notes not previously delivered to the relevant Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated or appointed (as agent) by it for this purpose), cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and General Information

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements and these Listing Particulars may be obtained, without charge, during normal business hours at the registered office of the Issuer.

Available Information

Anyone who receives these Listing Particulars, any Holder of the Notes or holder of a beneficial interest in the Notes, following the Issue Date, may obtain a copy of the Indenture, the form of Notes, the Security Documents, the Escrow Agreement and the Intercreditor Agreement without charge by writing to the Issuer, 3 Boulevard Royal, L-2449 Luxembourg, Attention: Chief Financial Officer.

Concerning the Trustee and Certain Agents

Deutsche Bank AG, London Branch has been appointed as Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustee with thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and the Paying Agents and Registrars will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification and/or security of the Trustee by the Issuer and the Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For Notes which are represented by global certificates held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Notes and Note Guarantees thereof is U.S. dollars and the Euro Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than U.S. dollars or euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar or euro amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar or euro amount is less than the U.S. dollar or euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the other Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and each Guarantor will, in the Indenture, appoint CT Corporation System as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The application of the provisions set out in Articles 86 to 94 8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded. The Intercreditor Agreement is, and the rights and duties of the parties thereunder are, governed by and construed in accordance with the laws of England and Wales. The Security Documents shall be governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg, as applicable.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by the Issuer or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of an Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*AI Mandatory Convertible Notes*" means the mandatory convertible notes issued by Altice International for an aggregate nominal amount of up to €2,055 million and subscribed to by the Issuer in connection with the Transactions.

"*Altice Credit Facility*" refers to the €200 million revolving facility agreement, dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer as initial borrower, the lenders from time to time party thereto, Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch as security agent.

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

"*Altice International New Notes*" means the Altice International New Senior Notes and the Altice International New Senior Secured Notes.

"*Altice International New Pari Passu RCF*" means the €501 million revolving credit facility agreement, dated on or about December 9, 2014, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing S.A., as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch, as security agent.

"*Altice International New RCFs*" means the Altice International New Pari Passu RCF and the Altice International New Super Senior RCF.

"*Altice International New Super Senior RCF*" means the €330 million revolving credit facility agreement, dated on or about the Issue Date as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing S.A., as borrower, the lenders from time to time party thereto, Citibank International plc as facility agent and Citibank, N.A., London Branch, as security agent.

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

"*Altice International New Indentures*" means the Altice International New Senior Notes Indenture and the Altice International New Senior Secured Notes Indenture.

"*Altice International New Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Altice International New Indentures, the Altice International New Senior Credit Facility, or the Altice International New RCFs, as the case may be, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests as contemplated by the Altice International New Indentures, the Altice International New Senior Credit Facility, or the Altice International New RCFs, as applicable.

"*Altice International New Senior Notes*" means the $385 million aggregate principal amount of 7.625% senior notes due 2025 issued by Altice Finco S.A. on the Issue Date.

"*Altice International New Senior Notes Indenture*" means the indenture dated as of the Issue Date, as amended, among, inter alios, Altice Finco S.A., as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Altice International New Senior Notes.

"*Altice International New Senior Credit Facility*" means the €841 million (equivalent as of the Issue Date) term loan credit agreement dated on or about the Issue Date between Altice Financing S.A. as borrower and the persons listed in Schedule 2.01 thereto as lenders, Deutsche Bank AG, London Branch as the Administrative Agent and Citibank, N.A., London Branch as Security Agent, as amended.

"*Altice International New Senior Secured Notes*" means collectively, (1) the €500 million aggregate principal amount of 5.250% senior secured notes due 2023 and (2) the $2,060 million aggregate principal amount of 6.625% senior secured notes due 2023, in each case issued by Altice Financing S.A. on the Issue Date.

"*Altice International New Senior Secured Notes Indenture*" means the indenture dated as of the Issue Date, as amended, among, inter alios, Altice Financing S.A., as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Altice International New Senior Secured Notes.

"*Altice International New Term Loans*" means the term loans extended to Altice Financing pursuant to the Altice International New Senior Credit Facility.

"*Altice International Notes Escrow Accounts*" means the escrow accounts into which the proceeds of the Altice International New Notes were deposited on the Issue Date.

"*Altice International Notes Escrow Agreements*" means the escrow agreements governing the Altice International Notes Escrow Accounts dated as of the Issue Date, entered into with Deutsche Bank AG, London Branch as escrow agent and trustee.

"*Altice International Notes Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Altice International New Indentures, the indentures governing the Existing Altice International Senior Notes, or the indentures governing the Existing Altice International Senior Secured Notes, as the case may be, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests as contemplated by the Altice International New Indentures, the indentures governing the Existing Altice International Senior Notes, or the indentures governing the Existing Altice International Senior Secured Notes, as applicable.

"*Altice International Total Assets*" means the consolidated total assets of the Altice International and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of Altice International prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Indebtedness giving rise to the need to calculate Altice International Total Assets.

"*Altice S.A. Proportionate Net Leverage Ratio*" means, as of any date of determination, the ratio of (A) the sum of (x) the Consolidated Net Leverage of the Issuer and its Restricted Subsidiaries (other than Numericable and its Restricted Subsidiaries) (excluding Hedging Obligations and any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") and (y) in an amount proportionate to Altice France's equity interest in Numericable, the Consolidated Net Leverage of Numericable, to (B) the sum of (x) Pro forma EBITDA of the Issuer and its Restricted Subsidiaries (other than Numericable and its Restricted Subsidiaries) on a combined basis for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of Numericable are available multiplied by 2.0 and (y) in an amount proportionate to Altice France's equity interest in Numericable, the aggregate amount of Pro forma EBITDA of Numericable and its Restricted Subsidiaries for the same period; *provided*, *however*, that the pro forma calculation of the Altice S.A. Proportionate Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

"*Applicable Premium*" means:

(A) with respect to any Dollar Note the greater of:

(i) 1% of the principal amount of such Dollar Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Dollar Note at February 15, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the "—*Optional Redemption*" section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including February 15, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Dollar Note,

(B) with respect to any Euro Note the greater of:

(i) 1% of the principal amount of such Euro Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Euro Note at February 15, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the "—*Optional Redemption*" section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including February 15, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Euro Note,

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or Paying Agents.

"*Asset Disposition*" means, with respect to the Issuer and the Restricted Subsidiaries any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, transfer, issuance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole are governed by the provisions of the Indenture described above under the caption "Change of Control" and/or the provisions described above under the caption "—*Certain Covenants—Merger and Consolidation*" and not by the provisions described under the caption "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*". Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary (other than by Altice International or any of its Restricted Subsidiaries to Numericable or any of its Restricted Subsidiaries);

(2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(5) transactions permitted under "—*Certain Covenants—Merger and Consolidation*" (other than as permitted under clause (C) of the first paragraph under "—Certain Covenants—Merger and Consolidation—The Guarantors") or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) (a) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed:

(i) if such disposition or series of related dispositions relates to assets owned by the Issuer or any of its Restricted Subsidiaries (other than Altice International, Numericable and their respective Restricted Subsidiaries), the fair market value of Capital Stock, properties or assets does not exceed €100 million;

(ii) if such disposition or series of related dispositions relates to assets owned by Altice International or any of its Restricted Subsidiaries, the fair market value of Capital Stock, properties or assets does not exceed the greater of €125 million and 1.0% of Altice International Total Assets; and

(iii) if such disposition or series of related dispositions relates to assets owned by Numericable or any of its Restricted Subsidiaries, the fair market value of Capital Stock, properties or assets does not exceed €150 million; and

(b) a transfer of Capital Stock of HOT pursuant to the exercise of a Minority Shareholder Call Option as in effect on December 12, 2012;

(8) (i) any Restricted Payment that is permitted to be made under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*" or (ii) solely for the purposes of the second paragraph under "—*Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*", a disposition, the proceeds of which are used to make Restricted Payments permitted to be made under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*";

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales, transfers or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and

assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) (a) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets of Altice International or any of its Restricted Subsidiaries to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Altice International or any of its Restricted Subsidiaries to such Person; *provided, however*, that the Board of Directors of the Issuer or Altice International shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice International and its Restricted Subsidiaries (considered as a whole);

(b) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets of Numericable or any of its Restricted Subsidiaries to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Numericable or any of its Restricted Subsidiaries to such Person; *provided, however*, that (1) the Board of Directors of the Issuer or Numericable shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Numericable and its Restricted Subsidiaries (considered as a whole); and (2) that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18)(b), does not exceed the greater of €100 million and 1.0% of Numericable Total Assets;

(19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; provided that network assets of the Issuer or any Restricted Subsidiary shall be excluded from this clause (19) unless the Net Cash Proceeds of such sale and leaseback transaction are applied in accordance with the second paragraph of the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*"; and

(20) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of Altice International and its Subsidiaries or of any Person that becomes a Restricted Subsidiary (including the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of Altice International or the Target)) that is required pursuant to Competition Laws in relation to the Target Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Target Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws) to the extent that the fair market value of any such sold, leased, transferred, conveyed or disposed of assets does not exceed 2.0% of Altice International Total Assets (on a pro forma consolidated basis, including, without limitation, the Target and its Subsidiaries that are Restricted Subsidiaries).

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or a Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to February 15, 2020 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to February 15, 2020; *provided, however*, that, if the period from such redemption dated to February 15, 2020 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to February 15, 2020, is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

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

"*Capital Stock*" of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States Government, the United Kingdom, Switzerland or any member state of the European Union, in each case, any agency or instrumentality of thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by a bank or trust company (a) whose commercial paper is rated at least "A-1 "or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB−" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, a member state of the European Union, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer, measured by voting power rather than number of shares;

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors on the Board of Directors of the Issuer (together with any new directors whose election by the majority of such directors on such Board of Directors of the Issuer or whose nomination for election by shareholders of the Issuer, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Issuer then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors on the Board of Directors of the Issuer, then in office; or

(3) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder; *provided* that a Change of Control shall be deemed not to have occurred as a result of the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of Altice International and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of Altice International or the Target) that is required pursuant to Competition Laws in relation to the Target Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Target Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws); *provided further* that, solely to the extent the Issuer is relying on this provision as an exemption from the requirement to make a Change of Control Offer, in the event the fair market value of any such sold, leased, transferred, conveyed or disposed of assets exceeds 2.0% of Altice International Total Assets (on a pro forma consolidated basis, including, without limitation, the Target and its Subsidiaries that are Restricted Subsidiaries), (i) the Consolidated Net Leverage Ratio of Altice International and its Restricted Subsidiaries (on a pro forma consolidated basis, including, without limitation, the Target and its Subsidiaries that are Restricted Subsidiaries and taking into account any repayment or repurchase of Indebtedness pursuant to clause (ii)) shall not increase; and (ii) the Issuer shall promptly make an offer to all holders of the Existing Altice International Term Loans and, to the extent required by the terms of any Pari Passu Indebtedness that is not Public Debt, any such Pari Passu Indebtedness to repay or repurchase such Existing Altice International Term Loans and Pari Passu Indebtedness at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption in an amount equal to the Net Cash Proceeds of such sale, lease, transfer, conveyance or other disposition (on a *pro rata* basis on the basis of the aggregate principal amount of tendered Existing Altice International Term Loans or Pari Passu

Indebtedness) and in the event the principal amount of Existing Altice International Term Loans or Pari Passu Indebtedness tendered is less than the amount of such Net Cash Proceeds, the Issuer shall apply any such remaining proceeds to prepay an equal principal amount of Existing Altice International Term Loans or Pari Passu Indebtedness at par on a *pro rata* basis.

"*Coditel Senior Credit Facility*" means senior facilities agreement, dated November 29, 2011, inter alios, Coditel Holding Lux S.a r.l. as parent, Coditel Holding as the company, GE Corporate Finance Bank S.A.S., HSBC France, ING Belgium SA/NV, KBC Bank NV and Natixis as mandated lead arrangers ING Bank N.V. as agent and security agent.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Competition Laws*" means any federal, state, foreign, multinational or supranational antitrust, competition or trade regulation statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

"*Completion Date*" means the date on which the Target Acquisition is consummated.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) for such period, plus the following to the extent deducted in calculating such Consolidated Net Income (in each case of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable)):

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization and impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; provided that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including, as applicable, any such fees, expenses or charges related to the December 2013 Transactions, the July 2013 Transactions, the December 2012 Transactions, the Initial Public Offering, the Numericable Initial Public Offering, the SFR Transactions and the Transactions), in each case, as determined in good faith by the Issuer (or, if the calculation relates to Altice International, Altice France or Numericable, by Altice International, Altice France or Numericable, as applicable);

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consultancy and advisory fees and related expenses paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*", *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by the Issuer (or, if the calculation relates to Altice International or Numericable, by Altice International or Numericable, as applicable) as special items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net

Income pursuant to clauses (1) through (14) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable), whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(3) non-cash interest expense;

(4) dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer (or, if the calculation relates to Altice International or Numericable, to the extent held by Persons other than Altice International or a Subsidiary of Altice International or Numericable or a Subsidiary of Numericable, as applicable);

(5) the consolidated interest expense that was capitalized during such period;

(6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements)); and

(7) any interest actually paid by the Issuer or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on assets of the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International, Altice France or Numericable, any interest actually paid by Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable, on Indebtedness of another Person that is guaranteed by Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable, or secured by a Lien on assets of Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable).

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding (or, if the calculation relates to Altice International or Numericable, any interest accrued, capitalized or paid in respect of any subordinated shareholder funding (defined in a similar manner to Subordinated Shareholder Funding under the Indenture), (ii) any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iv) net payments and receipts (if any) pursuant to Currency Agreements (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations) and (v) any pension liability interest costs.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, to Altice International or any of its Restricted Subsidiaries or

Numericable or any of its Restricted Subsidiaries, as applicable) as a dividend or other distribution or return on investment;

(2) [Reserved];

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, of Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer (or, if the calculation relates to Altice International or Numericable, by an Officer of Altice International or Numericable, as applicable));

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to, as applicable, the December 2012 Transactions, the July 2013 Transactions, the Initial Public Offering, the December 2013 Transactions, the Numericable Initial Public Offering, the SFR Transactions and the Transactions;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;

(9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, in respect of Indebtedness or other obligations of Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable, owing to Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable);

(11) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries (or, if the calculation relates to Altice International or Numericable, involving Altice International or its Subsidiaries or Numericable or its Subsidiaries, as applicable);

(12) any goodwill or other intangible asset impairment charge or write-off;

(13) the impact of capitalized, accrued or accreting or pay-in- kind interest or principal on Subordinated Shareholder Funding (or, if the calculation relates to Altice International or Numericable, on any subordinated shareholder funding (defined in a similar manner to Subordinated Shareholder Funding under the Indenture)); and

(14) the amount of management, monitoring, consultancy and advisory fees and related expenses paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*".

"*Consolidated Net Leverage*" means (A) the sum, without duplication, of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) on a consolidated basis (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) on a consolidated basis.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) at such date to (y) the aggregate amount of Pro forma EBITDA of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable) for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of the Issuer (or, if the calculation relates to Altice International or Numericable, for which internal financial statements of Altice International or Numericable, as applicable) are available multiplied by 2.0; *provided*, *however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For the avoidance of doubt, in determining Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

"*Consolidation Event*" means the occurrence of the following event: the Issuer directly or indirectly owns or controls at least 75% of the Capital Stock of Numericable.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Cool*" means Cool Holding Ltd., a public limited company (société anonyme) incorporated and existing under the laws of the State of Israel and the Grand Duchy of Luxembourg having its registered office at 3 Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies' Register under number B152.495.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds, note purchase agreements or indentures or commercial paper facilities and overdraft facilities (including the Existing Altice International Guarantee Facility, the Existing Altice International RCFs, the Existing Altice International Senior Credit Facility, the Altice International New RCFs, the Altice International New Senior Credit Facility, Numericable Senior Credit Facility, the Altice Credit Facility and Numericable RCF) with banks, institutions, funds or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, bonds, debentures letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, institutions or investors and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, cap, floor, ceiling, collar, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*December 2012 Transactions*" means the Take-Private Transaction and the related refinancings and financings consummated on December 27, 2012.

"*December 2013 Transactions*" means the transactions described under "The Transactions" in the offering memorandum dated December 5, 2013 relating to the $1,309 million equivalent senior secured notes due 2022, in each case issued by Altice Financing S.A. and the $400 million aggregate principal amount of $8^1/_8$% senior notes due 2024, in each case issued by Altice Finco S.A.

"*Default*" means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Designated Preference Shares*" means, with respect to the Issuer, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof.

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"*Equity Offering*" means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

(1) Disqualified Stock;

(2) Designated Preference Shares;

(3) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;

(4) any such sale to an Affiliate of the Issuer or a Restricted Subsidiary; and

(5) any such sale that constitutes an Excluded Contribution.

"*Escrow Agent*" means Deutsche Bank AG, London Branch.

"*Escrow Agreement*" means the escrow agreement relating to the Notes dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and the Escrow Agent.

"*Escrow Assignments*" means the grant of security interests in the Escrow Accounts and the rights of the Issuer under the Escrow Agreement on the Issue Date to the Trustee for the benefit of the Holders of the relevant series of Notes.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" or "*€*" means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro ("*Other Currency*"), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of the Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of "*A1*" or higher by Moody's or "*A+*" or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to the Issuer, a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Existing Altice International Guarantee Facility*" means the guarantee facility agreement dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent.

"*Existing Altice International Indebtedness*" means collectively, the (1) the Existing Altice International Senior Secured Notes, (2) the Existing Altice International Senior Notes, (3) the Existing Altice International Senior Credit Facility, (4) the Existing Altice International RCFs, (5) the Existing Altice International Guarantee Facility, (6) the Existing HOT Unsecured Notes, (7) the Coditel Senior Credit Facility, and (8) any proceeds loans or intercompany loans between Altice International and any of its Restricted Subsidiaries or between any Restricted Subsidiaries of Altice International, in each case, including any Guarantees (if any) relating thereto, and each as amended, restated, supplemented or otherwise modified from time to time.

"*Existing Altice International Intercreditor Agreements*" means collectively, (1) means the intercreditor agreement dated December 12, 2012 and made between (among others) Altice Financing S.A., Altice Finco S.A., the security agent, the facility agent, the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the Trustee, as amended and (2) the intercreditor agreement, dated November 29, 2011, inter alios, Coditel Holding Lux S.a r.l., Coditel Holding, the companies listed therein as original debtors, ING Bank N.V. as senior agent, Wilmington Trust (London) Limited as mezzanine agent and ING Bank N.V. as security agent.

"*Existing Altice International RCFs*" means collectively, (1) the revolving credit facility agreement, dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing S.A., as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch, as security agent, (2) the revolving credit facility agreement dated November 27, 2012 between, inter alia, the Altice Financing S.A, certain financial institutions party thereto and Citibank International plc as facility agent and security agent, as amended.

"*Existing Altice International Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Existing Altice International Indebtedness, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests as contemplated by the Existing Altice International Indebtedness.

"*Existing Altice International Senior Credit Facility*" means the term loan credit agreement dated June 24, 2013 between Altice Financing S.A. as borrower and the persons listed in Schedule 2.01 thereto as lenders, Goldman Sachs Lending Partners LLC as the Administrative Agent and Citibank, N.A., London Branch as Security Agent, as amended.

"*Existing Altice International Senior Notes*" means collectively, (1) the \$425 million aggregate principal amount of $9^7/_8\%$ senior notes due 2020, (2) the €250 million aggregate principal amount of 9% senior notes due 2023 and (3) the \$400 million aggregate principal amount of $8^1/_8\%$ senior notes due 2024, in each case issued by Altice Finco S.A.

"*Existing Altice International Senior Secured Notes*" means collectively, (1) the €210 million aggregate principal amount of 8% senior secured notes due 2019, (2) the \$460 million aggregate principal amount of $7^7/_8\%$ senior secured notes due 2019, (3) the \$900 million $6^1/_2\%$ senior secured notes due 2022 and (4) the € 300 million $6^1/_2\%$ senior secured notes due 2022 and (4), in each case issued by Altice Financing S.A.

"*Existing Altice International Term Loans"* means the term loans extended to Altice Financing pursuant to the Existing Altice International Senior Credit Facility.

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

"*Existing Senior Notes*" means collectively, (1) the \$2,900 million aggregate principal amount of $7^3/_4\%$ senior notes due 2022 and (2) the €2,075 million aggregate principal amount of $7^1/_4\%$ senior notes due 2022, in each case issued by the Issuer.

"*Existing Senior Notes Indenture*" means the indenture dated as of May 8, 2014, as amended, among, inter alios, the Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Existing Senior Notes.

"*fair market value*" wherever such term is used in this "Description of Notes" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this

"Description of Notes" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Group*" means the Issuer and its Restricted Subsidiaries.

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

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered.

"*HOT*" means HOT Telecommunication Systems Ltd.

"*HOT Mobile*" means HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

"*IFRS*" means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof, or, with respect to the covenant described under the caption "Reports" as in effect from time to time; *provided that* at any date after the Issue Date, Altice International may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by the Issuer or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing and any Indebtedness pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) [Reserved];

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease or any Operating IRU), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on May 8, 2014 or the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations, (vi) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with a transaction where (A) such Indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody’s and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term “Indebtedness” excludes any accrued expenses and trade payables and any obligations under guarantees issued in connection with various operating and telecommunication licenses (including, without limitation, any obligations under the guarantee by HOT issued to the Ministry of Communications and Broadcast Council and the bank guarantee in connection with the HOT Mobile’s winning a frequency allotment and receiving a cellular license, and any obligations of HOT Systems towards the State of Israel under an agreement dated July 10, 2001, between HOT Systems and other cable companies and between the State of Israel, in each case, as in effect on December 12, 2012).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(ii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness; or

(iv) Capitalized Lease Obligations.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Public Offering*" means the Equity Offering of common stock or other common equity interests of the Issuer which was completed on February 5, 2014, as a result of which, the shares of common stock or other common equity interests of the Issuer in such offering are listed on Euronext Amsterdam.

"*Intercreditor Agreement*" means the intercreditor agreement dated May 8, 2014 and made between (among others) the Issuer, the Security Agent, the Facility Agent (as defined therein), the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto and to which the trustee of the Existing Senior Notes acceded on November 27, 2014, as amended, which the Trustee is expected to accede to on the Completion Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer (or if earlier at the time of entering into an agreement to sell such property), in each case as determined in good faith by an Officer or the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member state of the European Union, Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among Altice International and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*Investor*" means the ultimate controlling shareholder of the Issuer on the Issue Date.

"*Investor Affiliate*" means (i) the Investor or any of his immediate family members, and any such persons' respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons' respective Affiliates or direct or indirect Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries, but excluding the Issuer or any of its Subsidiaries.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests were sold in such Initial Public Offering.

"*Issue Date*" means February 4, 2015.

"*Issuer*" means Altice S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 3 Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies' Register under number B 183391.

"*Issuer Transactions*" means the issuance of the Notes and the Altice Proceeds Contribution.

"*July 2013 Transactions*" means the transactions described under "The Transactions" in the offering memorandum dated June 19, 2013 relating to the €250 million aggregate principal amount of 9% senior notes due 2023.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Restricted Subsidiaries or any Parent (i) not to exceed an amount (net of

repayments of any such loans or advances) equal to €25 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; provided that the aggregate Management Advances made under this sub-clause (b)(i) do not exceed €40 million in any fiscal year) or (ii) with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €17.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries (including without limitation, the Target), or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the Beneficial Owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Minority Shareholder*" means each of Yedioth Communications Ltd., Fishman Family Properties Ltd., Fishman Family Properties Management (1988) Ltd. and Monitin Itonut Holdings (1985) Ltd.

"*Minority Shareholder Call Option*" means the right provided to a Minority Shareholder to purchase shares of Capital Stock of HOT pursuant to the applicable Minority Shareholder Purchase Agreement.

"*Minority Shareholder Purchase Agreements*" means each of (a) the Agreement, dated as of November 5, 2012 entered into by and between Yedioth Communications Ltd., a company incorporated in Israel with a registered address of 2 Mozes Street, Tel Aviv, Israel and Cool and (b) the Agreement dated as of November 5, 2012 entered into by and among Fishman Family Properties Ltd. and Fishman Family Properties Management (1988) Ltd., each a company incorporated in Israel with a registered address of 20 Lincoln Street, Tel Aviv, Israel, and Monitin Itonut Holdings (1985) Ltd., a company incorporated in Israel with a registered address of 53 Etzel Street, Rishon Lezion 75706, Israel and Cool, in each case providing for waiver of certain consent rights relating to the December 2012 Transactions and granting of the Minority Shareholder Call Option as consideration therefor, in each case as in effect on December 12, 2012 except for amendments that are not materially adverse to the interests of the Holders of the Notes.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" shall have the same meaning as used in Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against (a) any liabilities associated with the assets disposed in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

"*Net Cash Proceeds*" means with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Numericable*" means Numericable-SFR S.A. (formerly known as Numericable Group S.A.), a French public limited liability company (société anonyme) with registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Defénse Cedex, France.

"*Numericable Completion Date*" means November 27, 2014.

"*Numericable Group Intercreditor Agreement*" means the intercreditor agreement dated May 8, 2014 and made between (among others) Numericable, the Security Agent, the Original Senior Revolving Facility Agent (as defined therein), the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto, and the trustee under the Numericable Notes Indentures.

"*Numericable Initial Public Offering*" means the Equity Offering of common stock or other common equity interests of Numericable which was completed on November 8, 2013 as a result of which the shares of common stock or other common equity interests of the Issuer in such offering are listed on the Euronext Paris market of NYSE Euronext.

"*Numericable Notes*" refers to \$2,400 million aggregate principal amount of senior secured notes due 2019, €1,000 million aggregate principal amount of senior secured notes due 2022, \$4,000 million aggregate principal amount of senior secured notes due 2022, €1,250 million aggregate principal amount of senior secured notes due 2024 and \$1,375 million aggregate principal amount of senior secured notes due 2024 of Numericable issued on May 8, 2014.

"*Numericable Notes Indentures*" means each of the indentures dated as of May 8, 2014, as amended, among, inter alios, Numericable, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing each series of Numericable Notes.

"*Numericable RCF*" refers to the revolving facilities agreement, dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among Numericable as borrower, the lenders from time to time party thereto, Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch as security agent.

"*Numericable Senior Credit Facility*" means the Term Loan Credit Agreement, on May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among Numericable, Ypso France SAS and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility agent and as security agent.

"*Numericable Term Loans*" means the term loans extended to Numericable and certain of its subsidiaries pursuant to the Numericable Senior Credit Facility.

"*Numericable Total Assets*" means the consolidated total assets of Numericable and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of Numericable prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Indebtedness giving rise to the need to calculate Numericable Total Assets.

"*Offering Memorandum*" means these Listing Particulars in relation to the Notes to be issued on the Issue Date.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Operating IRU*" means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, the Issuer or any of their Subsidiaries.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent, the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to a Parent, the Issuer or their respective Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to a Parent, the Issuer or their respective Subsidiaries and reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees)

(4) fees and expenses payable by any Parent in connection with the December 2013 Transactions, the July 2013 Transactions, the December 2012 Transactions, the SFR Transaction and the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries including acquisitions or dispositions by the Issuer or a Subsidiary permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions;

(6) any fees and expenses required to maintain any Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent;

(7) to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(8) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the December 2013 Transactions,

the July 2013 Transactions, the December 2012 Transaction, the SFR Transaction and the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €15 million in any fiscal year;

(9) any Public Offering Expenses; and

(10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks pari passu in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks pari passu in right of payment to such Guarantor's Guarantee of the Notes.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Permitted Collateral Liens*" means:

(1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) of the definition of "Permitted Liens";

(2) Liens on the Notes Collateral (other than any Notes Collateral subject to the Escrow Assignments) to secure (a) the Notes issued on the Issue Date (other than any Additional Notes) and the Note Guarantees thereof, (b) Indebtedness that is permitted to be Incurred under sub-clause (3) the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", (c) Indebtedness that is permitted to be Incurred under clauses (1)(c) (which may be Super Priority Indebtedness), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), 5(c)(ii), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness of the Issuer) (which may be Super Priority Indebtedness); (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, the Consolidated Net Leverage Ratio of the Issuer is no greater than 4.0 to 1.0) and (15)(a) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a), (b) or (c), *provided*, *however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes and the Note Guarantees (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement); (ii) in each case, all property and assets (including, without limitation, the Notes Collateral) securing such Indebtedness also secure the Notes or the Note Guarantees on a senior or *pari passu* basis (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement but no such Indebtedness (other than Super Priority Indebtedness) shall have priority to the Notes over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral); and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Investor, (2) Investor Affiliates and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of the Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) (other than any Investment in a Minority Shareholder Call Option or Minority Shareholder Purchase Agreement) or the Issuer or (b) any Person (including the Capital Stock of any such Person) that is engaged in any Similar

Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary, in each case other than Investments by Altice International or any of its Restricted Subsidiaries in Numericable or any of its Restricted Subsidiaries;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and other Investments resulting from the disposition of assets in transactions excluded from the definition of "Asset Disposition" pursuant to the exclusions from such definition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existing on the Issue Date or (b) as otherwise permitted by the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(14) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(15) Investments in the Notes, any Additional Notes, the Existing Senior Notes, the Altice International New Notes, the Numericable Notes (other than such Investments made by Altice International or any of its Restricted Subsidiaries), the Existing Altice International Indebtedness and loans under the Numericable Senior Credit

Facility (other than such Investments made by Altice International or any of its Restricted Subsidiaries), the Existing Altice International Senior Credit Facility and the Altice International New Senior Credit Facility;

(16) (a) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;

(17) (a) Investments by the Issuer and its Restricted Subsidiaries (other than Altice International, Numericable and their respective Restricted Subsidiaries), taken together with all other Investments made pursuant to this clause (17)(a) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €50 million plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section "*—Certain Covenants—Limitation on Restricted Payments*"); (b) Investments by Altice International and its Restricted Subsidiaries, taken together with all other Investments made pursuant to this clause (17)(b) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 3.0% of Altice International Total Assets and €375 million plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section "*—Certain Covenants—Limitation on Restricted Payments*"); and (c) Investments by Numericable and its Restricted Subsidiaries, taken together with all other Investments made pursuant to this clause (17)(c) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 3.0% of Numericable Total Assets and €300 million plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section "*—Certain Covenants—Limitation on Restricted Payments*"); *provided* that, if an Investment is made pursuant to this clause (17) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(18) Investments by Numericable and its Restricted Subsidiaries in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (18) that are at the time outstanding, not to exceed the greater of €300 million and 3.0% of Numericable Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(19) Investments by Altice International and its Restricted Subsidiaries in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding, not to exceed the greater of €375 million and 3.0% of Altice International Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); and

(20) Prior to the Completion Date, Investments (x) by the Issuer of all or a portion of the Escrowed Proceeds permitted under the Escrow Agreement and (y) by Altice Financing S.A. and Altice Finco S.A., respectively, of all or a portion of the escrowed proceeds of the Altice International New Senior Secured Notes and the Altice International New Senior Notes, respectively, permitted under the relevant Altice International Notes Escrow Agreements.

"*Permitted Liens*" means, with respect to any Person:

(1) (a) Liens on assets or property of Altice International or any of its Restricted Subsidiaries securing Indebtedness of Altice International or any of its Restricted Subsidiaries; (b) Liens on assets or property of Numericable or any of its Restricted Subsidiaries securing Indebtedness of Numericable or any of its Restricted Subsidiaries; and (c) other than with respect to the Restricted Subsidiaries described in clauses (a) and (b), Liens on assets or property of a Restricted Subsidiary (other than Altice International, Numericable or any of their respective Restricted Subsidiaries) that is not a Guarantor securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary (other than Altice International, Numericable or any of their respective Restricted Subsidiaries) that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements and including Liens on insurance policies and

proceeds thereof, or other deposits, to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) (a) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) Liens in connection with cash management programs established in the ordinary course of business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default and notices of lis pendens and associated rights so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order, award or notice have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary (including Capital Stock) for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture (excluding Indebtedness Incurred pursuant to the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*") and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on or provided for or required to be granted under written agreements existing on the Issue Date after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Accounts);

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) bankers' Liens, Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, and pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(25) Permitted Collateral Liens;

(26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) any security granted over Cash Equivalents in connection with the disposal thereof to a third party and Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or similar provisions as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(29) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets; and

(30) Liens on property and assets of the Issuer and its Restricted Subsidiaries (other than Altice International, Numericable or any of their respective Restricted Subsidiaries) securing Indebtedness or other obligations of Issuer and such Restricted Subsidiaries not to exceed € 30 million at any time outstanding.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Pro forma EBITDA*" means, for any period, the Consolidated EBITDA of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Numericable, of Altice International and its Restricted Subsidiaries or Numericable and its Restricted Subsidiaries, as applicable), *provided* that for the purposes of calculating Pro forma EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Pro forma EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, into Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International or Numericable, by Altice International or any of its Restricted Subsidiaries or Numericable or any of its Restricted Subsidiaries, as applicable) since the beginning of such period, Pro forma EBITDA for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Net Leverage Ratio, Altice S.A. Proportionate Net Leverage Ratio and Proportionate Net Leverage Ratio (a) whenever *pro forma* effect is to be given to any transaction (including, without limitation, transactions listed in clauses (1)-(3) hereof) or calculation hereunder or such other definitions, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (or, if the calculation relates to Altice International or Numericable, of Altice International or Numericable, as applicable) (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)) (calculated on a *pro forma* basis as though such expense and cost reductions and synergies had been realized on the first day of the period for which Pro forma EBITDA is being determined and as though such cost savings, operating expense reductions and synergies were realized during the entirety of such period), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

"*Proportionate Net Leverage Ratio*" means, as of any date of determination, the ratio of (A) the sum of (x) the aggregate outstanding Indebtedness of Altice France on a stand-alone basis (excluding (i) Hedging Obligations and (ii) any Guarantees of Indebtedness of the Issuer not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Limitations on Holding Company Activities*"), less the aggregate amount of cash and Cash Equivalents of Altice France and (y) in an amount proportionate to the Altice France's equity interest in Numericable, the Consolidated Net Leverage of Numericable, to (B) in an amount proportionate to the Altice France's equity interest in Numericable, the aggregate amount of Pro forma EBITDA of Numericable and its Restricted Subsidiaries for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of Numericable are available multiplied by 2.0; *provided*, however, that the pro forma calculation of the Proportionate Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

"*Public Company*" means that at least 5% of the shares of common stock or other common equity interests of the Issuer are listed on the Euronext Paris market of the NYSE Euronext.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including the Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Public Offering Expenses*" means expenses Incurred by any Parent in connection with any Public Offering or any offering of Public Debt (whether or not successful):

(1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary;

(2) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by Moody's or S&P.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer (other than Numericable) makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in, the documentation governing the Indebtedness being refinanced; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor,

provided, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or any Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary, (ii) Indebtedness of the Issuer owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary, (iii) Indebtedness of Altice International or any Restricted Subsidiary of Altice International that refinances Indebtedness of Numericable or any Restricted Subsidiary of Numericable, (iv) Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than Altice International, Numericable or any of their respective Restricted Subsidiaries) that refinances Indebtedness of Altice International, Numericable or any of their respective Restricted Subsidiaries.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge, or repayment of any such Credit Facility or other Indebtedness.

"*Related Taxes*" means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

    (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Subsidiary of the Issuer);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiary of the Issuer;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiary of the Issuer; or

(e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and Subsidiaries of the Issuer would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and the Subsidiaries of the Issuer had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Subsidiaries of the Issuer.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means a Subsidiary of the Issuer other than an Unrestricted Subsidiary (or if the context requires, a Subsidiary of Altice International, Altice France or Numericable, as applicable, in each case other than an Unrestricted Subsidiary).

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means Deutsche Bank AG, London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

"*SFR Transactions*" means the transactions described under "The Transactions" in the offering memorandum dated April 23, 2014 relating to the €4.17 billion equivalent senior notes due 2022 issued by Altice S.A.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and the Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) if positive, the Issuer's and the Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and the Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities (including marketing) engaged in by the Issuer, the Target or any of their Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by the Issuer, the Target or any of their Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Note Guarantee of such Guarantor.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months following the Stated Maturity of the Notes, is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of the Restricted Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Super Priority Indebtedness*" means any Indebtedness incurred under a Credit Facility or Hedging Obligations that is or will be secured by the same Notes Collateral that secures the Notes but has priority over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement.

"*Take-Private Transaction*" refers to the acquisition by Cool and SPV1 of all the outstanding shares of HOT (other than certain share options) and the subsequent delisting from the Tel Aviv Stock Exchange of the shares of HOT, which was completed on December 27, 2012.

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

"*Target Acquisition*" means the acquisition of 100% of the outstanding Capital Stock of the Target, together with certain entities identified in the Target Acquisition Agreement as "Companies within the Transaction Perimeter" (together with the Target, the "*Target Group*"), from Oi, S.A. pursuant to the terms of the Target Acquisition Agreement.

"*Target Acquisition Agreement*" means the agreement dated December 9, 2014 among Altice S.A., Altice Portugal and Oi, S.A. relating to the Target Acquisition.

"*Taxes*" has the meaning given to such term under "*Withholding Taxes".*

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America, (ii) any European Union member state, (iii) Switzerland, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1 "by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB−" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Issuer and the Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any Purchase and Sales that have occurred subsequent to such period, including any such Purchase to be made with the proceeds of Indebtedness giving rise to the need to calculate Total Assets.

"*Transactions*" means the PT Portugal Acquisition, the Financing and the other transactions described under "The Transactions" elsewhere in these Listing Particulars.

"*Treasury Rate*" means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two (2) Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to February 15, 2020; *provided* that if the period from such redemption date to February 15, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*U.S. Government Obligations*" means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least "*A-1*" by S&P or "*P-1*" by Moody's, and which are not callable or redeemable at the option of the issuer thereof.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) Green Datacenter and Auberimmo SAS;

(2) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (other than Altice France, Numericable and Altice International) (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer and the Restricted Subsidiaries in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation:

(1) no Default or Event of Default would result therefrom; and

(2) (i) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under sub-clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio of the Issuer would be no higher than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation;

(ii) if such Subsidiary will become a Restricted Subsidiary of Altice International, (x) Altice International could Incur at least €1.00 of additional Indebtedness under sub-clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio of Altice International would be no higher than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation; and

(iii) if such Subsidiary will become a Restricted Subsidiary of Numericable, (x) Numericable could Incur at least €1.00 of additional Indebtedness under sub-clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio of Numericable would be no higher than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation.

Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of the Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes"). The Regulation S Global Notes representing the Dollar Notes (the "Dollar Regulation S Global Notes") were deposited, on the Issue Date, with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Notes (the "Euro Regulation S Global Notes") were deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Each series of the Notes sold within the United States to "qualified institutional buyers" pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The 144A Global Notes representing the Dollar Notes (the "Dollar 144A Global Notes") were deposited, on the Issue Date, with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Notes (the "Euro 144A Global Notes") were deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the "Dollar Global Notes". The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the "Euro Global Notes".

Ownership of interests in the 144A Global Notes (the "144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in the Euro Global Notes were issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in the Dollar Global Notes were issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositaries for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under each of the Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither we, the Registrar, Deutsche Bank Trust Company Americas, as custodian for DTC, the common depository for the accounts of Euroclear and Clearstream nor the Trustee under the Indenture nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of each of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "Definitive Registered Notes"):

- if DTC (with respect to the Dollar Global Notes), or Euroclear and Clearstream (with respect to the Euro Global Notes) notify the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days,

- if DTC (with respect to the Dollar Global Notes), or Euroclear or Clearstream (with respect to the Euro Global Notes) so requests following an event of default under the Indenture or the Existing 2015 Senior Notes Indenture, as applicable, or

- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream, as applicable, following an event of default under the Indenture, as applicable.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, as applicable, or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Transfer Restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agents, the transfer agents and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

We will not impose any fees or other charges in respect of the Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided*, *however*, that no Book-Entry Interest of less than €100,000, in the case of the Euro Global Notes, or $200,000, in the case of the Dollar Global Notes, principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agents. The Principal Paying Agent will, in turn, make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of each of the Indenture, the Issuer, the Trustee, the Registrar, the transfer agents and the Paying Agents will treat the registered holder of the Global Notes (i.e. the nominee of DTC and the nominee of the common depositary for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee, the Registrar, the transfer agents nor the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest,

- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest,

- DTC, Euroclear, Clearstream or any participant or indirect participant, or

- the records of the common depositary or custodian.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interest in such Notes (each a "Euroclear/Clearstream Holder" and together, the "Euroclear/Clearstream Holders") through Euroclear and/or Clearstream, as applicable, in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (each a "DTC Holder" and together, the "DTC Holders") through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such Euroclear/Clearstream Holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such holder's election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such DTC Holder.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. Transfer between participants in Euroclear and Clearstream will be done in accordance with Euroclear or Clearstream rules, as applicable and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC, Euroclear or Clearstream, as applicable, and in accordance with the provisions of each of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Transfer Restrictions*".

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "40-day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available).

Subject to the foregoing, and as set forth in "*Transfer Restrictions*", Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*". Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer, the Trustee, the Paying Agents, the transfer agents, the Registrar, nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law,
- a "banking organization" within the meaning of New York Banking Law,
- a member of the Federal Reserve System,
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and
- a "clearing agency" registered pursuant to the provision of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act").

DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market thereof and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depositary, however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. Neither we, the Trustee, the Registrar the transfer agents nor the Principal Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes was made in euro and U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Application has been made to the Luxembourg Stock Exchange for the Notes represented by the Global Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and trading on its Euro MTF Market. We expect that secondary trading in the Notes will also be settled in immediately available funds.

The Book-Entry Interests will trade through participants of DTC and Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TRANSFER RESTRICTIONS

The Notes have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) non-U.S. persons as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(1) You are not acting on behalf of the Issuer and you (A) (i) are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S under the U.S. Securities Act; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the applicable Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the applicable Issuer’s and Trustee’s right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.

(3) You acknowledge that none of us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by us with respect to the information contained in these Listing Particulars. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of these Listing Particulars. You have had access to such financial and other information concerning us and the Notes as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You also acknowledge that:

(a) the Issuer and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under the paragraph two above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and

(b) each Global Note contains a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘U.S. SECURITIES ACT’), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT

HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, IN THE UNITED STATES TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THERE IN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHER THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

(c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE

ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, 3, BOULEVARD ROYAL, L-2449 LUXEMBOURG +352 278 58 901. ATTN: CHIEF FINANCIAL OFFICER.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of the Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the applicable Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the "*Resale Restriction Period*"), and will not apply after the applicable Resale Restriction Period ends.

(5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to the Issuer, the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and/or in the front of these Listing Particulars under "*Notice to Certain European Investors*", "*Notice to Israeli Investors*" and/or under "*Plan of Distribution*" or "*Certain Employee Benefit Plan Considerations*".

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

We have not registered and will not register the Notes, and, upon the occurrence of the Completion Date, the Notes or the Guarantee under the U.S. Securities Act or any other applicable securities laws, and unless so registered, and, therefore, neither the Notes nor (upon exchange for the Notes) the Notes may be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- to U.S. investors that we reasonably believe to be (i) "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act), commonly referred to as "QPs", and (ii) "qualified institutional buyers", commonly referred to as "QIBs", (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A; and

- outside the United States in offshore transactions to non-U.S. persons in compliance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Altice Financing and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable state securities laws, and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales in reliance on Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable state securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144) of the Issuer or acting on behalf of the Issuer and it is either:

(i) both a QIB and a QP and is aware that any sale of Notes to it will be made in reliance on Rule 144A, and the acquisition of Notes will be for its own account or for the account of a party that is both a QIB and a QP; or

(ii) a non-U.S. person purchasing the Notes in an offshore transaction in compliance with Regulation S.

(3) It acknowledges that none of the, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrars or the Initial Purchasers, or any person representing any of them, have made any representation to it with respect to the offering or sale of the Notes, other than the information contained in these Listing Particulars. It has had access to such financial and other information concerning us, the Issuer and its subsidiaries, and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes, as applicable, sold in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, as applicable, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Notes, as the case may be, (or any predecessor thereto) only: (i) to the Issuer, the Guarantor or any subsidiary thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes, as applicable, are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that is also a QP who purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States to non-U.S. persons in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer: (i) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them; and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) The purchaser understands that, by its purchase, holding and disposition of the Notes, as applicable, or any interest therein, it shall be deemed to have represented and covenanted that, either (A) it is not acquiring the Notes, as applicable, or any interest therein for or on behalf of (and for so long as it holds the Notes, as applicable, or any interest therein will not be and will not be acting on behalf of), and will not sell or otherwise transfer the Notes, as applicable, to, (i) any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, (ii) any "plan" (as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code")) that is subject to Section 4975 of the Code, or (iii) any entity the assets of which are considered to include "plan assets" of any plans described above in subsections (i) or (ii) (as determined pursuant to U.S. Department of Labor Regulations, as amended by Section 3(42) of ERISA), or (iv) any plan, such as a foreign plan, governmental plan (as defined in Section 3(32) of ERISA) or church plan (as defined in Section 3(33) of ERISA) that is not

subject to Title I of ERISA but that is subject to any federal, state, local, foreign or other laws or regulations that are similar to Title I of ERISA or Section 4975 of the Code (a "Similar Law"), or (B) the acquisition, holding and disposition of the Notes or any interest therein are exempt from the prohibited transaction restrictions of Section 406 of ERISA and Section 4975 of the Code (or in the case of a plan that is subject to a Similar Law, exempt from the analogous provisions of such Similar Law), pursuant to one or more applicable statutory or administrative exemptions.

(7) Each purchaser acknowledges that each Note contains a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [RULE 144A NOTES: ONE YEAR] [NOTES SOLD IN RELIANCE ON REGULATION S: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT IS ALSO A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT")) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE SENIOR SECURED NOTES ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER: (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM; AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE, AND AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ACCEPTING THIS SECURITY OR ANY INTEREST THEREIN EACH HOLDER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS SECURITY OR ANY INTEREST THEREIN (1) EITHER (A) IT IS NOT ACQUIRING THIS SECURITY OR ANY INTEREST THEREIN FOR OR ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY WILL NOT BE AND WILL NOT BE ACTING ON BEHALF OF), AND WILL NOT TRANSFER THIS SECURITY TO, (I) ANY "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO TITLE I OF ERISA, (II) ANY "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, OR (III) ANY ENTITY THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY PLANS DESCRIBED ABOVE IN SUBSECTIONS (I) OR (II) (AS DETERMINED PURSUANT TO U.S. DEPARTMENT OF LABOR REGULATIONS, AS MODIFIED BY SECTION 3(42) OF ERISA), OR (IV) ANY PLAN, SUCH AS A FOREIGN PLAN, GOVERNMENTAL

PLAN (AS DEFINED IN SECTION 3(32) OF ERISA) OR CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA) THAT IS NOT SUBJECT TO TITLE I OF ERISA, BUT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, FOREIGN OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (A "SIMILAR LAW"), OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR ANY INTEREST THEREIN ARE EXEMPT FROM THE PROHIBITED TRANSACTION RESTRICTIONS OF SECTION 406 OF ERISA AND SECTION 4975 OF THE CODE (OR IN THE CASE OF A PLAN THAT IS SUBJECT TO A SIMILAR LAW, EXEMPT FROM THE ANALOGOUS PROVISIONS OF SUCH SIMILAR LAW), PURSUANT TO ONE OR MORE APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTIONS; AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST HEREIN OTHER THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes, as well as to holders of the Notes.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(9) It acknowledges that until 40 days after the commencement of the Offering of the Notes, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(10) If it is a non-U.S. person in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the "distribution compliance period" (as defined below), it shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The "distribution compliance period" means the 40-day period following the issue date for the Notes.

(11) It acknowledges that the relevant Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the relevant Registrar that the restrictions set forth therein have been complied with.

(12) It acknowledges that the Issuer, the Initial Purchasers, the Trustee, the Transfer Agent, the relevant Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or an agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(13) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantor or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

TAX CONSIDERATIONS

EU Savings Directive

On June 3, 2003, the Council of the European Union adopted the European Council directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "EU Savings Directive"). According to the EU Savings Directive, effective as from July 1, 2005, Member States are required to provide to the tax authorities of another Member State details of payment of interest or other similar income within the meaning of the EU Savings Directive made by a paying agent established within its jurisdiction to an individual resident or certain entities called "Residual Entities" (within the meaning of the EU Savings Directive) established in that other Member State or in a Territory (as defined below).

However, for a transitional period, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not opt for the exchange of information or does not provide specific tax certificate reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The rate of withholding is 35% since July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following the agreement by certain countries to the exchange of information in relation to such payments. The Luxembourg government has announced that it will elect out of the withholding tax system in favor of the automatic exchange of information with effect as of January 1, 2015.

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Sint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) (the "Territories") have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity (within the meaning of the EU Savings Directive) established in one of those Territories.

Investors should note that the European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "Amending Directive"). The Amending Directive broadens the scope of the requirements described above. Member States have until January 1, 2017, to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Luxembourg Taxation

The following discussion summarizes certain important Luxembourg taxation principles that may be relevant to you if you invest in, own, hold or dispose of the Notes. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and decision in effect in Luxembourg at the date of these Listing Particulars (as referred to herein, collectively, "*Luxembourg Tax Laws*"), and as such, may be superseded after such date. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this summary. This summary does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of the Notes and is not intended as tax advice to any particular investor or potential investor in the Notes. You should consult your own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Notes (including with respect to receiving interest on and redeeming the Notes). This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg Tax Laws and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Luxembourg non-resident Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

Withholding Tax

In this section, "Interest", "Residual Entities" and "Paying Agent" have the meaning given thereto in the Luxembourg laws of June 21, 2005, implementing the EU Savings Directive (or the relevant agreements). "Interest" will include accrued or capitalized interest at the sale, repayment or redemption of the Notes. "Residual Entities" include, in general, all entities established in the EU and certain Territories (as defined below) other than legal entities, UCITS, and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and, in the context of the Notes, means any economic entity established in Luxembourg which pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the Residual Entity whether the entity is, or acts on behalf of, the Issuer or is instructed by, the beneficial owner, or the Residual Entity, as the case may be, to collect such payment of interest.

Under Luxembourg income tax law currently applicable there is no withholding tax on the payment of interest, principal, premium or (to the extent the transaction is conducted on an arms-length basis) accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes, subject to the application of the Luxembourg law of December 23, 2005, according to which interest payments made by Luxembourg-based paying agents (within the meaning of the EU Savings Directive) to Luxembourg individual residents or to certain foreign residual entities that secure interest payments on behalf of such individuals are subject to a 10% withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/ her private wealth. The responsibility for the withholding tax will be assumed by the Luxembourg paying agent (within the meaning of the EU Savings Directive). A Luxembourg resident individual who acts in the course of the management of his or her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in a member state of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive, may also to self-declare and pay for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Other Withholding Taxes

If interest is paid by an entity that is not considered a Luxembourg entity, other withholding taxes could apply. A company that is considered an Israeli resident for tax purposes paying interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at a rate of 25%, except for interest paid to "material shareholders," who are subject to tax according to their marginal tax rate (currently 48%). "Material shareholders" for these purposes are shareholders who hold directly or indirectly, including with others, at least 10% of any means of control in the company. Taxes to be withheld from interest paid to non-Israeli residents by an Israeli company may be reduced under an applicable tax treaty.

A company that is an Israeli resident for tax purposes paying interest on a similar note to a corporate entity will be subject to withholding tax in accordance with the applicable corporate tax rate for the year in which the interest is paid. The current corporate tax rate in Israel is 26.5%.

For purposes of the discussion above, payment by a company that is considered an Israeli resident for tax purposes of any principal amount of New Senior Notes that is treated as original issue discount for Israeli tax purposes would be subject to tax withholding provisions described above. The New Senior Note would generally be treated as having been issued with original issue discount if its principal amount exceeds its issue price.

Taxation of the Noteholders

Taxation of Luxembourg residents

Holders of Notes who are residents of Luxembourg, or non-resident holders of Notes that have a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

Luxembourg resident individuals

A Luxembourg resident who holds Notes acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments. See paragraph (b) of "—*Withholding Tax*".

A Luxembourg resident who holds Notes acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (income tax levied at progressive rates). For Luxembourg resident individuals receiving interest as income from assets used in their professional capacity, the 10% withholding tax levied is credited against their final tax liability. The same tax treatment applies to non-resident holders of Notes who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

Under Luxembourg domestic tax law, gains realized upon the disposal of the Notes by an individual Noteholder, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, are not subject to Luxembourg income tax, provided the disposal takes place more than six months after the acquisition of the Notes.

An individual holder of Notes, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gains realized on the Notes corresponding to accrued, but unpaid, income in respect of the Notes in his/her taxable income, insofar as the accrued, but unpaid, interest is indicated separately in the agreement.

Gains realized upon a disposal of the Notes by an individual acting in the course of the management of a professional or business undertaking and who is resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

Luxembourg corporate residents

Luxembourg corporate holders of the Notes must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (corporate income tax and municipal business tax).

Luxembourg corporate residents benefiting from a special tax regime

Luxembourg corporate residents holding Notes that benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended law December 17, 2010, (ii) specialized investment funds subject to the law dated February 13, 2007 or (iii) family wealth management companies subject to the law dated May 11, 2007, are exempt from income tax in Luxembourg except for an annual subscription tax (*tax d'abonnement*) and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

Taxation of non-resident Noteholders

Holders of Notes who are non-residents of Luxembourg and who have neither a permanent establishment, neither a fixed place of business, nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes. Holders of Notes who are non-residents of Luxembourg and who have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

Individuals

A holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Corporations

Corporate Luxembourg resident, or non-resident, holders of Notes which maintain a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes or income thereon are attributable, are subject to an annual Luxembourg net wealth tax on such Notes levied at a rate of 0.5% of their value, except if the holder is (i) an undertaking for collective investment subject to the amended law December 17, 2010, (ii) securitization vehicles governed by the law of March 22, 2004 on securitization (as amended), (iii) a specialized investment fund subject to the law of February 13, 2007 (as amended), or (iv) a family wealth management company subject to the law of May 11, 2007.

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts, or (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority ("*autorité constitutée*").

Value added tax

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issuance of, or in respect of the payment of interest or principal under, or the transfer of, the Notes. Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value-added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value-added tax does not apply with respect to such services. Due to the activity of the Issuer, this value-added tax could be a final cost. Foreign value-added tax that might be payable in respect of fees charged for certain services rendered to the Issuer could also be a final cost.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg at the time of his death for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes in instances where the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below. This description only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass- through entities;
- dealers or traders in securities or currencies;

- U.S. Holders that have a functional currency other than the U.S. dollar;

- certain former citizens and long-term residents of the United States;

- U.S. Holders that use a mark-to-market method of accounting; or

- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, in each case, the first price to the public at which a substantial amount of the Dollar Notes or the Euro Notes, as applicable, is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein. No opinion of counsel to the Issuer or the holders or ruling from the IRS has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Redemptions and Additional Amounts

In certain circumstances, the Issuer may be obligated to or may elect to make payments in excess of stated interest and the adjusted issue price of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer intends to take the position that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments. This position is based in part on assumptions, as of the date of issuance of the Notes, (1) regarding the likelihood that such payments will have to be paid or that the Issuer will elect to pay such amounts and/or (2) relating to the expected yield to maturity of the Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in "*—Sale, Exchange, Retirement or Other Disposition by a U.S. Holder*" and any payments of Additional Amounts in an amount in excess of stated interest and the adjusted issue price would be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. The Issuer's position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer's position, which could affect the timing and character of a U.S. Holder's income with respect to the Notes. U.S. Holders should consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

U.S. Holders

Stated Interest

Stated interest on the Notes (including Additional Amounts and any non-U.S. taxes withheld on payments of such stated interest or Additional Amounts) generally will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Interest (including original issue discount ("OID"), if any, as described below) included in a U.S. Holder's gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, interest generally should constitute "passive category income", or in the case of certain U.S. Holders, "general category income". U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

With respect to the Euro Notes, stated interest paid in euros will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Original Issue Discount

The Dollar Notes or the Euro Notes may be treated as issued with OID for U.S. federal income tax purposes. A Note will be treated as having been issued with OID for U.S. federal income tax purposes if its stated principal amount exceeds its issue price by at least the "OID de minimis amount". The OID de minimis amount equals $^1/_4$ of 1% of the stated principal amount of the Note multiplied by the number of complete years from its issue date to maturity.

If a Note is issued with OID a U.S. Holder generally will be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder's accounting method for tax purposes. The amount of OID with respect to a Note that a U.S. Holder must include in income is the sum of the "daily portions" of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the "adjusted issue price" of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any stated interest allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the Note that were not stated interest.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. Under applicable U.S. Treasury Regulations, a U.S. Holder of a Note with OID may elect to include in gross income all interest that accrues on the Note using the constant yield method described above. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Issuer, at 3, Boulevard Royal, L-2449, Luxembourg, +352 226 05640, Attn: Chief Financial Officer.

Any OID on a Euro Note generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with the sale or disposition of such a Euro Note or otherwise), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as stated interest received by an accrual basis holder, as described above. For these purposes, all receipts on a Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipts of principal. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange, Retirement or Other Disposition by a U.S. Holder

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other disposition of the Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under "*—Stated Interest*" to the extent not previously so taxed), and the U.S. Holder's adjusted tax basis in the Note. If a U.S. Holder purchases a Euro Note with euros, the U.S. dollar cost of the Euro Note generally will be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Euro Note generally will be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Euro Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Euro Note by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Euro Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale, exchange, retirement or other disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Euro Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Euro Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note, calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note, calculated at the spot rate of exchange on the date of purchase of the Euro Note. If the Euro Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the settlement date of the purchase of the Euro Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Euro Note.

Exchange of Amounts in Other than U.S. Dollars

If a U.S. Holder receives euros as interest on a Euro Note or on the sale, exchange, retirement or other disposition of a Euro Note, such U.S. Holder's tax basis in the euros will equal the U.S. dollar value of such euros when the interest is received or at the time of the sale, exchange, retirement or other disposition. If a U.S. Holder purchased a Euro Note with previously owned non-U.S. currency, gain or loss will be recognized in an amount equal to the difference, if any, between the U.S. Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States provided that the residence of the U.S. Holder is considered to be the United States for purposes of the rules governing foreign currency transactions.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Euro Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Euro Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the Euro Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, and to proceeds from the sale, exchange, retirement or disposition of Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale, exchange, retirement or disposition to a holder of a Note that is not a U.S. person generally are subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

FATCA

Legislation referred to as the Foreign Account Tax Compliance Act ("FATCA") generally may impose withholding at a rate of 30% on payments made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest issued by a foreign financial institution that (i) enters into certain agreements with the IRS or (ii) becomes subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA, in each case to the extent such payments are attributable to U.S. source income, unless the foreign entity receiving such payments complies with various U.S. information reporting and/or due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with such foreign entity) or otherwise qualifies for an exemption. Based on current guidance, the Issuer does not expect payments on the Notes to be subject to the withholding tax rules under FATCA; however, if the Notes are "materially modified" (within the meaning of applicable U.S. Treasury Regulations) after the date that is six months after the date final regulations define a "foreign passthru payment" under FATCA, certain "foreign passthru payments" made on the Notes on or after January 1, 2017 may become subject to the withholding tax rules under FATCA. If such withholding is required under FATCA, holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for such withholding. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code ("Similar Laws").

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("PTE") 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 95-60, regarding investments by insurance company general accounts and PTE 96-23, regarding investments by certain "in-house asset managers;". In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR

NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OF THE NOTES OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHER THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID *AB INITIO*.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g. where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in these Listing Particulars, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set forth below is a summary of certain limitations on the enforceability of the Collateral in Luxembourg.

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Corporate power

Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the company.

1. Limitations imposed by law.

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the company's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

2. Limitations imposed by the articles of association.

The provision of guarantees or security interest by a company must be within the limits of the object clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate benefit

The third condition for a guarantee/security interest to be granted by a Luxembourg company is that the proposed action by the company must be "in the corporate interest of the company", which words are a translation of the French *intérêt* social, an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the company on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economical, social, or financial policy applicable throughout the whole group;

- the existence of a group should be evidenced through capital links; or

- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or

- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or

- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the “assisting” company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;

- the guarantee must not exceed the assisting company’s financial means;

- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and

- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The Indenture contains the following limitation language:

The guarantee granted by any Guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a “Luxembourg Guarantor”) for the obligations of the applicable Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

(A) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or Subsidiaries of that Luxembourg Guarantor (which are Subsidiaries of that Luxembourg Guarantor on the Completion Date or which will be Subsidiaries of that Luxembourg Guarantor hereafter) by the applicable Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the Notes increased by

(B) the greater of:

(1) 90% of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the Luxembourg law of 19 December 2002 on the commercial register and annual accounts, as amended (the "2002 Law") as at the Completion Date (whether as original party or by way of accession); or

(2) 90% of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the 2002 Law, as at the date on which a demand is made under the Notes; or

(3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*) (an "Independent Auditor") as at the Completion Date (whether as original party or by way of accession); or

(4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the Notes).

Security interests considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets are governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be (i) acknowledged by the company which has issued the shares and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;

- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;

- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or

• set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g. courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in article 20.4 of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

Registration in Luxembourg

The registration of the transaction documents with the *Administration de l'Enregistrement et des Domaines in Luxembourg* may be required in the case of legal proceedings before Luxembourg courts or in the case that they must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Collateral Act 2005.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents and any judgment obtained in a foreign court be translated into French or German.

PLAN OF DISTRIBUTION

The Issuer agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire aggregate principal amount of the Notes. The sale will be made pursuant to a purchase agreement dated the date hereof.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. Pursuant to the terms of the purchase agreement, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Dollar Notes in an aggregate principal amount of $1,480 million and Euro Notes in an aggregate principal amount of €750 million. The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of these Listing Particulars. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers which are registered with the SEC as U.S. registered broker dealers.

In the purchase agreement, the Issuer has agreed and as of the Completion Date, the Guarantor will agree, that:

- neither the Issuer nor any of its subsidiaries will offer, sell, contract to sell or otherwise dispose of any of their debt securities, or guarantee such debt securities (other than the Notes, the Guarantee, any intercompany debt and any debt security of Altice Financing not to exceed €125 million (equivalent)), without the prior written consent of the Representatives (as defined therein), for a period of 45 days after the date of the final Offering Memorandum; and

- the Issuer will indemnify the Initial Purchasers and their respective affiliates against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

United States

Each purchaser of Notes offered by these Listing Particulars, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Transfer Restrictions*".

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale within the United States of Notes initially sold in reliance on Regulation S by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*".

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

(i) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSM Act) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSM Act does not apply to such Initial Purchaser.

These Listing Particulars are directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). These Listing Particulars must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relates is available only to relevant persons and will be engaged in only with relevant persons.

Grand Duchy of Luxembourg

In addition to the cases described in the section entitled, "Public Offer Selling Restriction under the EU Prospectus Directive" in which the Initial Purchasers can make an offer of the Notes to the public in an EEA Member State (including Luxembourg), the Initial Purchasers can also make an offer of the Notes to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;

(b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and

(c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act implementing the EU Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the EU Prospectus Directive.

Israel

Sales of the Notes in Israel will be made through the Initial Purchasers and/or through an Israeli broker(s) engaged by them. The Notes will not be offered to an Israeli person unless such offeree is a "qualified investor" (as defined in the First Appendix to the Israeli Securities Law) who is not an individual (a "Qualified Israeli Investor") and who has (x) completed and signed a questionnaire regarding qualification as a Qualified Israel Investor and (y) certified that it has an exemption from Israeli withholding taxes on interest.

General

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions". The Issuer will apply for the Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Initial Purchasers have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the purchase agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes these Listing Particulars, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force.

In connection with the offering of the Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Delivery of the Notes was made against payment on the Notes on or about the date specified on the cover of the Listing Particulars, which was three business days following the date of pricing of the Notes.

Other Relationships

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and may perform other services for, to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions (including acting as initial purchasers or managers in connection with previous issuances of debt or equity securities of Altice S.A. or its subsidiaries). In connection with our strategy to review and evaluate selective acquisitions and other business combinations, we and our shareholders regularly engage mergers and acquisition advisors and other financial advisors to assist us. Certain of the Initial Purchasers and their affiliates may be currently advising us or other interested parties, and the Initial Purchasers and their affiliates may advise us or other interested parties from time to time on other transactions in the future. Deutsche Bank AG, London Branch or one of its affiliates is currently acting as financial advisor to PT Portugal in connection with the PT Portugal Acquisition.

BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc or one of their affiliates are or were mandated lead arrangers and lenders, Citibank International plc is facility agent and Citibank, N.A., London Branch is security agent under the 2012 Altice Financing Revolving Credit Facility.

Goldman Sachs International, Morgan Stanley & Co. International plc, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch or one of their affiliates are or were mandated lead arrangers and lenders, Citibank International plc is facility agent and Citibank, N.A., London Branch is security agent under the 2013 Altice Financing Revolving Credit Facility.

Goldman Sachs International, Morgan Stanley & Co. International plc, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch or one of their affiliates are or were mandated lead arrangers and lenders and Citibank, N.A., London Branch is security agent under the 2013 Guarantee Facility.

Goldman Sachs International, Morgan Stanley & Co. International plc, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Crédit Agricole Corporate and Investment Bank or one of their affiliates are or were joint lead bookrunners, joint lead arrangers and lenders, Goldman Sachs Lending Partners LLC is administrative agent and Citibank, N.A., London Branch is security agent under the 2013 Altice Financing Term Loan.

Each of the Initial Purchasers or one of their affiliates (other than Citigroup Global Markets Limited, HSBC Bank plc, Nomura International plc, Nomura Securities International, Inc. and Société Générale) are or were mandated lead arrangers and lenders and Deutsche Bank AG, London Branch is the administrative agent and security agent under the Numericable Term Loan.

Each of the Initial Purchasers or one of their affiliates (other than Citigroup Global Markets Limited, HSBC Bank plc, Nomura International plc and Nomura Securities International, Inc.) are or were mandated lead arrangers and lenders and Deutsche Bank AG, London Branch is the administrative agent and security agent under the Numericable Group Revolving Credit Facilities and the 2014 Altice S.A. Revolving Credit Facility Agreement.

Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc, Credit Suisse Securities (Europe) Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Barclays Bank plc or one of their affiliates are or were mandated lead arrangers and lenders, Citibank International Limited is facility agent and Citibank, N.A., London Branch is security agent under the New Altice International Pari Passu Revolving Credit Facility.

Each of the Initial Purchasers or one of its affiliates (other than Banca IMI S.p.A., RBC Europe Limited and UniCredit Bank AG) will be a joint lead bookrunner, joint lead arranger and lender, Deutsche Bank AG, London Branch and Deutsche Bank AG, New York Branch, will be administrative agents and Citibank, N.A., London Branch will be security agent under the New Altice Financing Term Loan.

RBC Europe Limited and its affiliates are not lenders under any of the agreements described above. UniCredit Bank AG or its affiliates is a lender under certain Numericable Group agreements described above. Banca IMI S.p.A. or its affiliates and/or parent companies has provided significant financing to the Issuer and its parent and group companies.

Each of the Initial Purchasers or one of its affiliates will be a mandated lead arranger and lender, Citibank International Limited will be facility agent and Citibank, N.A., London Branch will be security agent under the New Altice International Super Senior Revolving Credit Facility.

In addition, certain of the Initial Purchasers or their affiliates are party to certain of our factoring and hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions (including long or short positions) in us, our current or future subsidiaries and affiliates and/or financial intermediaries and the financial instruments issued by any of them. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Altice Group and/or its affiliates have hedged, and are likely to hedge in the future, their credit exposure to the Altice Group and/or its affiliates consistent with their risk management policies. Typically, these Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby.

A former executive at Morgan Stanley, one of the Initial Purchasers, became one of Altice S.A.'s non executive directors on January 16, 2014.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray International LLP, as to matters of United States federal, New York and English law; by Meitar Liquornik Geva Leshem Tal, as to matters of Israeli law; by Luther, as to matters of Luxembourg law, by Uría Menéndez—Proença de Carvalho, as to matters of Portuguese law; by Baker & McKenzie as to matters of Belgian law; by Franklin and Nabarro & Hinge as to matters of French law; by Holenstein attorneys-at-Law Ltd, as to matters of Swiss law and by Castillo y Castillo as to matters of Dominican law.

Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York and English law; by Goldfarb Seligman & Co., as to matters of Israeli law; by Elvinger, Hoss & Prussen, as to matters of Luxembourg law; by Cuatrecasas, Gonçalves Pereira, RL, as to matters of Portuguese law; by Latham & Watkins AARPI as to matters of French law; as to matters of Swiss law by Pestalozzi Attorneys at Law Ltd and by Pellerano & Herrera as to matters of Dominican law.

Certain legal matters in connection with this offering will be passed upon for the Trustee by White & Case LLP, as to matters of New York law.

ENFORCEMENT OF JUDGMENTS

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

Many of the directors, members of the supervisory board, general partners, officers and other executives of the Issuer are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Luxembourg upon those persons or the Issuer provided that the Hague Convention on the Service Abroad of Judicial and Commercial Matters of November 15, 1965 is complied with.

The Issuer have been advised by Luther, their Luxembourg counsel, that a valid final and conclusive judgment against an issuer of Luxembourg nationality with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

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

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

AUDITORS

The consolidated financial statements of the Issuer as of and for the year ended December 31, 2013 have been audited by Deloitte Audit S.à r.l.

The combined financial statements of the Issuer; in its capacity as the successor entity of Altice International and Altice France S.A. as of and for the years ended December 31, 2011 and 2012 have been audited by Deloitte Audit S. à r.l.

The consolidated financial statements of Altice International as of and for the years ended December 31, 2011, 2012 and 2013 have been audited by Deloitte Audit S. à r.l.

The consolidated financial statements of Numericable Group in its capacity as the successor entity of Ypso Holding S. à r.l. and Altice B2B S. à r.l. as of and for the year ended December 31, 2013 have been audited by Deloitte & Associes and KPMG Audit, a department of KPMG S.A.

The combined financial statements of Numericable as of and for the years ended December 2011, 2012 and 2013 have been audited by Deloitte & Associés.

The combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013 have been audited by Ernst & Young et Autres and KPMG Audit, a department of KPMG S.A.

The standalone financial statements of PTC as of and for the years ended December 31, 2012 and 2013 have been audited by Deloitte & Associados, SROC, S.A.

The standalone financial statements of Meo, S.A. as of and for the years ended December 31, 2012 and 2013 have been audited by Deloitte & Associados, SROC, S.A.

The standalone financial statements of Orange Dominicana, S.A. as of and for the years ended December 31, 2012 and 2013 have been audited by Deloitte & Associés.

The financial statements set out below are incorporated herein by reference to Altice's website (http://www.altice.net/phoenix.zhtml?c=252690&p=irol-ipo).

The financial statements of Cabovisão—Televisão por Cabo, S.A. for the year ended August 31, 2011 have been audited by Deloitte & Associados, SROC S.A. The financial statements of Cabovisão—Televisão por Cabo, S.A. for the periods ended August 31, 2012 and December 31, 2012 have been audited by Baker Tilly, PG & Associados, SROC, S.A.

The pro forma consolidated financial statements of Winreason, S.A. as of and for the twelve-month period ended December 31, 2012 and 2011 have been audited by Deloitte & Associados, SROC S.A.

The consolidated financial statements of Groupe Outremer Telecom as and for the year ended December 31, 2012 have been audited by Constantin Associés and Ernst & Young et Autres.

The consolidated financial statements of Groupe Outremer Telecom as and for the year ended December 31, 2011 have been audited by Constantin Associés and Ernst & Young et Autres.

The financial statements of Coditel Brabant SPRL for the period of seven months ended July 31, 2011 have been audited by Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises.

The financial statements of Coditel S.à r.l. for the seven-month period ended July 31, 2011 have been audited by Deloitte Audit S.à r.l.

The financial statements of Ma Chaîne Sport for the year ended December 31, 2012 have been audited by KPMG Audit (a department of KPMG S.A.).

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the Notes, to be listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Copies of the following documents may be obtained electronically or inspected in physical form free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, the Paying Agents so long as the Notes remain listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of such exchange require:

(1) the articles of association of the Issuer;

(2) the Issuer's annual reports and quarterly reports and consolidated financial statements required to be provided under "Description of Notes—Certain Covenants—Reports";

(3) the annual consolidated financial statements, and, where required under certain rules of the Luxembourg Stock Exchange, semi-annual condensed consolidated financial statements of the Issuer;

(4) the Indenture;

(5) Altice S.A. Intercreditor Agreement;

(6) the security documents governing the Collateral;

(7) the articles of association of the Guarantor; and

(8) the annual accounts of the Guarantor required under the rules of the Luxembourg Stock Exchange.

So long as the Notes are listed on the official list of the Luxembourg Stock Exchange, and so long as the rules and regulations of such stock exchange require, the Issuer will maintain a transfer agent and an office or agency where Notes may be presented for transfer or exchange. The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Pursuant to Part 1, Chapter 5, Item 502 of the rules and regulations of the Luxembourg Stock Exchange, the Notes will be freely transferable on the Luxembourg Stock Exchange.

The gross proceeds of the offering of the Notes was €2,055 million (equivalent).

Clearing Information

Dollar Notes

The Dollar Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance and settlement through the facilities of DTC and have been assigned the CUSIP numbers L0179Z AC8 and 02154V AB7, respectively. The ISIN for th Dollar Notes sold Pursuant to Regulation S is USL0179ZAC88 and the ISIN for the Dollar Notes sold pursuant to Rule 144A is US02154VAB71. The common code for the Dollar Notes sold pursuant to Regulation S is 116206749 and the common code for the Dollar Notes sold pursuant to Rule 144A is 116207176.

Euro Notes

The Euro Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance and settlement through the facilities of Clearstream and Euroclear and have been assigned common codes of 111730024 and 111729930, respectively.

The ISIN for the Euro Notes sold pursuant to Regulation S is XS1117300241 and the ISIN for the Euro Notes sold pursuant to Rule 144A is XS1117299302.

Legal Information

The Issuer is incorporated under the name of Altice S.A. as a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg on January 3, 2014. The articles of association of the Issuer have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated February 25, 2014, under number 501, page 24012 et seq. The registered office of the Issuer is 3, Boulevard Royal, L-2449 Luxembourg. The Issuer's telephone number is +352 278 58 901. The Issuer is registered with the Luxembourg Trade and Companies Register under number B183391.

The Issuer has a share capital of €2,479,501.86 comprised of 247,950,186 shares with a nominal value of €0.01, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of the Issuer relating to its corporate object, the Issuer's object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management, development and sale of those participations. The Issuer may in particular acquire and sell, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

The Issuer may borrow in any form. The Issuer may issue notes, bonds and any kind of debt and equity securities. It may issue convertible funding instruments and warrants. The Issuer may lend funds, including, without limitation, the proceeds of any borrowings to its subsidiaries and affiliated companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, subsidiary or affiliate, and, generally, for its own benefit and that of any other company or person. The Issuer may issue warrants or any other instrument which allows the holder of such instrument to subscribe for shares in the Issuer. For the avoidance of doubt, the Issuer may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

The Issuer may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks. The Issuer may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object (including without limitation the performance of any kind of services to its subsidiaries).

The creation and issuance of the Notes has been authorized by resolutions of the Board of Directors of the Issuer dated November 30, 2014.

Altice France S.A. is incorporated under the name Altice France S.A., as a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg on December 18, 2007. The articles of association of Altice France S.A. have been filed with the Mémorial C, Recueil des Sociétés et Associations dated February 11, 2008, number 352, page 16876 *et seq*. The registered office of Altice France S.A. is at 3, boulevard royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. Altice France S.A.'s telephone number is +352 22 60 56 40. Altice France S.A. is registered with the Luxembourg Trade and Companies' Register under number B 135.296.

Altice France S.A. has a share capital of €283,469,500 comprised of 56,693,900 shares in each Class A, B, C and D and 56,693,900 shares in Class E shares with a nominal value of €1.00, all of which have been subscribed and fully paid-up. All debt securities of Altice France S.A. have been reimbursed and no additional debt securities have been issued by Altice France S.A.

According to Article 4 of its articles of association, Altice France S.A. may carry out all transactions pertaining to the acquisition, management, development and disposal of participations in whichever form in Luxembourg and foreign companies. Furthermore, Altice France S.A. may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise. Altice France S.A. may also contract loans and issue bonds or convertible bonds and debt securities.

Altice France S.A. may also grant all kinds of support, loans, advances or guarantees to companies in which it has a direct or indirect participation, or to all companies which form part of the group of companies to which Altice France S.A. belongs.

In general, Altice France S.A. may likewise carry out all commercial, industrial and financial transactions, whether in the area of securities or of real estate, which are liable to enhance or to supplement its purpose.

The creation and issuance of the guarantee under the Notes will be authorized by resolutions of the board of directors of Altice France S.A. prior to the granting of such guarantee.

Management

The Issuer is managed by a board of directors composed of seven (7) members being:

1. Mr. Patrick Drahi (Executive Chairman);

2. Mr. Dexter Goei (Chief Executive Officer);

3. Mr. Dennis Okhuijsen (Chief Financial Officer);

4. Mr. Jérémie Bonnin (General Secretary);

5. Mr. Michel Combes (Non-Executive Director);

6. Mr. Scott Matlock (Non-Executive Director); and

7. Mr. Jean-Luc Allavena (Non-Executive Director).

Altice France S.A. is managed by a board of directors composed by three (3) members being:

1. Jérémie Bonnin;

2. Emilie Schmitz;

3. Laurent Godineau.

Altice International is managed by a board of managers composed of (3) members being:

1. Jérémie Bonnin;

2. Emilie Schmitz;

3. Laurent Godineau.

Emilie Schmitz, 31, is a director of Altice Finco and Altice Financing. The business address of Mrs. Schmitz is 3, boulevard royal, L-2449 Luxembourg. Before joining Altice, Mrs Schmitz served as an accountant manager of Quilvest Luxembourg Services S.A., a corporate and trust services provider. Prior to joining Quilvest Luxembourg Services S.A. in 2013, Mrs Schmitz was a Senior Advisor at Deloitte SA (Luxembourg). She graduated from the School Robert Schuman of Metz (France) with a bachelor's degree specializing in accountancy and management.

Laurent Godineau, 40, is a director of Altice Finco and Altice Financing. The business address of Mr. Godineau is 3, boulevard royal, L-2449 Luxembourg. Before joining Altice, Mr Godineau worked at Quilvest Luxembourg Services S.A., a corporate and trust services provider specialized in private equity funds. Prior to joining Quilvest Luxembourg Services SA in 2013, he served as a general manager of Centralis S.A., a corporate and trust services provider. Prior to joining Centralis S.A. in 2007, Mr. Godineau was a Senior Advisor at Alter Domus (Luxembourg). He graduated from the ESC Bretagne Brest with a master's in Finance and Chartered Accountancy and also holds a Master of Sciences degree in International Business and Finance from the University of Reading.

Jérémie Bonnin, General Secretary. Jérémie joined the Group in May 2005 as Corporate Finance director prior to which he was Manager in the Transaction Services department at KPMG which he joined in 1998. The business address of Mr. Bonnin is 3, boulevard royal, L-2449 Luxembourg. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since joining the Group, he has been involved in all of Group's acquisition which have increased Group's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel and the French Overseas Territories). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary, he also focuses on the implementation of consistent operating policies and corporate structure across the Group, where he holds various board positions. Jeremie received his engineering degree from the Institut d'Informatique d'Entreprise, in France in 1998. He also graduated from the DECF in France, equivalent to the CPA.

Business Year

The business year for the Issuer begins on the first day of January and ends on the last day of December of each year, except for the first business year which commenced on January 3, 2014, and ends on December 31, 2014.

The business year for Altice International S.á.r.l. begins on the first day of January and ends on the last day of December of each year.

Financial statements

The consolidated financial statements of the Issuer will be published on a quarterly and an annual basis. The annual financial statements will be audited by the Issuer's auditors.

Auditors

The independent auditor (*réviseur d'entreprises agréé*) of the Issuer and Altice International is Deloitte Audit S.à r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

The independent auditors of Numericable are Deloitte & Associes and KPMG Audit, a department of KPMG S.A.

The independent auditors of SFR are Ernst & Young et Autres and KPMG Audit, a department of KPMG S.A.

The independent auditor of Altice Portugal until December 31, 2013, was Baker Tilly, PG & Associados, SROC, S.A.

The independent auditor of Cabovisão until December 31, 2013, was Baker Tilly, PG & Associados, SROC, S.A.

The independent auditor of ONI S.G.P.S is Deloitte & Associados, SROC S.A.

The independent auditor of Knewon is Deloitte & Associados, SROC S.A.

The independent auditor of Onitelecom is Deloitte & Associados, SROC S.A.

The independent auditor of Winreason is Deloitte & Associados, SROC S.A.

The independent auditor of PT Portugal is Ascenção, Gomes, Cruz & Associados—Sociedade de Revisores Oficiais de Contas, Lda.

The independent auditor of PTC (renamed PT OpCo after the merger) is KPMG & Associados—Sociedade de Revisores Oficiais de Contas S.A.

The independent auditor of Meo, S.A. until the merger was Ascenção, Gomes, Cruz & Associados—Sociedade de Revisores Oficiais de Contas, Lda.

The independent auditor of Groupe Outremer Telecom is Constantin Associés and Ernst & Young et Autres.

The independent auditor of Coditel Brabant SPRL is Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises.

The independent auditor of Coditel S.à r.l. is Deloitte Audit S.à r.l.

The independent auditor of Ma Chaîne Sport is KPMG Audit (department of KPMG S.A.).

The independent auditor of Green is KPMG AG (CHE-253.502.577) of Lucerne, Switzerland.

Litigation

Other than as disclosed in these Listing Particulars, there are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Issuer, nor is the Issuer aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position of the Issuer.

Other than as disclosed in these Listing Particulars, there are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Guarantor, nor is the Guarantor aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position of the Guarantor.

Offering Memorandum

Except as disclosed in these Listing Particulars:

- there has been no material adverse change in the consolidated financial position of the Issuer since September 30, 2014; and

- the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the dates of their incorporation, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The Issuer accepts responsibility for the information contained in these Listing Particulars. The information contained in these Listing Particulars are in accordance with the facts and does not omit anything likely to affect the import of such information.

The language of these Listing Particulars are English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

The Trustee

The Trustee is Deutsche Bank AG, London Branch and its address is Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom. The Trustee will be acting in its capacity of Trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the Indenture.

GLOSSARY

Term	Definition
"3G"	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
"4G"	The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
"ADSL"	Asymmetrical DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
"ARPU"	Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the services provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two. This definition may be different for other companies, including SFR.
"bandwidth"	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
"broadband internet"	Any circuit that can transfer data significantly faster than a dial-up phone line.
"churn"	The number of RGUs for a given service disconnected (either at the customer's request or due to termination of the subscription by us) during the period divided by the number of average RGUs for such service for such period; statistics do not include customers excluding transfers between our services (other than a transfer between our cable services and our mobile services).
"CPE"	Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
"DSL"	Digital Subscriber Line; DSL is a technology that provides high-speed internet access over traditional telephone lines.
"DTT"	Digital terrestrial television.
"FTTx"	Fiber optic infrastructure.
"FTTH"	Fiber-to-the-home network.
"HD"	High definition.
"HFC"	Hybrid fiber coaxial.
"HSPA"	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
"IMS"	IP Multimedia Subsystem.
"internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.

"IP" .... Internet Protocol.

"IPTV"........................... Internet Protocol television.

"IRU"............................. Indefeasible Right of Use, the effective temporary ownership of a portion of the capacity of an international cable. IRUs are specified in terms of a certain number of channels of a given bandwidth. IRU is granted by the company or consortium of companies that built the (usually optical fiber) cable.

"ISP".............................. Internet Service Provider.

"IT"................................ Information technology, a general term referring to the use of various software and hardware components when used in a business.

"local loop"..................... The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the "last mile" because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network.

"LTE" .... Long term evolution technology being a standard in mobile network technology.

"M2M"........................... Machine-to-machine.

"MHz"............................ Megahertz; a unit of frequency equal to one million Hertz.

"Mbps" .... Megabits per second; each megabit is one million bits.

"Moody's" .... Moody's Investors Services, Inc.

"multiple-play" .... The bundling of different telecommunications services, e.g. digital cable television, broadband internet and fixed telephony services, by one provider.

"MVNO"........................ Mobile virtual network operator. Refers to a company that provides mobile services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.

"network" .... An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.

"PacketCableTM" .... A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable™ networks use internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.

"PSTN"............................ Public switched telephony network.

"PVR"............................ Personal video recording.

"quad-play".................... Triple-play with the addition of mobile service.

"RGU" .... Revenue Generating Unit. RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband internet infrastructure access are counted on a per source service basis and RGUs for fixed-line telephony are counted on a per line basis. Mobile RGUs is equal to the net number of lines or SIM cards that have been activated on our mobile network.

"S&P" .... Standard & Poor's Investors Ratings Services.

"SOHOs" .... Small offices and home offices.

"triple-play" .... Where a customer has subscribed to a combination of three products, digital cable television, broadband internet and fixed telephony services, from us.

"UMTS".......................... Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.

"U.S. Docsis 3.0" .... Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.

"VoD" .... Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.

"VoIP" .... Voice over internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.

"VPN"............................ Virtual private network, a business service enabling users to obtain remote access to network functionality.

"VDSL".......................... Very high speed DSL. A high speed variant of ADSL.

"VoN" .... Voice over Net, a form of telephony over the internet that is usually a lower quality than VoIP.

INDEX TO FINANCIAL STATEMENTS

ALTICE INTERNATIONAL

NUMERICABLE GROUP

SFR

ORANGE DOMINICANA, S.A.

PTC

MEO, S.A.

Altice S.A.
(Société anonyme)

Condensed consolidated financial statements as of and

for the three and nine month periods ended September 30, 2014

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ALTICE S.A.

Condensed consolidated statement of income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September, 2014	Nine months ended September, 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
			(in millions of euros)		
Revenues		2,247.4	928.4	832.3	355.8
Purchase and subcontracting services		(533.9)	(262.2)	(193.3)	(103.3)
Other operating expenses		(297.5)	(134.6)	(109.6)	(54.3)
Staff costs and employee benefit expenses	10	(183.3)	(101.1)	(65.2)	(35.5)
General and administrative expenses		(68.7)	(24.1)	(21.3)	(7.0)
Other sales and marketing expenses		(144.3)	(29.4)	(55.7)	(11.5)
Operating profit before depreciation, amortization, management fees, restructuring, non-recurring-costs and other expenses		**1,019.8**	**376.9**	**387.1**	**144.2**
Depreciation and amortization	2	(646.7)	(278.0)	(242.7)	(100.3)
Management fees		(0.6)	(0.7)	(0.1)	—
Restructuring, non-recurring costs and other expenses	12	(78.5)	(12.3)	(17.4)	3.3
Operating profit		**294.0**	**85.9**	**127.0**	**47.2**
Gain arising on step acquisition	11	256.3	—	—	—
Finance income		138.0	42.7	91.3	—
Finance costs		(983.1)	(196.6)	(441.0)	(105.7)
Share in income of associates		1.3	14.5	—	3.1
Loss before income tax expenses		**(293.5)**	**(53.5)**	**(222.8)**	**(55.4)**
Income tax expenses	15	(50.5)	(27.5)	(62.1)	(14.4)
Loss for the period		**(344.1)**	**(81.0)**	**(284.9)**	**(69.8)**
Attributable to equity holders of the parent		(206.4)	(75.0)	(242.7)	(69.2)
Attributable to non-controlling interests		(137.6)	(6.0)	(42.2)	(0.6)
Earnings per share (expressed in €)					
Basic		*(1.05)*	*(0.38)*	*(1.01)*	*(0.35)*
Diluted		*(1.00)*	*(0.36)*	*(0.96)*	*(0.34)*

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALTICE S.A.

Condensed consolidated statement of other comprehensive income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September , 2014	Nine months ended September , 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
			(in millions of euros)		
Loss for the period		**(344.1)**	**(81.0)**	**(284.9)**	**(69.8)**
Other comprehensive income					
Exchange differences on translating of foreign operations		27.2	0.6	37.1	(0.8)
Net fair value gain on available-for-sale financial assets		4.9	3.6	0.6	3.6
Cash flow hedge, net of taxes		(305.1)	—	(181.3)	—
Employee benefits		0.2	—	0.4	(0.2)
Total comprehensive income for the period		**(616.9)**	**(76.8)**	**(428.1)**	**(67.2)**
Attributable to equity holders of the parent		(412.5)	(71.5)	(372.2)	(66.6)
Attributable to non-controlling interests		(204.4)	(5.3)	(55.9)	(0.6)

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALTICE S.A.

Condensed consolidated statement of financial position

As of September 30, 2014

	Notes	September 30, 2014	December 31, 2013
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents		540.7	61.6
Restricted cash	4	13,880.4	1,242.8
Trade and other receivables		647.2	232.2
Inventories		64.2	11.0
Current tax assets		96.0	14.6
Total current assets		**15,228.5**	**1,562.2**
Non-current assets			
Deferred tax assets		416.0	47.4
Investment in associates	11	3.0	679.1
Financial assets		62.4	50.6
Trade and other receivables		26.3	22.8
Property, plant & equipment		3,105.5	1,134.2
Intangible assets		1,182.5	579.6
Goodwill	3	4,608.6	1,100.7
Total non-current assets		**9,404.3**	**3,614.4**
Total assets		**24,632.8**	**5,176.6**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	8	282.8	59.7
Deferred revenue		158.3	55.9
Trade and other payables		1,288.8	517.4
Other current liabilities	8, 2.4	583.4	15.9
Provisions		2.4	31.1
Current tax liabilities		112.7	57.1
Total current liabilities		**2,428.3**	**737.0**
Non-current liabilities			
Borrowings	8	20,164.2	3,741.0
Loans from related parties	8	—	100.7
Other financial liabilities	8	648.0	271.6
Deferred revenue		110.8	10.6
Trade and other payables		17.2	29.0
Retirement benefit obligations		19.4	8.2
Provisions		100.6	—
Deferred tax liabilities		295.5	183.1
Total non-current liabilities		**21,355.7**	**4,344.2**
Equity			
Issued capital	5	2.5	—
Invested Equity		—	95.8
Additional Paid In Capital	5	1,827.9	—
Other reserves	7	(238.6)	—
Accumulated losses		(728.6)	—
Total equity attributable to the shareholders of the parent		**863.2**	**95.8**
Non-controlling interests		(14.4)	(0.5)
Total equity		**848.8**	**95.3**
Total liabilities and equity		**24,632.8**	**5,176.6**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Altice S.A.

Condensed consolidated statement of changes in equity

For the nine months ended September 30, 2014

	Issued capital	Share Premium	Other Reserves
			(in mil
Equity at January 1, 2013	—	—	272.8
Loss for the period	—	—	—
Other comprehensive income	—	—	3.6
Transaction with shareholders	—	—	(279.7)
Other movements	—	—	—
Equity at September 30, 2013	**—**	**—**	**(3.3)**

The accompanying notes form an integral part of these condensed consolidated fina

Altice S.A.

Condensed consolidated statement of changes in equity (Continue

For the nine months ended September 30, 2014

	number of issued shares	Share capital	Invested equity	Additional paid in capital	Retained losses	Currency reserve	Cash Flow hedge reserve	Avail for s
						Reserves		
		€m		€m	€m	€m	€m	€|
Equity at January 1, 2014	—	—	95.8	—	—	—	—	-
Incorporation of Altice S.A.	3,100,000	—	(95.8)	624.2	(522.1)	(6.7)	—	(0
Contribution of Altice France and Altice International	172,900,000	1.7	—	(66.8)	—	—	—	-
Issuance of new shares	46,970,617	0.5	—	1,701.5	—	—	—	-
Recognition of share based payment		—	—	—	—	—	—	-
Change in scope		—	—	—	—	—	—	-
Transaction with non-controlling interests	24,751,873	0.2	—	(431.0)	—	—	—	-
Cash-flow hedge net of taxes		—	—	—	—	—	(272.5)	-
Loss for the period		—	—	—	(206.4)	—	—	-
Other comprehensive income		—	—	—	0.1	27.2	—	4
Equity at September 30, 2014	**247,722,490**	**2.5**	**—**	**1,827.9**	**(728.6)**	**20.5**	**(272.5)**	**4**

The accompanying notes form an integral part of these condensed consolidated fina

Altice S.A.

Condensed consolidated statement of cash flows

for the nine months ended September 30, 2014

	Notes	September 30, 2014	September 30, 2013
		(€ in millions)	
Loss for the period		**(344.1)**	**(81.0)**
Adjustments for:			
Depreciation and amortization		646.7	278.0
Share in income of associates		(1.3)	(14.5)
Gains and losses on disposals		—	(4.1)
Gain on step acquisition		(256.3)	—
Expense related to stock options	10	12.4	—
Other non-cash operating gains and losses		(4.4)	6.5
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**52.9**	**184.9**
Finance costs, net		845.1	158.2
Income tax expense recognised in profit and loss		50.5	27.5
Income tax paid		(38.3)	(4.8)
Changes in working capital		51.4	(77.0)
Net cash provided by operating activities		**961.6**	**288.8**
Purchases of tangible and intangible assets		(533.9)	(184.1)
Proceeds from disposal of assets		4.7	1.9
Acquisitions of available for sale financial assets		—	(18.3)
Increase in loans and other non-current financial assets			7.4
Increase of restricted cash	4	(11,908.7)	(0.6)
Transactions with non-controlling interests	2	(133.7)	(105.0)
Net payments on acquisition of subsidiaries	2	(1,525.9)	(203.5)
Net cash used in investing activities		**(14,097.5)**	**(502.2)**
Net proceeds from issuance of shares	5	1,636.8	—
Shareholder contribution		—	1.8
Proceeds from debt issuance	8	15,928.6	1,021.9
Repayment of debt	8	(3,208.9)	(546.4)
Distribution to holders of hybrid instruments		(190.0)	(212.5)
Interest paid		(552.9)	(119.4)
Net cash provided by financing activities		**13,613.7**	**145.4**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.7	—
Net increase in cash and cash equivalents		**478.5**	**(67.9)**
Cash and cash equivalents at the beginning of the period		61.6	129.8
Cash and cash equivalents at the end of the period		**540.1**	**61.9**
Cash and cash equivalent		*540.7*	*61.9*
Bank overdraft		*(0.6)*	—

The accompanying notes form an integral part of these financial statements

Note 1—Nature of the business, basis of preparation and accounting policies

Nature of the business

Altice S.A. (the ''Company'') is a public limited liability company (*Société Anonyme*) incorporated in the Grand Duchy of Luxembourg on January 3, 2014 and whose head office is in Luxembourg. Upon admission of the Company's shares on Euronext Amsterdam on January 31, 2014, the Company received the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice France S.A. and Altice International S.à r.l.. Altice France S.A. is hereafter referred to as ''Altice France'' and Altice International S.à r.l. and its subsidiaries are hereafter referred to as ''Altice International'' or ''Altice International Group''.

Altice France

Altice France holds shares in Numericable Group (''NG''), a French group listed on Euronext Paris. NG is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. It also provides French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

In addition to the Business to Consumer (''B2C'') services described above; NG, through its main operational subsidiary, Completel S.A.S., operates the largest alternative fiber-to-the-office (''FTTO''), network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel S.A.S. provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, and convergence and mobility solutions, through fiber and DSL networks.

Altice International

Altice International offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Most of Altice International's operating subsidiaries operate Docsis 3.1-enabled networks. Where possible, Altice International Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and create a common knowledge base for best practices. . In addition, the Altice International Group companies aim at sharing skills and best practices across their various operations.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Altice International Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice International Group also offers broadband Internet access services and fixed-line telephony in all of its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories, Dominican Republic, Israel) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

Altice International's operational entities operate in the following geographies listed below. When possible, Altice International tries to achieve convergence and integration between existing cable and mobile networks.

- Israel (Cable and mobile)
- Dominican Republic (Cable and mobile)
- French Overseas Territories (Cable and mobile)
- Portugal (Cable)

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

- Belgium and Luxembourg (Cable and mobile through MVNO)
- Others (mainly cable-based operations and datacenter in Switzerland, content companies and holding activities)

Basis of presentation

The condensed consolidated financial statements of the Company as of and for the three and nine months ended September 30, 2014 have been prepared in accordance with International Accounting Standard (''IAS'') No. 34 ''Interim Financial Reporting''. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2013 which have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (''IFRS'').

As Altice France and Altice International, before being contributed to Altice S.A. on January 31, 2014, were and remained entities under common control (controlled by Patrick Drahi through Next L.P.), the contribution transactions do not constitute acquisitions within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction using the book values, and the condensed consolidated financial statements disclose the amounts as if the contribution of the equity securities of Altice France and Altice International had occurred before January 1, 2010. For this reason, the financial information presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice France and Altice International, which formed two separate groups as of December 31, 2013.

Comparative information

The comparative information for the nine and three month periods ended September 30, 2013 has been restated to reflect the impact of the purchase price allocation of the assets of ONI S.G.P.S (''ONI'') acquired on August 8, 2013. As per the provisions of IFRS 3:49, the impact of the recognition of the identifiable tangible and intangible assets of ONI at their fair value was restated for the nine and three month period ended September 30, 2013. The total impact on depreciation and amortisation was €0.4 million (€0.3 million net of deferred tax impact). The loss for the period was impacted by the same amount.

In addition to the restatement described above, staff costs and employee benefits were reclassified to match the presentation adopted for the three and nine months ended September 30, 2014. Such costs amounted to €57.7million for technical and maintenance and customer service staff and €24.0 million for marketing staff costs and have been reclassified from the lines ''other operating expenses'' and ''other sales and marketing expenses'' to ''staff costs and employee benefit expenses''.

Accounting policies

The condensed consolidated financial statements have been prepared on an historical cost basis, except for (i) available-for-sale financial assets, (ii) derivative financial instruments which are measured at market value and (iii) inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the condensed consolidated financial statements are similar to those described in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2013, except for the election of hedge accounting for certain derivatives.

There were no other significant effects on the condensed consolidated financial statements as a result of the adoption of any of the below mentioned standards or interpretations.

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

New standards applied for the first time in the current period

For the period ended September 30, 2014, the Company has applied the following amendments to IAS standards, made compulsory for annual periods beginning on or after January 1, 2014.

- Amendments to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting:

  Under the revised standard, the novation of a hedging instrument should not be considered as an expiration or termination giving rise to the discontinuation of hedge accounting when a hedging derivative is novated. This amendment has no impact on the condensed consolidated financial statements of the Company.

- Amendments to IAS 36—Recoverable Amount Disclosures:

  The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

  This amendment has no impact on the condensed consolidated financial statements of the Company.

- IFRIC 21—Levies

  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The impacts on the condensed consolidated financial statements of the Company are currently being assessed by the management of different operating companies of the Group and by the senior management of the Group.

- Draft position paper on IAS 19 on the subject of the existence of a deep market for corporate bonds in Israel

  On September 1, 2014, the Securities Authority of Israel published a draft position paper (the ''draft position'') in accordance with which a deep market exists in Israel for high quality Shekel denoted corporate bonds. In accordance with the said draft position, commitments in respect of post-employment employee benefits as well as commitments in respect of other long-term benefits are to be discounted using a discount rate that is derived from corporate bonds, instead of discounting them at a discount rate that is derived from government bonds, which will lead to the increasing of the discount rate and the reduction of the commitments. In accordance with the draft position, this change is to be reflected by way of a change in an estimate.

  The Company is examining the possible impact of the standard on the annual financial statements for the year 2014.

Significant accounting judgments and estimates used in the preparation of the financial statements

Judgments

In the process of applying the significant accounting policies, the Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the condensed consolidated financial statements.

Estimates and assumptions

The preparation of the condensed consolidated financial statements requires the Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (herein after referred to as ''CGU'' or ''CGUs'') to which goodwill has been allocated. The value in use calculation requires the Board of Directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Legal claims

In estimating the likelihood of outcome of legal claims filed against the Group and its investees, the group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ significantly from these estimates.

Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

Deferred tax assets

Deferred tax assets relate primarily to tax losses carried forward and to deductible temporary differences between reported amounts and the tax basis of assets and liabilities. The assets relating to the tax losses carried forward are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax losses carried forward relies on significant judgment. The Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax losses carried forward.

Hedge accounting

As outlined in note 19 to the consolidated financial statements of the Company for the year ended December 31, 2013, the Company has implemented a policy for managing risks related to their investments, assets and liabilities. As part of its activities, the Company and its subsidiaries regularly issue debt in currencies other than their functional currencies. In order to manage the interest or foreign exchange rate risk associated with such instruments, the Company makes use of various derivative financial instruments designed to mitigate such risk.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

The effective portion of changes in the fair value of a derivative that is designated and that qualifies as a cash flow hedge is recorded in other comprehensive income. Amounts deferred in other comprehensive income are recorded in the consolidated statement of income in the periods when the hedged item is recognized in the consolidated statement of income and within the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized directly in the consolidated statement of income.

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised. The cumulated unrealized gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss, which had been recognized in equity, is reported immediately in the consolidated statement of income.

For instruments not accounted for as cash flow hedges, gains or losses arising from changes in fair value of derivatives and gains or losses realized upon settlement of derivatives are recognized in the condensed consolidated statement of income.

Note 2—Main changes in the scope of consolidation

2.1 France

<u>**Numericable Group S.A. (''NG'')**</u>

On February 3, 2014, the Group, through its direct subsidiary, Altice France S.A., completed the acquisition of a 10% stake in Numericable Group S.A. (herein after referred to as ''NG''), the leading cable operator in France. Prior to the acquisition of the 10% stake, the Group owned a 30% stake in NG (including 2.6% related to options provided by other shareholders). The acquisition of the additional 10% stake triggered a change in control of NG, with the Group becoming able to nominate 5 out of 10 board (the ''Board'') members of NG, as well as the Chairman of the Board, who casts a vote in the event of a tie.

Since February 3, 2014, NG contributed €880.6 million to the Group revenue and €157.8 million to the Group operating profit for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for 10% of the shares of the acquired entity amounted to €317.0 million on a cash-free, debt-free basis. Additionally, in accordance with the share purchase agreement, the Group paid an earnout to the vendors amounting to €42.1 million, bringing the total consideration transferred to €359.1 million.

The fair value of the asset acquired at the date of acquisition was provisionally determined as follows:

Book value of investment in associate (prior to change in control):	€679.1 million
Variation in investment in associates until February 3, 2014:	€1.3 million
Gain on step acquisition (resulting from change in control):	€256.3 million
Non-controlling interests (Post preliminary re-evaluation of tangible and intangible assets):	€372.8 million
Total consideration for acquisition of additional shares (including earnout):	€359.1 million
Fair value of NG at acquisition:	€1,668.4 million

The provisional value of assets transferred in consideration for the values mentioned above amounted to €2,933.8 million, comprised mainly of intangible assets for a net value of €559.8 million, property, plant and equipment for a total value of €1,468.7 million, financial assets for a total value of €11.3 million and trade and other receivables for a total amount of €519.1 million. Total liabilities amounted to €3,822.9 million, comprised of €2,983.6 million of non-current liabilities and €839.3 million of current liabilities.

The values of the assets and liabilities assumed were initially determined on a provisional basis as being equivalent to the book values in the accounting records of Numericable Group S.A.

As per the provisions of IFRS 3:19, the Company has allocated the proportional share of the acquiree's identifiable net assets to non-controlling interests.

Note 2—Main changes in the scope of consolidation (Continued)

For the period ended September 30, 2014, of the assets identified for re-evaluation at acquisition, the Company has completed a preliminary evaluation of the identifiable assets of the target. As per the requirements of IFRS 3:45 and 3:46, the Company has recognised the following tangible and intangible assets at their fair value:

Property, plant and equipment: a preliminary report prepared by an independent technical expert has determined that the fair value of the fixed cable and network infrastructure owned and operated by NG is greater than the book value at acquisition. The expert used the replacement cost method to calculate the fair value of NG's tangible assets, based on inputs from management and NG's own technical teams. As of September 30, 2014, an additional €150.0 million (before impact of deferred taxes) was allocated on a preliminary basis to the property, plant and equipment of NG. As the evaluation work has not yet been completed, this value is still subject to change.

Client relationships: €257.2 million (€168.7 million net of deferred tax), recognised on a preliminary basis and allocated amongst the operating segment of the target. The average useful life of the assets was determined based on specific reporting segments of the target and are summarised below. A total amortisation expense of €36.3 million was recognised for the nine month period ended September 30, 2014.

The preliminary fair value of client relationships was identified for each operating segment of the target, using the following parameters:

Parameters	B2C	B2B	Wholesale
EBIT margin rate	24.2%	10.9%	41.4%
Client attrition rate	19.1%	22.3%	28.5%
Discount rate	6.7%	6.7%	6.7%
Customer acquisition growth rate	2%	2%	2%
Average useful life (years)	*5.25*	*4.50*	*3.50*

All parameters used above were determined by the Board of Directors. As the purchase price allocation work is still on-going, these assumptions are subject to change.

Goodwill has been provisionally recognised as a result of the acquisition as follows:

Fair value at acquisition	€1,668.4 million
Fair value of identifiable assets, liabilities and contingent liabilities	€(889.0) million
Goodwill	€2,557.4 million

The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within the measurement period as defined by IFRS 3:45 and IFRS 3:46.

2.2 Dominican Republic

Tricom S.A. and Global Interlinks Limited (“Tricom” and “GLX”, respectively)

On March 12, 2014, the Group, through its indirect subsidiary, Altice Dominican Republic, completed the acquisition of an approximately 97.2% stake in Tricom, a cable and mobile operator with a 4G license based in the Dominican Republic, and of GLX, the owner of a submarine cable, which it uses to sell data and voice transmission services to other operators based in the region (including Tricom). Through this acquisition, the Group expects to consolidate and expand its cable operations in the Caribbean Islands and explore synergies through the vertical integration of its operations in the region and synergies with other operations in the region.

Since March 12, 2014, Tricom and GLX contributed €82.0 million in revenue and €14.1 million in operating profit to the Group's result for the nine months ended September 30, 2014.

Note 2—Main changes in the scope of consolidation (Continued)

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of the acquired entities amounted to €299.2 million on a cash-free, debt-free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €214.8 million, comprising mainly intangible assets for a net value of €4.4 million, property, plant and equipment for a total value of €133.2 million and trade and other receivables for a total amount of €67.3 million. Total liabilities amounted to €82.7 million, comprising €40.8 million of non-current liabilities and €41.9 million of current liabilities. Additionally, adjustments related to the conversion of the opening balance from US GAAP to IFRS standard led to an increase in fixed assets of €2.8 million, thus increasing the net value of assets transferred to €134.9 million. The residual value of €164.3 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Tricom and GLX. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Altice Hispaniola (''ODO'' or ''Orange Dominicana S.A.'')

On April 9, 2014, the Group, through its direct subsidiary Altice International S.à r.l., completed the acquisition of a 97.2% stake in ODO, the leading mobile operator in the Dominican Republic. ODO operates a high end, 4G-enabled mobile network in the Dominican Republic covering up to 86% of the territory of the Dominican Republic.

Through this acquisition, the Group expects to further consolidate and expand its operations in the Caribbean Islands. This transaction complements the acquisition of Tricom and GLX mentioned above and completes the formation of an integrated telecom group in the Dominican Republic.

Since April 9, 2014, ODO contributed €218.6 million to the Group revenue and €62.7 million to the Group operating profit for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of the acquired entity amounted to €1,034.0 million on a cash free, debt free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €437.9 million, comprising mainly intangible assets for a net value of €34.8 million, property, plant and equipment for a total value of €229.0 million and trade and other receivables for a total amount of €113.5 million. Total liabilities amounted to €103.7 million, comprising €8.7 million of non-current liabilities and €94.1 million of current liabilities.

In addition to the assets transferred and as part of the provisionally purchase price allocation, two additional assets were identified being the capitalisation of subscriber acquisition costs and the intangible asset corresponding to the value of the Orange brand. Subscriber acquisition costs were capitalised as part of the alignment of accounting principles of ODO with Altice Group policies. The net book value of such assets was ascertained to be €2.7 million as at the date of acquisition. The right for the continued use of the Orange brand was valued on a preliminary basis at €19.9 million. This value is subject to revision, following the finalisation of the purchase price allocation for ODO.

As part of the purchase agreement, the vendor agreed to finance the acquisition of a spectrum license to provide 3G services in the Dominican Republic using ODO's existing network. The price of this license was adjusted when calculating the purchase price. The total amount due for the license amounted to €20.8 million ($ 28.5 million). This investment is recorded as capital investment in the accounts of

Note 2—Main changes in the scope of consolidation (Continued)

Orange Dominicana as of September 30, 2014, however, it relates to an investment that was not paid for by the Group.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of ODO. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been provisionally recognised as a result of the acquisitions (including Tricom and GLX) as follows:

Total consideration transferred	€1,333.2 million
Fair value of identifiable assets, liabilities and contingent liabilities	€491.7 million
Goodwill	€841.5 million

2.3 French Overseas Territories (“FOT”)

Mobius S.A.S. (“Mobius”)

On January 15, 2014, the Company, through its subsidiary, Altice Blue Two S.A.S., obtained control over Mobius, a telecommunications operator in the French Overseas Territories (specifically, La Reunion), by acquiring 99.9% of the shares and voting interests in the company. This acquisition enables the Group to further expand and consolidate its footprint in the French Overseas Territories.

Since January 1, 2014, Mobius contributed €13.2 million to revenue and €1.0 million to the Group operating profit for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

- Total consideration paid to the vendors for the shares of the acquired entity amounted to €18.8 million on a cash-free, debt-free basis.
- The total value of assets transferred in consideration for the values mentioned above amounted to €14.8 million, comprising mainly intangible assets for a net value of €7.1 million, property, plant and equipment for a total value of €1.2 million, financial assets for a total value of €3.2 million and trade and other receivables for a total amount of €2.9 million. Total liabilities amounted to €13.8 million, comprising €5.1 million of non-current liabilities and €8.7 million of current liabilities. The residual value of €17.8 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Mobius. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	€18.8 million
Fair value of identifiable assets and liabilities	€1.0 million
Goodwill	€17.8 million

Note 2—Main changes in the scope of consolidation (Continued)

Profit and loss before acquisition by the Group

The profit and loss of those new subsidiaries not consolidated from January 1, 2014, for the period from January 1, 2014 to the date of their entry into the Group's accounts is given below:

	NG	Tricom	ODO
	(in € millions)		
Revenues	108.5	38.7	108.8
Purchases and subcontracting services	(51.7)	(11.1)	(27.4)
Gross Profit	**56.8**	**27.6**	**81.4**
Other operating expenses	1.5	(4.2)	(10.3)
General and administrative expenses	—	(1.7)	(6.7)
Other sales and marketing expenses	—	(2.2)	(19.0)
Staff costs and employee benefits	(14.0)	(5.3)	—
Operating profit before depreciation and amortization	**44.3**	**14.1**	**45.5**
Depreciation and amortization	(25.6)	(5.1)	(15.3)
Management fees	—	(0.8)	(2.9)
Operating profit	**18.8**	**8.2**	**27.4**
Profit for the period	**4.6**	**5.4**	**19.3**

2.4 Acquisition of additional non-controlling interests in Numericable Group S.A.

On June 6, 2014, the Group, through its wholly-owned subsidiary, Altice France S.A., exercised a call option it held on shares in NG. These shares represented 2.6% of the share capital of NG, totalling 3,247,612 shares.

The shares were repurchased at an agreed price of €37.39 per share, thus bringing the total consideration paid to €121.7 million. The acquisition was financed through an increase in the existing margin loan facility at Altice France S.A. (which was fully repaid on July 4, 2014). Subsequent to this transaction, the Group held a 40% stake in NG.

On July 24, 2014, Altice S.A. completed the acquisition of an additional 34.6% stake in NG from its two largest minority shareholders in NG, Cinven and Carlyle. As part of this acquisition, the purchase of 20.6% of the shares was financed via a share swap, in which Cinven and Carlyle received 24,751,873 new shares in Altice S.A. in exchange for 25,517,396 shares in NG. The remainder of the acquisition price will be settled in cash (raised during the capital increase of June 24, 2014) upon the closing of the SFR acquisition but before January 31, 2015. As of September 30, 2014, a liability of €529.0 million has been recorded in the condensed consolidated statement of financial position, under the caption, ''other current liabilities'' (See note 8.3). Subsequently, Altice S.A. transferred these shares to its fully owned subsidiary, Altice France S.A. As a result of this operation, Altice France S.A. now owns 74.6% of the share capital of NG, with the rest of the capital representing the free float portion of NG's share capital.

2.5 Acquisition of non-controlling interests—Altice Blue Two S.A.S. ("ABT")

As per the agreement signed on March 13, 2014, the managers of Outremer Telecom (''OMT'') contributed a 17.5% stake held directly in ABT and all their shares held in OMT Ocean 3 S.A.S. (an investment vehicle held by certain members of OMT's senior management and holding a 5.4% stake in ABT), for a base value of €55.2 million, against new shares issued by Altice representing 0.1% of Altice shares. Note that the consideration for the contributed stake is subject to adjustment from two separate earn-out clauses applicable upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Note 3—Goodwill

Goodwill is reviewed for impairment at each CGU level, annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested for impairment at the CGU level as of December 31. CGUs were at the time determined to coincide with subsidiaries of the Company.

For the nine months period ended September 30, 2014, the Management has decided to reorganize the way the cash generating units (CGUs) are presented, in order to be consistent with the structuring process that the Group has undergone in its different jurisdictions and that is aligning to the way management operates the different segments of the Group (see note 9). To this end, CGUs will now reflect specific geographic areas in which one or several legal structures can be found (eg. Cabovisao and ONI will form Portugal, Tricom/GLX and ODO, Dominican Republic). Historically, each CGU was presented as a standalone legal entity, as the Group had only one operating entity per geography. The rapid expansion of the Group and the push to achieve synergies between fixed, cable and mobile networks in its relevant operating geographies prompted Management to acquire new structures in the regions where it was already operating. Management believes that combining individual acquired entities is the most economic method of capturing synergies between new, complementary businesses in each operational region. This is underlined by the technical synergies between the different networks, the fact that the teams are now integrated and as a result of the bundle offers to the client. An illustrative example is the integration of support functions in the French Overseas Territories (between OMT and Le Cable; together ''FOT''), in Portugal with Cabovisao and ONI and the on-going restructuring of the Dominican entities, in order to have a single, functional support team in the finance, marketing and technical departments. In addition to this, contracts with service providers are negotiated by one entity for the relevant geographies thus providing better purchasing power for the CGU as a whole. Moreover, internal tracking and monthly financial and operation reviews performed by Management are based on specific geographies and not on individual companies, thus the new presentation provides an accurate vision of how Management tracks and runs its businesses internally.

The recoverable amounts of the CGUs are determined based on their value in use. The Company determined value in use for the purpose of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the EBIT margin, the terminal growth rate and the churn rate during the period.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

The Management has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable and therefore no updated impairment

Note 3—Goodwill (Continued)

model analysis has been carried out nor any impairment recorded for the period ended September 30, 2014.

	December 31, 2013	Business combinations	Variations	Impairment losses	Changes in foreign currency translation	Disposals	September 30, 2014
			(in millions of euros)				
France	—	2,557.4	1.3	—	—	—	2,558.7
Dominican Republic	—	841.5	—	—	75.9	—	917.4
Israel	620.3	—	—	—	17.1	—	637.4
FOT	293.9	17.8	—	—	—	—	311.7
Belux	295.4	—	—	—	—	—	295.4
Switzerland	17.8	0.5	—	—	—	—	18.3
Portugal	1.3	—	—	—	—	—	1.3
Total Gross Value	**1,228.7**	**3,417.2**	1.3	—	**93.0**	**—**	**4,740.1**
France	—	—	—	—	—	—	—
Dominican Republic	—	—	—	—	—	—	—
Israel	(128.0)	—	—	—	(3.5)	—	(131.5)
FOT	—	—	—	—	—	—	—
Belux	—	—	—	—	—	—	—
Switzerland	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—
Total Cumulative impairment	**(128.0)**	**—**	**—**	**—**	**(3.5)**	**—**	**(131.5)**
France	—	2,557.4	1.3	—	—	—	2,558.7
Dominican Republic	—	841.5	—	—	75.9	—	917.4
Israel	492.3	—	—	—	13.6	—	505.9
FOT	293.9	17.8	—	—	—	—	311.7
Belux	295.4	—	—	—	—	—	295.4
Switzerland	17.8	0.5	—	—	—	—	18.3
Portugal	1.3	—	—	—	—	—	1.3
Total Net book value	**1,100.7**	**3,417.2**	1.3	—	**89.5**	**—**	**4,608.6**

Note 4—Restricted cash

The main changes in restricted cash for the period are shown below:

	December 31, 2013	Additions (cash in escrow)	Use of restricted cash	September 30, 2014
		(in million of euros)		
Altice S.A.	—	4,371.3	—	4,371.3
Altice Finco S.A.	290.1	—	(290.1)	—
Altice Financing S.A.	952.7	—	(952.7)	—
Numericable Group S.A.	—	9,509.1	—	9,509.1
Total Value	**1,242.8**	**13,880.4**	**(1,242.8)**	**13,880.4**

The restricted cash at period end is composed of the proceeds of the issuance of borrowings described in note 8. In order to finance the acquisition of SFR, the Company and NG issued debt in the form of Senior Secured Notes and term loans. The issuance of these borrowings was completed on May 8, 2014 and the proceeds from such issuance were deposited in an escrow account awaiting approval of the

Note 4—Restricted cash (Continued)

SFR transaction by the regulatory authorities. As mentioned in note 2, the cash consideration due to Vivendi for the sale and transfer is set at €13,500 million (not taking into account certain contractual adjustments).

The Company has entered into a FX forward trade with a financial institution in order to secure future cash flows from the dollar portion of the bond, currently held on an escrow account. As per the terms of the contract, at a given execution date, the Company will receive €2,052.3 million (net of the swap credit charge) in exchange for the $ 2,834.7 million (net of OID and transaction fees) held in escrow (at a forward rate of 1.38097).

The acquisition of SFR (see note 18) will be financed using cash currently held in escrow at NG level and the Company level as follows:

- Cash held in escrow at NG—€8,770 million;
- Rights issue subscribed by Altice France—€3,528 million; and
- Rights issue subscribed by public/free float—€1,202 million.

The remaining cash will be used to pay transaction fees associated with the debt issuance and acquisition amounting to €285.3 million.

The restricted cash held at December 31, 2013 has been used to fund acquisitions in the Dominican Republic, as described in note 2.

Note 5—Issued capital and share premium

5.1 Issued capital

As of September 30, 2014, the authorised share capital is €5 million of ordinary shares and a maximum of €20,000,000 of Class B shares.

As of September 30, 2014, total issued capital of the Company amounts to €2.5 million, and is composed of 247,722,490 outstanding ordinary shares, with a nominal value of €0.01 each.

The share capital at incorporation amounted to €0.03 million and was increased through successive capital increases.

On January 31, 2014, the Group successfully completed its initial public offering (''IPO'') on the Euronext Stock Exchange based in Amsterdam. As part of this offering, the Group raised €750 million through the issuance of 26,548,673 new shares to investors at a price of €28.25 per share.

The fees incurred in connection with the issuance of additional equity instruments have been recognized in equity for a total of €29.7 million, while the fees linked to the placement of existing shares have been recognized in profit and loss under ''Restructuring, non-recurring costs and other expenses'' (See note 12).

On June 27, 2014, the Company issued an additional 17,935,575 shares in a private placement at a nominal value of €0.01 for an amount of €910.9 million. Part of this share issuance will be used to finance the acquisition of an additional stake of 14.0% shares in the NG (See note 2.4).

On July 24, 2014, the Company issued an additional 24,751,873 ordinary shares as part of the acquisition of an additional stake in the NG. The Company acquired 20.6% of NG from the two largest minority shareholders via its fully owned subsidiary, Altice France S.A., in exchange for 25,517,396 shares in NG (See note 2.4).

Note 5—Issued capital and share premium (Continued)

5.2 Additional Paid in Capital

Total paid-in capital of the Group amounted to €1,827.9 million and results from:

	September 30, 2014
	(in millions of euros)
Contribution in kind—shareholders debt	557.4
Proceeds from primary offering	720.0
Contribution in kind—Valemi vendor note	6.7
Contribution in kind—Mobius	4.6
Contribution in kind—FOT Minorities	55.2
Transactions with non-controlling shareholders of NG	(430.8)
Share issuance under management investment plan	4.2
Proceeds from private placement	910.9
Total	**1,827.9**

A restructuring of the shareholder debts held by Next L.P. against Altice International and Altice France was carried out before the IPO. As a result of this restructuring, the shareholder debts were contributed by Next L.P. to Altice S.A. in exchange for new shares issued by the Company.

The remaining increase in the additional paid in capital is mainly due to proceeds of the IPO in January 2014 and the issuance of new shares in June and July 2014 described in note 5.1 for which the proceeds will be mainly used for purchase of additional shares in NG.

Note 6—Earnings per share

	Nine months ended September 30, 2014	Nine months ended September 30, 2013 (restated)(*)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)(*)
	(in € millions except as stated otherwise)			
Earnings				
Earnings for the period	(206.4)	(75.0)	(242.7)	(69.2)
Basic earnings per share (in €)	*(1.05)*	*(0.38)*	*(1.01)*	*(0.35)*
Number of shares				
Weighted average number of ordinary shares for basic EPS	196.3	196.3	241.5	196.3
Effect of dilutive potential ordinary shares:				
Stock options and management investment plan	10.0	10.0	10.0	10.0
Weighted average number of ordinary shares for the purposes of diluted EPS	**206.3**	**206.3**	**251.5**	**206.3**
Diluted earnings per share (in €)	*(1.00)*	*(0.36)*	*(0.96)*	*(0.34)*

(*) The number of shares for the three and nine month periods ended September 30, 2013 corresponds to the weighted average number of ordinary shares for the nine months ended September 30, 2014 given the Company didn't exist in the prior year to enable comparatives between the different periods.

Note 7—Other reserves

As for the nine month period ended September 30, 2014, other reserves were mainly comprised of the fair value of the cash flow hedges that were put in place by the Company in the second quarter of 2014. See note 8.3 for more details.

Note 8—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	September 30, 2014	December 31, 2013
	(in millions of euros)	
Borrowings	20,164.2	3,741.0
Loans from related parties	—	100.7
Finance leases	31.0	23.4
Other financial liabilities	134.2	105.9
Financial instruments	482.8	142.3
Non-current liabilities	**20,812.1**	**4,113.3**
Borrowings:	282.8	59.7
—Loans from financial institutions and bonds	*89.6*	*26.4*
—Bank overdraft	*0.6*	—
—Accrued interest	*192.6*	*33.3*
Other current liabilities:	583.4	15.9
—Other financial liabilities	*548.1*	*4.5*
—Finance leases	*35.3*	*11.4*
Current liabilities	**866.2**	**75.6**
Total	**21,678.3**	**4,188.9**

8.1 Borrowings

Borrowings are composed of loans from financial institutions and bonds. As at September 30, 2014, the details of the loans from financial institutions and bonds are given in the sections that follow.

The maturities of borrowings are given below:

	September 30, 2014	< 1 year	One year or more	December 31, 2013
		(in millions of euros)		
Bonds	15,381.2	27.1	15,354.1	2,554.0
Loans from financial institutions	4,872.6	62.5	4,810.1	1,213.4
Total	**20,253.8**	**89.6**	**20,164.2**	**3,767.4**

As at September 30, 2014 the Group is not in breach of any of its financial covenants.

Note 8—Borrowings and other financial liabilities (Continued)

8.1.1 Bonds

During the period, the Group issued several bonds at the Altice S.A. and NG level in connection with the acquisition of SFR, the closing of which being expected to occur by the end of year 2104. The proceeds are held on escrow accounts until approval of the transaction, see note 4.

Issuer	Fair value in millions of euros September 30, 2014	Coupon	Year of maturity	Carrying amount September 30, 2014	Carrying amount December 31, 2013
—Debentures	289.9	Between 3.9% and 6.9% + Consumer Price Index	2018	261.3	280.1
—Senior Secured Notes USD 2,900 M	2,368.2	7.75%	2022	2,249.7	—
—Senior Secured Notes EUR 2,075M	2,147.6	7.25%	2022	2,029.1	—
—Senior Secured Notes USD 460 M	389.3	7.875%	2019	350.8	305.1
—Senior Secured Notes EUR 210M	227.9	8.00%	2019	202.9	201.8
—Senior Secured Notes EUR 300M	316.5	6.5%	2022	290.9	292.8
—Senior Secured Notes USD 900M	726.9	6.5%	2022	698.4	637.3
—Senior Notes USD 425M	378.6	9.875%	2020	337.4	309.1
—Senior Notes EUR 250M	282.8	9.00%	2023	245.6	245.3
—Senior Notes USD 400M	335.7	8.125%	2024	309.0	282.5
—Senior Secured Notes USD 2,400M	1,867.1	4.875%	2019	1,900.0	—
—Senior Secured Notes USD 4,000M	3,175.2	6.000%	2022	3,167.0	—
—Senior Secured Notes USD 1,375M	1,083.3	6.250%	2024	1,089.0	—
—Senior Secured Notes EUR 1,000M	1,033.8	5.375%	2022	1,000.0	—
—Senior Secured Notes EUR 1,250M	1,289.1	5.625%	2024	1,250.0	—
Total value of bonds	**15,912.0**			**15,381.2**	**2,554.0**
Of which due within one year	*27.1*			*27.1*	*26.8*
Of which due after one year	15,884.9			15,354.1	2,527.2

8.1.2 Loans

The increase in the borrowings from financial institutions is mainly explained by the issuance of new term loans for NG, as part of the financing package raised to consummate the SFR transaction and also to refinance existing debt at NG.

- The total amount of debt issued as of September 30, 2014 amounted to €3,799 million, and was composed of three tranches:
  - A EUR tranche of 1,900 million, with a maturity in May 2020 and bearing interest at Euribor+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging);
  - A first USD tranche of 1,394 million (€1,018 million equivalent as of September 30, 2014) with a maturity in May 2020 and bearing interest at LIBOR+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging);
  - A second USD tranche of 1,206 million (€881 million equivalent as of September 30, 2014) with a maturity in May 2020 and bearing interest at LIBOR+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging).
- On May 21, 2014, NG used this term loan facility to refinance its existing debt for a total amount of €2,750 million, of which €2,638 million related to the principal amount refinanced and €88 million related to breakage fees and €77.0 million related to transaction costs on the new issued debt.
- On July 4, 2014, Altice France fully repaid the margin loan it had issued to acquire a controlling stake in NG in November 2013 and the subsequent purchase of a 2.6% stake from other minority shareholders in NG. The total amount issued in two phases amounted to €456.6 million, of which €323.9 million were issued in November 2013 and an additional tranche of €121.7 issued in June 2014. The total amount reimbursed included accrued interests of €11 million.

Note 8—Borrowings and other financial liabilities (Continued)

8.2 Other financial liabilities

This corresponds mainly to:

- A vendor loan of €529.0 million due to the former minority shareholders of NG, corresponding to the acquisition of an additional 14.6% stake in NG, which was completed on July 24, 2014.
- Deposits provided by clients for customer premises equipment leased for the duration of their subscription period for €45.8 million; and
- Preferred Equity Certificates (''PECs'') for €30 million at the level of Deficom Telecom S.à r.l..

The following movements occurred during the period:

- Cancellation of Altice Blue Two put: The minority shareholders of Altice Blue Two exchanged their shares in Altice Blue Two against common shares in Altice S.A. As a result of this exchange, the put agreement in place at Altice Blue Two was cancelled (considered to be unexercised), leading to the reversal of a debt amounting to €53.2 million;
- Repayment and conversion of vendor notes: Vendor notes held by Altice IV and Valemi Corp were respectively reimbursed and exchanged against common shares of Altice S.A. as part of the IPO, leading to a total decrease in other financial liabilities of €20.7 million;

8.3 Derivative instruments and hedge accounting

On May 8, 2014, the Company and its subsidiary, NG, issued debt to finance the acquisition of the SFR group. A part of this debt was issued in USD, which is different from the functional currency of the entities. In order to mitigate risks arising from the variations in foreign exchange rates (the benefiting operating entities generate cash flows in euros which will be used to service this debt), the Group has entered into cross currency swaps for interest and principal payments in order to secure future cash flows in its functional currency.

As part of this operation, a hedging transaction was implemented to swap the entire amount of the USD tranche into EUR at a fixed exchange rate. Additionally, the fixed coupon on the USD tranche was swapped into a fixed rate to match the swap into EUR. As per the provisions of IAS 39, the Company has decided to apply hedge accounting for the first time to record this hedging transaction.

The Company has decided to designate the instrument as a cash flow hedge. The features of the hedge are given below:

- Hedged item: $ 2,900 million USD bonds bearing interest at a coupon of 7.75%
- Hedging instruments: Cross currency swaps, swapping fixed USD coupon payments into fixed euro payments. The fixed EUR/USD rate was fixed at 1.3827.

The table below summarizes the details of the swap and its novation:

Nominal USD	Nominal EUR	Effective date	Termination date(*)	USD coupon	EUR coupon
Fixed/Fixed cross currency swap					
2,900,000,000	2,097,345,773	08/05/2014	15/05/2019 - 15/05/2022	7.75%	7.07% to 7.43%
7,775,000,000	5,623,000,000	08/05/2014	15/05/2019	From 4.875% to 6.25%	From 4.354% to 5.383%
LIBOR/EURIBOR Interest rate swap					
2,600,000,000	1,880,000,000	08/05/2014	15/05/2019	L+3.75%	E+4.2135% and E+4.2085%

* The swap with one of the counterparties was extended for three years as the counterparty offered favorable conditions for booking an extension. The Company has the option to extend the swaps with other counterparties and may choose to do so in the future.

Note 8—Borrowings and other financial liabilities (Continued)

As part of the SFR debt issuance, NG also entered into hedge transactions with the same counterparties as the Company. The hedges at NG cover both the fixed income debt, which are hedged using cross currency swaps (USD/Fixed to EUR/Fixed) with the same general conditions as that of the Company's transactions. In addition to the cross currency swaps mentioned above, NG has also entered into an interest rate swap that swaps LIBOR indexed debts into Euribor indexed debts. However these debts are not completely covered as the LIBOR indexed debt includes a floor of 0.75% which is not included in the Euribor swap.

Thus, the fair value of the derivative instrument was recorded in other comprehensive income for the nine month and three month periods ended September 30, 2014. Before the impact of taxes, an expense of €456.8 million was recorded as OCI (€305.2 million net of taxes).

8.4 Classification and fair value of financial assets and liabilities

The Group has financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

The financial instruments that are presented in the condensed consolidated statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

As of September 30, 2014, the classification of financial instruments is summarized below:

For the nine month period ended September 30, 2014	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
			(€ in millions)	
Recurring Fair Value Measurements				
Financial assets				
—Wananchi Group	31.9	—	—	31.9
—Partner Communications Co.	7.1	7.1	—	—
—Fiberman S.à r.l.	6.2	—	6.2	—
—Other financial assets at FVTPL	0.2	—	—	0.2
Financial liabilities				
—Other financial liabilities at FVTPL (derivative instruments)	482.8	—	480.8	2.0

Note 8—Borrowings and other financial liabilities (Continued)

For the year ended December 31, 2013	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
		(€ in millions)		
Recurring Fair Value Measurements				
Financial assets				
—Wananchi Group	31.9	—	—	31.9
—Partner Communication Co.	8.4	8.4	—	—
Financial liabilities				
—Other financial liabilities at FVTPL (derivative instruments)	142.3	—	142.3	—

Note 9—Segmental analysis

9.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geographical areas is inalienable to Group strategy of managing its different businesses. It has thus been decided by the senior management to analyse the business across geographies and then by activity. The following geographies have been identified:

- France
- Israel
- Belgium and Luxembourg (''Belux'')
- Portugal
- French Overseas Territories (''FOT'')
- Dominican Republic
- Others (Switzerland, others)

Activities have been split as follows:

- Fixed
- Mobile
- Others (Content/others)

Following the acquisition and full integration of NG and the acquisitions of ODO, Tricom and GLX, two new geographic segments, France and Dominican Republic, corresponding to the sole geographic zones of operation of these new entities, were added to the segmental analysis.

In addition, in the context of the anticipated acquisition and integration of the French mobile operator SFR into the Group, the senior management has decided to amend the presentation of its operational segments, by regrouping Cable and B2B into a single line called 'Fixed', and by maintaining the mobile segment (a significant portion of SFR's activity is mobile based). Other activities such as content, datacenters and holding company operations are classified under others. Such presentation is consistent with the presentation used by the Management of the Group. The presentation was amended for comparative purposes for the three months ended September 30, 2013 and the nine months ended September 30, 2013.

The businesses that the Group owns and operates do not show significant seasonality.

Note 9—Segmental analysis (Continued)

There are few operational transactions between the different segments defined by Management above. Intersegment revenues are considered to be non-material by Management and, hence, not in the scope of regular operational reviews. Intersegment revenues represented less than 0.5% of total revenues for the three and nine month periods ended September 30, 2014 and 2013, respectively.

9.2 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows. The reconciliation to Profit before income tax expenses is presented below in accordance with the requirements of IFRS 8 (operating segments).

	For the nine months ended September 30, 2014							
	France	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
	(in € millions)							
Fixed								
Revenue	880.6	513.1	53.0	140.4	79.8	74.0	23.6	1,764.4
Purchase and subcontracting services	(212.1)	(86.5)	(7.1)	(60.2)	(16.5)	(17.3)	(11.1)	(410.8)
Gross Profit	**668.5**	**426.5**	**45.8**	**80.2**	**63.3**	**56.8**	**12.6**	**1,353.6**
Mobile								
Revenue	—	132.8	1.0	—	97.4	226.5	—	457.8
Purchase and subcontracting services	—	(42.1)	(1.2)	—	(24.4)	(49.2)	—	(116.9)
Gross Profit / (Loss)	**—**	**90.7**	**(0.1)**	**—**	**73.0**	**177.3**	**—**	**340.9**
Others								
Revenue	—	—	—	—	—	—	25.2	25.2
Purchase and subcontracting services	—	—	—	—	—	—	(6.2)	(6.2)
Gross Profit	**—**	**—**	**—**	**—**	**—**	**—**	**19.0**	**19.0**
Total Revenue	**880.6**	**645.9**	**54.0**	**140.4**	**177.2**	**300.5**	**48.9**	**2,247.4**
Total purchase and subcontracting services	**(212.1)**	**(128.7)**	**(8.3)**	**(60.2)**	**(40.9)**	**(66.4)**	**(17.3)**	**(533.9)**
Total Gross Profit	**668.5**	**517.2**	**45.7**	**80.2**	**136.3**	**234.1**	**31.6**	**1,713.5**
(Loss)/profit before income tax expenses	**(262.6)**	**31.9**	**1.0**	**(18.0)**	**24.9**	**76.8**	**(147.5)**	**(293.5)**

Note 9—Segmental analysis (Continued)

	For the three months ended September 30, 2014							
	France	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
	(in € millions)							
Fixed								
Revenue	328.6	172.5	17.5	46.6	27.5	30.4	7.9	630.6
Purchase and subcontracting services	(81.2)	(28.1)	(2.4)	(20.8)	(4.0)	(3.9)	(3.4)	(143.8)
Gross Profit	**247.4**	**144.3**	**15.1**	**25.7**	**23.5**	**26.5**	**4.3**	**486.8**
Mobile								
Revenue	—	46.4	0.3	—	32.0	115.6	—	194.4
Purchase and subcontracting services	—	(16.4)	(0.4)	—	(8.5)	(23.2)	—	(48.5)
Gross Profit / (Loss)	**—**	**30.1**	**(0.1)**	**—**	**23.5**	**92.4**	**—**	**146.0**
Others								
Revenue	—	—	—	—	—	—	7.3	7.3
Purchase and subcontracting services	—	—	—	—	—	—	(1.0)	(1.0)
Gross Profit	**—**	**—**	**—**	**—**	**—**	**—**	**6.3**	**6.3**
Total Revenue	**328.6**	**218.9**	**17.8**	**46.6**	**59.5**	**146.0**	**14.9**	**832.3**
Total purchase and subcontracting services	**(81.2)**	**(44.5)**	**(2.8)**	**(20.8)**	**(12.5)**	**(27.1)**	**(4.5)**	**(193.3)**
Total Gross Profit	**247.4**	**174.4**	**15.0**	**25.7**	**47.0**	**118.9**	**10.6**	**639.0**
(Loss)/profit before income tax expenses	**(93.2)**	**10.6**	**1.8**	**(5.6)**	**7.2**	**42.1**	**(185.7)**	**(222.8)**

	For the nine months ended September 30, 2013 (restated)					
	Israel	Portugal	Belux	FOT	Others	Total
	(In € millions)					
Fixed						
Revenue	527.0	100.9	52.4	37.1	25.5	743.2
Purchase and subcontracting services	(101.6)	(36.4)	(8.5)	(8.7)	(12.5)	(167.7)
Gross Profit	**425.4**	**64.5**	**43.9**	**28.4**	**13.0**	**575.5**
Mobile						
Revenue	142.4	—	0.8	32.7	—	175.9
Purchase and subcontracting services	(82.8)		(0.7)	(10.3)		(93.8)
Gross Profit	**59.6**	**—**	**0.1**	**22.4**	**—**	**82.1**
Others						
Revenue	—	—	—	—	9.3	9.3
Purchase and subcontracting services	—	—	—	—	(0.7)	(0.7)
Gross Profit	**—**	**—**	**—**	**—**	**8.6**	**8.6**
Total Revenue	**669.4**	**100.9**	**53.2**	**69.8**	**35.1**	**928.4**
Total Purchase and subcontracting services	**(184.4)**	**(36.4)**	**(9.2)**	**(19.0)**	**(13.2)**	**(262.2)**
Total Gross Profit	**485.0**	**64.5**	**44.0**	**50.8**	**21.9**	**666.2**
(Loss)/profit before income tax expenses	**26.9**	**(19.1)**	**8.4**	**1.2**	**(70.9)**	**(53.5)**

Note 9—Segmental analysis (Continued)

	For the three months ended September 30, 2013 (restated)					
	Israel	Portugal	Belux	FOT	Others	Total
			(In € millions)			
Fixed						
Revenue	177.7	44.0	17.3	24.6	8.3	271.9
Purchase and subcontracting services	(32.6)	(18.7)	(3.2)	(6.9)	(3.7)	(65.1)
Gross Profit	**145.1**	**25.3**	**14.0**	**17.7**	**4.6**	**206.8**
Mobile						
Revenue	47.9	—	0.3	32.7	—	80.9
Purchase and subcontracting services	(27.4)		(0.2)	(10.3)		(37.9)
Gross Profit	**20.5**	**—**	**0.1**	**22.4**	**—**	**43.0**
Others						
Revenue	—	—	—	—	3.0	3.0
Purchase and subcontracting services	—	—	—	—	(0.3)	(0.3)
Gross Profit	**—**	**—**	**—**	**—**	**2.7**	**2.7**
Total Revenue	**225.6**	**44.0**	**17.6**	**57.3**	**11.3**	**355.8**
Total Purchase and subcontracting services	**(60.0)**	**(18.7)**	**(3.4)**	**(17.2)**	**(4.0)**	**(103.3)**
Total Gross Profit	**165.6**	**25.3**	**14.1**	**40.1**	**7.4**	**252.6**
(Loss)/profit before income tax expenses	**7.3**	**(11.5)**	**1.4**	**0.9**	**(53.6)**	**(55.4)**

9.3 Definition of EBITDA

In view of the future integration of SFR, the Company has decided to define the 'Earnings before interest, taxes, depreciation and amortization', or EBITDA metric, which is a non-GAAP measure that the Company considers to be an important indicator of its cash generating ability and overall profitability. EBITDA also excludes non-recurring costs related to restructuring, non-recurring costs, management fees and other expenses of a non-cash nature or that the Board of Directors considers to be non-relevant to its regular operating activities. A reconciliation between operating profit before depreciation and amortization is presented below in this note.

Reconciliation between operating profit before depreciation and amortisation, management fees, restructuring non-recurring costs and other expenses and EBITDA (In € millions) for the nine months ended September 30, 2014

	France	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories	Dominican Republic	Others	Total
Operating profit before depreciation, amortization, management fees, restructuring non-recurring costs and other expenses	**407.8**	**315.0**	**36.7**	**44.3**	**73.9**	**145.0**	**(2.9)**	**1,019.8**
Expenses related to stock option plan	3.4	—	—	—	—	—	9.0	**12.4**
French value added tax	7.9	—	—	—	—	—	—	**7.9**
Other adjustments	3.4	—	—	—	—	—	—	**3.4**
EBITDA	**422.5**	**315.0**	**36.7**	**44.3**	**73.9**	**145.0**	**6.1**	**1,043.5**

Note 10—Equity based compensation

As part of the listing process, the Group adopted a new remuneration policy and company stock options were issued to executive directors and some senior management of the Group. The expenses associated with the issuance of these stock options were calculated and recorded in accordance with 'IFRS 2—Share Based Payments' for the first time during the period ended September 30, 2014.

The options were valued using the Black and Scholes model, considering the modalities of the options as described in the articles and bylaws of the Company. The Company reserved the right to grant options of up to €250 million upon admission, of which €220.85 million were granted at IPO under the conditions listed below, as well as further options for an aggregate amount of €100 million for new hires and to promote employees and officers. Additional options worth €20 million were granted to a member of the management team with conditions at admission different to those described below.

These options will vest in two tranche as follows, a €10 million tranche of ordinary shares on the first anniversary following the settlement date of the Offering and a second tranche of €10 million of ordinary shares on the second anniversary following the settlement date of the Offering and each time at the then prevailing market price.

The conditions considered for the valuation of the options are given as follows:

- Options can only be issued on the issue date, defined as (i) the date of admission of Altice S.A.'s shares on Euronext Amsterdam (January 31, 2014) or (ii) the date on which an employee or another person designated by Altice S.A. becomes eligible to participate in the plan. Participants who will be granted options upon admission will not be eligible to receive more options until the fourth anniversary after the issue date (except in connection with promotions);
- Each option granted entitle the holder to acquire one ordinary share of the Company;
- Options vest on a non-linear basis as per the following schedule:
  - A first tranche of 50% vests two years after the allocation of the options;
  - A second tranche of 25% vests three years after the allocation of the options; and
  - The final tranche of 25% will vest four years after the allocation of the options.
- Vested options can be exercised at any time until the 10th anniversary of the issue date, after which they will be considered to have lapsed;
- The exercise price for the options is either (i) if issued on admission, the offer price of the Company's shares upon admission (€28.25) or, (ii) the weighted average price at which the shares are traded on Euronext Amsterdam for a period of six months preceding the issue date.

During the course of the three month period ended September 30, 2014, new options were granted to new members of the Management team, while an existing member of the team was allotted additional options (as part of his promotion within the structure). The details of the new options allotted are given below:

- One tranche of €10.0 million allocated at a strike price of €29.1, allocated on July 1, 2014;
- One tranche of €0.25 million allocated at a strike price of €31.2, allocated on September 1, 2014; and
- An additional tranche of €10.0 million allocated at a strike price of €29.3, allocated on September 30, 2014.

The terms and conditions of these newly allocated options are the same as those listed above for the options allotted at admission.

As of September 30, 2014, options totalling a combined nominal value worth €242.1 million had been allotted to different managers of the Company (representing 8.56 million ordinary shares of Altice S.A. at an average price of €28.3). As of the date of this report, no options have been exercised or lapsed.

Note 10—Equity based compensation (Continued)

Based on these conditions, for the nine month period ended September 30, 2014, Altice S.A. recorded €9.0 million as expenses related to stock options in the line item, 'staff costs and employee benefits expenses' (€3.5 million for the three months ended September 30, 2014). A stock option plan has also been established by NG for its employees and key management personnel, and an expense amounting to €3.4 million has been recognized for the nine month period ended September 30, 2014 (€1.2 million for the three months ended September 30, 2014).

Note 11—Gain on step acquisition / Investments in associates

On February 3, 2014, Altice France, a direct subsidiary of the Company, completed the acquisition of an additional 10% stake in NG. This acquisition triggered a change in control of NG, with Altice France becoming the largest shareholder in NG, with 5 out of 10 seats on the Board and the ability to name the Chairman, who casts a vote in event of a tie. Thus, from February 3, 2014, NG has been fully consolidated into the financial statements of Altice S.A.

As a result of this change, the investment in associates recorded in the accounts of the Company was reversed and the fair value of the investment in NG was recorded in the accounts of Altice S.A. as investments in subsidiaries. The difference between the value previously recorded in the financial statements of Altice S.A. and the fair value of the investment (€936.6 million) was recorded as a gain on step acquisition in the condensed consolidated statement of income of Altice S.A. for the nine months ended September 30, 2014 (nil for the three months ended September 30, 2014).

Calculation of carrying amount of investment in associates as of February 3, 2014

(in € million)	
Balance as of December 31, 2013	**679.1**
Increase	1.3
Balance as of February 3, 2014 (a)	**680.4**

Calculation of fair value of investment in associates as of February 3, 2014

(in € million except when stated otherwise)	
No. of shares held at change of control	**33.9**
Observed share price at February 3, 2014 (expressed in €)	27.6
Fair value of investment on February 3, 2014 (b)	**936.6**
Gain on step acquisition (b) − (a) =	**256.3**

The remaining amount of €3.0 million correspond to Alsace Connexia Participation, an associate of NG consolidated using the equity method.

Note 12—Restructuring, non-recurring costs and other expenses

Restructuring, non-recurring costs and other expenses incurred in the nine and three month period ended September 30, 2014 pertain mainly to one-off payments and transaction costs relating to acquisitions or other similar operations. Details are given below:

	9 months ended September 30, 2014	9 months ended September 30, 2013 (restated)	3 months ended September 30, 2014	3 months ended September 30, 2013 (restated)
	(in millions of euros)			
HOT Mobile restructuring costs (related to network sharing deal)	15.1	—	0.6	—
Restructuring costs (employee provisions, contract negotiations)	26.1	9.0	10.2	2.3
Restructuring costs	**41.2**	**9.0**	**10.8**	**2.3**
Fees related to the IPO of Altice S.A.	11.9	—	0.6	—
Fees related to the closing of the ODO transaction	7.0	—	0.3	—
Fees related to the SFR transaction	11.4	—	4.9	—
Other deal fees/other income*	7.1	3.3	0.9	(5.5)
Deal fees and other non-recurring costs/(income)	**37.3**	**3.3**	**6.6**	**(5.5)**
Total Restructuring, non-recurring costs and other expenses	**78.5**	**12.3**	**17.4**	**(3.3)**

* Deal fees incurred in the three and nine month period ended September 30, 2013 mainly relate to fees paid for the HOT take private transaction (December 2012) and the Cabovisao minority stake buyout (April 2013). The other income recorded in the three months ended September 30, 2013 arose mainly due to the write back of provisions.

Note 13—Related party transactions

13.1 Trading and financial transactions

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	September 30,					
	2013	2014	2013	2014	2013	2014
	(€ in millions)					
Shareholders	—	—	—	—	—	(1.0)
Executive directors	—	—	(2.4)	(2.2)	—	—
Associated companies	—	0.1	—	(2.2)	(6.4)	(0.2)
TOTAL	—	0.1	**(2.4)**	**(4.4)**	**(6.4)**	**(1.2)**

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014
	(€ in millions)					
Shareholders	—	0.2	0.2	—	—	—
Executive directors	—	—	—	—	—	—
Associated companies	—	—	0.8	0.8	—	0.3
TOTAL	**—**	**0.2**	**1.0**	**0.8**	—	0.3

Note 13—Related party transactions (Continued)

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014
			(€ in millions)			
Shareholders	100.7	—	—	—	—	—
Executive directors	—	—	—	—	—	—
Associated companies	—	2.3	6.6	5.4	—	—
TOTAL	100.7	2.3	6.6	5.4	—	—

13.2 Transaction with SFR

Since the acquisition of NG by the Company, NG invoiced various services to SFR and its subsidiaries for a total amount of €22.2 million. During the same period, SFR and its subsidiaries invoiced an overall amount of €29.3 million to the subsidiaries of NG.

Note 14—Compensation of key management personnel

The compensation given to the ten members of the senior management of Altice S.A. (including those managers who are also board members of Altice S.A.), for the 9 month period ended September 30, 2014, was €3.6 million and €1.7 million for the 9 month period ended September 30, 2013 (€1.9 million and €0.3 million for the three months ended September 30, 2014 and 2013 respectively).

Equity based compensation is not included in this note and is described in Note 10.

Note 15—Income tax

The Group registered an income tax expense of €50.5 million for the nine month period ended September 30, 2014 compared to income tax expenses of €27.5 million for the nine month period ended September 30, 2013. The variation between the two periods mainly pertains to deferred taxes resulting from value adjustments of derivatives instruments and resulting from the Purchase Price Allocation adjustments of NG.

Note 16—Commitments and contingent liabilities

16.1.1 Provisions and contingent liabilities

16.1.1.A France

The NG is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the NG Group when there is a sufficient probability that such disputes will lead to costs that the NG Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the NG Group are involved in a certain number of disputes related to the ordinary activities of the NG. Only the most significant disputes and proceedings in which the NG is involved are described below.

The NG is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the NG Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months significant effects on the financial position or profitability of the Company or the NG.

16.1.1.A.1 Tax audits

The French tax authorities have conducted audits of various companies of the NG since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and

Note 16—Commitments and contingent liabilities (Continued)

telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the NG allocates a price reduction compared with the price the NG would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the NG had deemed the price reduction to apply primarily to the television portion of its packages.

The French tax authorities assert that these price reductions should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The NG has formally challenged the tax assessments for the fiscal years from 2006 to 2009. The NG also referred the matter to the Ministry of Finance in December 2011 and sought a comprehensive settlement of the adjustments made by the tax administration in respect of the various NG companies for the period 2006-2009. Following this request, the tax administration lowered the amounts of adjustments for 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on composite VAT, which was in force from 2008 to 2010. The new amounts of adjustments, totaling €17.1 million (excluding penalties of 40%) for the period 2006-2009, were communicated to the NG end of August 2012.

Furthermore, in 2012, the tax authorities also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, in a total amount of €6.1 million (excluding penalties of 40%). NG replied on August 21, 2013 challenging the proposed adjustments. The tax administration sent replies to the NG's observations in late October 2013, pursuant to which it maintains its adjustments. To date, the 2011 and subsequent years have not been subject to VAT audits on the Numericable scope. The tax administration has also demanded payment for the 2006 adjustment on NC Numericable (approximately €2 million of the €17.1 million mentioned above for the 2006-2009 period). The Group asked for a payment deferral and filed a complaint in September 2012, which was rejected by the tax administration on June 27, 2013. The NG filed an additional request on August 20, 2013.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

As of December 31, 2013, a tax contingency provision of €24.9 million (compared with €25.1 million as of December 31, 2012) was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to €7.1 million) related to the adjustments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The NG replied on August 21, 2013, challenging the proposed adjustments.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission on December 19, 2013 of proposed adjustments. The adjustments focus on the challenge of charges for services provided to the companies in 2009, 2010 and 2011. A tax contingency provision covering all adjustments considered (income tax, VAT, withholding tax, penalties, surcharges and default interest) in the amount of €11.4 million was set aside December 31, 2013. In addition, the proposed adjustment results in a reduction of tax loss carry forwards in the amount of €28.5 million. The NG challenged all adjustments on February 17, 2014.

As of September 30, 2014, a tax contingency provision of €34.9 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to €7.1 million) related to the adjustments notified for fiscal years 2006-2010 (i.e. €24.9 million) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (€10.0 million).

Finally, the Group received tax assessments notifications dated June 6, 2014 for fiscal years 2010 (income tax), 2011 and 2012 for the entities NC Numericable, Numericable and Est Videocommunication.

Note 16—Commitments and contingent liabilities (Continued)

No provision has been recorded in the Condensed Consolidated Financial Statements for the nine months ended September 30, 2014 with respect to these latest tax audits.

16.1.1.A.2 Commercial disputes

A.) In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to NG was consistent with European Union State aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives it an economic advantage not enjoyed by its competitors, and that it therefore constitutes state aid within the meaning of the rules of the European Union. It argues that the transfer free of charge of the cable networks and ducts by 33 French municipalities in favor of NG confers a benefit of this type and, as such, state aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union.

NG firmly denies the existence of any state aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (200,000), the majority of which have not been migrated to EuroDocsis 3.0 and accordingly only allow access to a limited number of the NG's television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of the procedure in respect of observations of third parties as well as those of the parties to the proceedings as to the allegation of the existence of aid and its extent, with NG firmly challenging the existence of any state aid.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

B.) Litigation with Orange relating to Indefeasible Right of Uses (''IRUs'')

The NG entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by NG of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that NG enjoys under the Orange IRUs. As a result, Orange asked NG to comply with the general rules regarding access to Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated, and both ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011 respectively. NG appealed the decision before the French Supreme Court (*Cour de Cassation*), which upheld, for the most part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated penalty proceedings against NG, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, NG and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange generic technical and commercial offer

Note 16—Commitments and contingent liabilities (Continued)

In the meantime, the penalty proceedings initiated by ARCEP were not stopped by the execution of the amendments to the IRUs, and NG was fined €5.0 million on December 20, 2011 for noncompliance with ARCEP's November 4, 2010 decision. The fine was paid in full during fiscal 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, NG having raised a question of Constitutional law, referred to the Constitutional Court, on the compliance with the Constitution of Article L. 36-11 of the CPCE, which sets out ARCEP's powers. On July 5, 2013, the Constitutional Court found in NG's favor and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's December 20, 2011 decision to impose the aforementioned penalty was made. NG asked the Council of State to take the conclusions of this decision into consideration and accordingly to cancel ARCEP's December 20, 2011 decision. On October 21, 2013, the Council of State annulled the penalty imposed by ARCEP on December 20, 2011, which had condemned NG and NC Numericable to a fine of €5 million for non-compliance with ARCEP's November 4, 2010 ruling.

Lastly, NG initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of €2.7 billion for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed NG's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. NG appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of €50 million. On June 20, 2014 the Paris Court of Appeal rejected the appeal of NG.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

C.) Litigation with Free relating to an advertising campaign

A claim was filed against NC Numericable before the Commercial Court of Paris by telecommunication operator Free on August 3, 2011 in relation to the launch of the mobile offer by NG in spring 2011 through an advertising campaign entitled ''*La révolution du mobile continue*.''

Free, which used the term ''revolution'' to refer to its launch of mobile phone services and whose latest offering was named the ''Freebox Revolution,'' argues that NG's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of €10 million. After the hearing, the Court asked for an opinion from the French competition authority (''*Direction générale de la concurrence, de la consommation et de la répression des fraudes*''—DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of €6.4 million. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

This provision booked in relation to the litigation with Free concerning an advertising campaign was fully utilized as of September 30, 2014. NC Numericable has appealed this decision.

D.) Litigation with several editors of value-added services (VAS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay €0.4 million in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of €12 million in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Note 16—Commitments and contingent liabilities (Continued)

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately €0.4 million, mainly representing sums collected for these companies.

A provision of €0.1 million is booked in the condensed consolidated financial statements as of September 30, 2014 (booked in 2013).

E.) Dispute with the Ligue de Football Professionnel

In a submission to the Commercial Court of Nanterre dated April 26 2013, the Professional Football League (''*Ligue de Football Professionnel*''—LFP) argued that NG had abused its dominant position in breach of its obligation of non-discrimination against the LFP when it was in charge of the production of the CFoot channel. The LFP requested €4.1 million in damages in compensation for the prejudice. More particularly, the LFP criticized NG for the low level of remuneration for the marketing of the CFoot channel compared with the remuneration of certain sports channels sold in packages. A hearing on the matter is expected during the second half of 2014.

A provision of €0.2 million is booked in the condensed consolidated financial statements as at September 30, 2014 (booked in 2013).

F.) Action by Colt, Free and Orange before the General Court of the European Union concerning the DSP 92 project

Colt, Free, and Orange, in three separate proceedings against the European Commission, filed a request with the General Court of the European Union for the cancellation of the final decision of the European Commission dated September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of €59 million granted within the framework of the public service concession for the establishment and operation of a high-capacity electronic communications network in the department of Hauts de Seine does not constitute state aid within the meaning of the rules of the European Union. NG is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French state and the department of Hauts de Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

G.) Complaint of Bouygues Telecom

In late October 2013, NG received a claim from Bouygues Telecom on the ''white label'' contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Telecom claimed damages totaling €53 million as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of €17.3 million due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of €33.3 million as a result of alleged failure by NG companies in the execution of the contract and (iii) an amount of €2.4 million to repair the alleged damage to Bouygues Telecom's image. The NG considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

Note 16—Commitments and contingent liabilities (Continued)

H.) Investigation of DSP 92 by the Regional Auditor of Ile-de-France

A disagreement arose between the department of Hauts-de-Seine (''CG 92'') and Sequalum on the conditions of execution of the Service Concession agreement ''THD Seine'' entered into on March 13, 2006 between Sequalum, a subsidiary of NG, and the department of Hauts-de-Seine. This public service concession arrangement is aimed at building a high-capacity fiber network throughout the department of the Hauts-de-Seine. As of September 30, 2014 the net book value of the network build by Sequalum represents approximately €123.0 million and the Group received €25 million of subsidies from the department of Hauts-de-Seine.

Within the framework of the Service Concession Agreement, the department of Hauts-de-Seine also asked the financial institution involved to implement the guarantee granted by Sequalum for €10 million, this amount corresponding to the maximum amount that could be guaranted with respect to the Service Concession Agreement. So far, the bank did not respond favorably to this request, considering that the request was not sufficient, in terms of form and documentation, to allow the implementation of the guarantee.

The penalities were contested through a request recorded by the administrative court on September 3, 2014. The execution and the payment of the penalities are suspended until a decision is made on this litigation.

The decision of the department of Hauts-de-Seine to terminate the agreement has not yet been notified to Sequalum who intends to contest the resiliation before the competent courts. Looking forward to the reception of this notification, Sequalum continues to perform the contract, subject to potential requests the delegator may impose. Should the courts confirm the arguments of the department of Hauts-de-Seine, Sequalum could be obliged to reimburse the grants received (the portion of grants not yet amortized). The department of Hauts-de-Seine, for its part, would receive all the assets built within the framework of the DSP 92 on July 1, 2015. The department of Hauts-de-Seine would have to indemnify Sequalum at a level corresponding to the net book value of the assets.

On October 16, 2014 Sequalum deposited a request before the administrative court of Cergy Pontoise which aims at ending the Service Concession agreement due to ''force majeure'' in the context of irreversible changes in the contractual economy.

The Board of Directors of NG examined the risk related to these procedures and noted that at this stage there are too many uncertainties to measure the possible risk for NG. Under these conditions, the criteria allowing the booking of a provision were not met.

I.) Litigation with employees

The NG is involved in litigation with a certain number of employees, a large part of which is due to the last merger period in 2006-2007, involving UPC-Noos, which gave rise to adjustments and harmonization in practices leading to disputes until 2009. The overall risk for this litigation is approximately €4 million. Most of this litigation consists of the challenge by an employee of the grounds for or the form of his or her dismissal.

16.1.1.B Israel

During the routine course of business, lawsuits have been filed against the companies that comprise the HOT group and various legal proceedings are outstanding against it.

In the opinion of the management of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of €11.8 million (NIS 55 million) has been recorded in the condensed consolidated financial statements as of September 30, 2014, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the management of the Group, the amount of the additional exposure, in an amount of approximately €537.6 million (NIS 2.5 billion) (over and above the provisions that have been recorded in

Note 16—Commitments and contingent liabilities (Continued)

these Condensed Consolidated financial statements), as of September 30, 2014, as a result of lawsuits that have been filed against companies in the HOT group on various matters, is as follows:

- An amount of approximately €258.0 million (NIS 1.2 billion) to cover claims which HOT's management and legal team estimate to have less than a 50% chance of succeeding.
- An amount of approximately €172.0 million (NIS 0.8 billion) towards claims for which no assessment is possible, or towards those class action lawsuits that were presented very close to the date of the financial statements.
- An amount of approximately €150.5 million (NIS 0.7 billion) to cover claims which HOT's management and legal team estimate to have more than a 50% chance of succeeding.

The following is an abbreviated summary of the Hot group's contingent liabilities effective as of September 30, 2014, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of September 30, 2014	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of September 30, 2014	Provisions recorded in the financial statements as of December 31, 2013	Updating of the expense (income), net in the reporting period
			(€ millions)		
Customers	522.5	162.4	2.6	4.3	(1.7)
Copyrights	1.1	0.6	3.7	6.5	(0.6)
Suppliers	14.2	—	0.9	0.4	0.4
Employees	1.3	—	0.2	0.2	0.2
The merger transaction	47.5	—	4.5	—	4.5
Total	586.6	163.0	11.8	11.4	2.8

16.1.1.C Dominican Republic

As of September 30, 2014, Altice Hispaniola had recorded provisions to account for litigations with commercial customers and with employees. As assessed by the legal department, the total amount of claims amounted to €63.0 million (DOP 3.7 billion) and the amount provided for, which is determined based on the probability of cash outflows, was assessed at €4.3 million (DOP 255.6 million), of which €4.0 million (DOP 240.6 million) related to commercial litigation and €0.3 million (DOP 14.9 million) related to employee litigation.

16.1.1.D Portugal

As of September 30, 2014, the Oni Group and Cabovisao had bank guarantees given to third parties in order to secure the fulfilment of their obligations under some of their agreements for, respectively, a total amount of €5.3 million and €8.9 million.

As of September 30, 2014, Cabovisao recorded provisions for approximately €5.2 million for fiscal contingencies for withholding taxes. In addition, during first quarter 2014, the Instituto do Cinema e do Audiovisual (''ICA'') rendered an unfavourable decision regarding the Audiovisual and Cinema taxation for which an amount of €0.9 million was already recorded in the consolidated financial statements as at December 31, 2013.

Note 16—Commitments and contingent liabilities (Continued)

16.1.2 Commitments and contractual liabilities

16.1.2.A France

Operating leases

	< 1 year	Maturity 1 - 5 years	> 5 years	Total September 30, 2014
Operating leases	9.9	31.4	9.0	**50.4**
Total	**9.9**	**31.4**	**9.0**	**50.4**

NG also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicles under operating lease is 3 years.

As part of the networks business, leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

In connection with its entertainment business activities, the Group has also entered into operating leases and agreements to purchase TV programs.

The maturities of operating leases are provided above.

Finance leases

In addition to the operating leases, the NG also has various finance lease contracts, mainly related to the leasing of buildings, office material and other IT equipment. For buildings, the duration of the lease runs from 20-30 years and for office and IT equipment, it is for 4 years on average.

A summary of finance leases at NG is provided below:

(In € million)	Minimum lease payments September 30, 2014	Present value of minimum lease payments September 30, 2014
1 year or less	25.5	24.6
Between 1 and 5 years	20.7	18.9
More than 5 years	1.1	0.9
	47.3	**44.4**
Future finance costs	(2.9)	—
Present value of minimum lease payments	44.4	44.4
Finance leasing-Current		24.6
Finance leasing-Non current		19.9

The annual effective interest rate was 3.97% as of September 30, 2014.

16.1.2.B Dominican Republic

Altice Hispaniola also has operating leases mainly for the rental of mobile tower sites and office property.

	< 1 year	Maturity 1 - 5 years	> 5 years	Total September 30, 2014
Operating leases	3.5	40.9	5.4	**49.8**
Total	**3.5**	**40.9**	**5.4**	**49.8**

Note 16—Commitments and contingent liabilities (Continued)

16.2 Other subsidiaries of the group

Management has not identified any significant changes to the commitments of the other subsidiaries of the group as compared to the period ended December 31, 2013.

Note 17—Going concern

As of September 30, 2014, the Group had a net current asset position of €12,800.1 million (mainly due to restricted cash of €13,880.4 million related to the future acquisition of SFR). During the nine month period ended September 30, 2014, the Group recorded a net loss of €344.1 million (€81.0 million as of September 30, 2013), positive cash flow from operations of €962.3 million (€288.8 million for the nine months ended September 30, 2013), and negative working capital of €577.4 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded in the nine month period ended September 30, 2014 resulted mainly from the interests on the debt issued to finance the SFR acquisition, the cost relating to the refinancing of NG debt and impact of the derivatives entered into by the Group. Net income for the three and nine month period ended September 30, 2014 was strongly impacted by the recognition of interest expense for the SFR debt, for which no corresponding income was recognized (as SFR has not yet been consolidated yet). Management expects to close the acquisition before the end of year 2014 and hence improve its net income position.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (days of sales outstanding). Suppliers are generally paid from the beginning of the following month and after, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€647.0 million receivables compared to €1,288.8 million payable as of September 30, 2014). Payables due the following month are covered by revenues and operating cash (if needed). As of September 30, 2014, the Group had few short term current liabilities with amortization of debts limited to the local bonds in Israel (€13.4 million per half year) and on the Altice Financing term loan facility (€1.8 million per quarter), as well as an amortization of €15.6 million per quarter on new loans at NG.

As of September 30, 2014, the Company had a positive equity position of €848.8 million, of which €863.2 million attributable to the equity holders. This positive position results from the initial public offering of shares of Altice S.A. on Euronext Amsterdam, as well as the conversion and contribution of various vendor debts and minority interests stakes into the equity of Altice S.A. The Group also issued new shares in a private placement for a total amount of €911.1 million in June 2014, thus demonstrating the Group's ability to raise equity financing if required to fund its activities.

In view of the current financial situation of the Company, Management is confident that the Group will continue to act as a going concern for the next twelve months, given its earnings and cash flow generating ability.

In addition, the Group had cash reserves of €540.7 million as of September 30, 2014, considered sufficient to cover its operational needs. The Group also had access to revolving credit facilities (''RCF'') of up to €1,093.5 million (including up to €750 million at NG, of which €450 million will be available upon closing of the SFR acquisition).

As at September 30, 2014, the Group has a total of €593 million of undrawn credit facilities and NG has drawn €50.0 million on its RCF.

Note 18—Significant events affecting the scope of consolidation subsequent to September 30, 2014

Acquisition of SFR

On April 5, 2014, the Board of Vivendi S.A. (''Vivendi'') announced that it had unanimously accepted an offer from Altice, via NG, to acquire Société Française du Radiotéléphone (''SFR''), the second largest mobile operator in France.

Note 18—Significant events affecting the scope of consolidation subsequent to September 30, 2014 (Continued)

On June 23, 2014, Vivendi, Altice and NG signed the final sale and purchase agreement for the purchase of SFR by NG, after successfully concluding talks with different works councils involved.

As per the terms of the agreement, Vivendi will receive €13,500 million in cash (not taking into account certain contractual adjustments), along with a 20% share in the new NG/SFR group, with the possibility to sell its stake to Altice after a lock-up period of one year. Altice has call options at market value on Vivendi's stake in several tranches (7%, 7%, 6%) over a period comprised between the 19th and the 43rd month following the acquisition of SFR. Vivendi is also eligible to receive an earn-out of up to €750 million, depending on the financial performance of the new NG/SFR group.

The closing of this acquisition is expected to occur before the end of the year 2014, following the approval of the French anti-trust authority, which was obtained on October 27, 2014, after completion of a phase-2 investigation. See note 19 for more details.

Acquisition of Virgin Mobile

On May 16, 2014, NG announced that it had entered into exclusive talks with Omer Telecom to acquire Virgin Mobile, the largest MVNO operator in France.

NG's offer was based on an enterprise value of €325 million, of which €200 million will be financed by Vivendi. On June 27, 2014, all parties announced that a share and purchase agreement had been signed between NG and the owners of Omer Telecom to acquire 100% of the company. This acquisition is also subject to certain conditions, notably obtaining approval from French anti-trust authorities.

Note 19—Subsequent events

Additional investment in Wananchi

On October 2, 2014, Altice Africa S.à r.l., a 100% subsidiary of the Company, invested an additional $ 10.8 million into Wananchi, a cable company with operations in Kenya and other east African countries. This investment was part of a $ 130 million subordinated notes being issued by Wananchi and open to subscription by current and new shareholders. Altice Africa has pledged to fund up to $ 40 million in three tranches, with the next tranche of $ 20 million due within six months from the date of the payment of the first tranche (April 2, 2015). The notes bear cash interest at a rate of 11% or PIK interest at a rate of 13%. Before this additional investment, Altice Africa already held a 17.4% equity interest in Wananchi (valued at €31.9 million) and convertible notes for a total of €2.9 million. The Group also obtained a new board seat as part of the funding.

The new notes are also convertible at a strike price of $ 1.15/ note issued. If fully converted, the new tranche, when fully funded, will give Altice Africa an approximate 21% shareholding in Wananchi.

Subscription to NG rights issue

On October 29, 2014, NG announced the launch of the previously planned rights offering for a total amount of €4,732 million, which will partly be used to finance the SFR acquisition, planned to close in November 2014. Altice France has subscribed to this offering in proportion to its holding in NG (74.6%), for a total amount of €3,530 million, and received an additional 198,099,585 shares, priced at a subscription price of €17.82 share (which represents a 35.1% discount to the closing price of NG shares on October 27, 2014). The rights offering closed on November 12, 2014.

This additional share purchase will be financed by Altice France through a capital increase which will be fully subscribed by the Company, using a part of the proceeds from bonds issued earlier in the year (see note 8.1.1).

Note 19—Subsequent events (Continued)

Litigation concerning the DSP 92

During its assembly dated October 17, 2014, the department of Hauts-de-Seine decided to terminate the Service Concession agreement signed with Sequalum for ''fault and full responsibility of the delegatee''. The department of Hauts-de-Seine also asked Sequalum to pay penalties for an approximate total amount of €45 million, arguing that there were delays in the construction of the network, which is contested by Sequalum. (See note 16.1.1.A.2.H for more details).

Approval of the NG/SFR deal by the French anti-trust authority (along with remedies)

NG's contemplated acquisition of exclusive control of SFR was approved by the French Competition Authority on October 27, 2014 (the ''Transaction''). This authorization is subject to certain commitments that have been accepted by the parties to the transaction (the ''Commitments''). These Commitments, which are summarized below, are for a period of five years, which may be renewed once. Following the notification of the decision, a trustee in charge of monitoring compliance and the respect and implementation of the Commitments will be appointed. In the event of a significant change in the market environment, the Group may request the termination of some or all of these Commitments.

Commitment to sell Outremer Telecom's (''OMT'') mobile telephony business and owned stores in Reunion Island and Mayotte

The Group has undertaken to sell OMT's mobile telephony business in Reunion Island and Mayotte and OMT's owned stores. In particular, the sale will include the 2G and 3G licenses and frequencies in Reunion Island and Mayotte, the customer base and the relevant personnel.

Commitments Regarding Access to the NG's Cable Network

NG has undertaken to provide access to plugs on its cable network with a peak download speed of at least 30 MBps.

- Access offer No. 1: this offer will target MVNO operators not deploying FTTH networks and that have no direct or indirect shareholder links with the Vivendi group.

  NG will propose a very-high-speed white label wholesale offer on its cable network. A reference offer will be published within 3 months.

  This wholesale offer will include access to the cable network, telephony, Internet and related services, television services and the provision of the box for the end-user.

- Access offer No. 2: this offer will target MVNOs and electronic communications operators deploying FTTH networks and that have no direct or indirect shareholder links with the Vivendi group.

  NG will propose a very-high-speed wholesale offer on its cable network.

  This wholesale offer will include access to the cable network, collection and transportation of the operator's flows and distribution of television services.

  In both cases, NG may propose additional services to customers as part of the two offers.

Commitments Regarding the Sale of Completel's DSL Network

NG has undertaken to sell the essential components of Completel's DSL network. The scope of coverage corresponds to approximately 745 subscriber access nodes of Orange.

Commitments Regarding the Relationship between NG and Vivendi

NG and Vivendi have made several commitments designed to ensure that Vivendi does not have access to certain strategic information of NG as a result of its representation on the board of directors and other committees of NG.

Note 19—Subsequent events (Continued)

NG has undertaken not to provide to Vivendi any strategic commercial information regarding the markets on which both groups are competitors or may become competitors for the duration of the commitments.

This confidentiality obligation applies in particular to (i) pay television intermediary markets (transfers of channels by producers to telecommunications operators for the creation of bundles of channels), (ii) downstream markets for the distribution of pay television services and (iii) ultramarine telecommunications markets. This obligation will be monitored by an agreed third party who will participate in the meetings of the board of directors and audit committee of NG to ensure that no commercially sensitive information is communicated.

Disposal of assets (Completel and OMT)

As mentioned in the note above, following the French Competition Authority's conditional approval to the purchase of SFR by NG and the Company, NG and the Company have agreed to dispose Completel's copper network and OMT's mobile business in the Reunion Islands and Mayotte. Completel's and the OMT's Indian Ocean assets are included respectively in the reporting segments France and French Overseas Territories (FOT) in note 9—Segment analysis.

As these assets were not considered as assets held for sale as per the requirements of IFRS 5, Non-current assets held for sale and discontinued operations, as at September 30, 2014, no significant accounting impact has been recorded in the condensed consolidated financial statements of the Group for the period ended September 30, 2014.

Buyout of shares held in Fiberman

In October 2014, the Company, via its direct subsidiary, reached an agreement with the shareholders of Fiberman S.à r.l. and Fiberman S.C.A (together, ''Fiberman''), to purchase all their shares in these two companies. Fiberman S.à r.l., owned by two ex-minority shareholders of NG and certain managers of NG, in turn held 0.92% of the share capital of NG. Prior to the transaction, Altice France held 12.8% of Fiberman (recorded as an AFS asset, see note 8.4). Following the transaction, Altice France holds 100% of the share capital of Fiberman. The total consideration paid to all shareholders of Fiberman amounted to €33.5 million. Post transaction, as Altice France became the sole shareholder, an additional €43.4 million was committed in order to finance Fiberman's share of the NG capital increase launched on October 29, 2014.

Following this transaction and the closing of the SFR deal, Altice France will hold 60.3% of the share capital of the NG-SFR ensemble, as compared to 59.7% that was previously disclosed.

Offer for Portugal Telecom

On November 3, 2014, the Company announced that it had made a fully funded offer to Oi Telecom, to acquire the assets of its Portuguese subsidiary, Portugal Telecom, for an offer price of €7.0 billion, including two earnout clauses of €400 million each based on the achievement of certain operational targets. If this offer is accepted, the transaction net of financial debt and other purchase price adjustments would be financed by new debt and existing cash from Altice.

Acquisition of non-controlling interests in ABT

On November 13, 2014 a manager of Outremer Telecom (''OMT'') contributed a 0.13% stake held directly in ABT for a base value €6.4 million against 225.132 new shares issued by Altice S.A..

Note 19—Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on November 14, 2014.

To the Shareholders of
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg

REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Altice S.A. as of September 30, 2014, the related condensed consolidated statements of income and other comprehensive income for the three month and nine month periods then ended, the related condensed consolidated statements of changes in equity and cash flows for the nine month period then ended and the other explanatory notes (collectively, the ''Interim Financial Statements''). The Board of Directors is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner
November 14, 2014

Altice S.A.
(Société anonyme)

(successor entity of Altice Six S.A. and Altice VII S.à r.l.)

Consolidated financial statements

for the year ended December 31, 2013

L-2449 Luxembourg, 3, boulevard Royal
R.C.S. Luxembourg number B 143.725

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

Report on the consolidated financial statements.

Following our appointment by the Shareholders, we have audited the accompanying consolidated financial statements of Altice S.A. (the successor entity of Altice Six S.A. and Altice VII S.à r.l.) which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice S.A. (the successor entity of Altice Six S.A. and Altice VII S.à r.l.) as of December 31, 2013, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements.

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of

December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 18, 2014

ALTICE S.A.

Consolidated statement of income

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Revenues	24	1,286.8	1,092.4
Purchases and subcontracting services	24	(367.8)	(302.1)
Other operating expenses	25	(186.2)	(162.6)
Staff costs and employee benefits expenses(1)		(134.7)	(145.3)
General and administrative expenses		(36.2)	(33.3)
Other sales and marketing expenses		(43.9)	(45.9)
Operating profit before depreciation, amortization and non-recurring-costs(*)		**518.0**	**403.1**
Depreciation and amortization	26	(399.6)	(266.4)
Goodwill impairment		—	(121.9)
Other expenses, net	28	(15.1)	(29.8)
Management fees		(0.6)	(6.2)
Restructuring and other non-recurring costs	28	(61.2)	(20.8)
Operating profit/(loss)		**41.5**	**(42.0)**
Gain arising on settlement of financial instruments	27	255.7	—
Finance income	29	120.9	40.7
Finance costs	29	(376.6)	(225.4)
Share in income of associates	7	15.5	20.4
Profit/(loss) before income tax expenses		**57.0**	**(206.2)**
Income tax (expenses)/benefit	23	(7.4)	26.0
Profit/(loss) for the year		**49.6**	**(180.2)**
Attributable to equity holders of the parent		*71.8*	(139.3)
Attributable to non-controlling interests		*(22.2)*	*(40.9)*

(*) Operating profit before depreciation, amortization and non-recurring costs is further referred to as ''EBITDA'' in these consolidated financial statements.

(1) Staff costs and employee benefits have been reclassified for the year ended December 31, 2012 to reflect the total staff costs for all operating departments, i.e. technical and maintenance staff and marketing staff in order to match the new reporting requirements of the group. Such costs amounted to EUR 86.3 million for technical and maintenance staff and EUR 34.2 million for marketing staff and have been reclassified from the lines other operating expenses and other sales and marketing expenses respectively.

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE S.A.

Consolidated statement of other comprehensive income

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Profit/(loss) for the year		**49.6**	**(180.2)**
Other comprehensive income			
Exchange differences on translating foreign operations		0.3	(5.1)
Net fair value gain on available-for-sale financial assets		1.7	—
Employee benefits		0.6	—
Total comprehensive profit/(loss) for the year		**52.4**	**(185.3)**
Attributable to equity holders of the parent		*74.5*	*(143.1)*
Attributable to non-controlling interests		*(22.1)*	*(42.2)*

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE S.A.

Consolidated statement of financial position

December 31, 2013

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	12	61.6	129.8
Restricted cash	12	1,242.8	—
Trade and other receivables	11	232.2	193.3
Inventories	10	11.0	6.1
Current tax assets	23	14.6	5.5
Total Current assets		**1,562.2**	**334.7**
Non-current assets			
Deferred tax assets	23	47.4	19.3
Investment in associates	7	679.1	81.3
Financial assets	8	50.6	160.5
Trade and other receivables	11	22.8	24.6
Property, Plant & Equipment	6	1,134.2	1,067.8
Intangible assets	5	579.6	458.5
Goodwill	4	1,100.7	790.9
Total non-current assets		**3,614.4**	**2,602.9**
Total assets		**5,176.6**	**2,937.6**
EQUITY AND LIABILITIES			
Current liabilities			
Debentures	17	59.7	111.9
Loan from related parties	17	—	14.3
Deferred revenue	21	55.9	34.1
Trade and other payables	20	517.4	377.8
Other current liabilities	17	15.9	8.7
Provisions	14	31.1	25.7
Current tax liabilities	23	57.1	10.7
Total current liabilities		**737.0**	**583.3**
Non-current liabilities			
Debentures	17	2,527.0	1,108.5
Borrowings from financial institutions	17	1,214.0	257.2
Loans from related parties	17	100.7	322.4
Other financial liabilities	17	271.6	181.2
Deferred revenue	21	10.6	10.8
Trade and other payables	20	29.0	38.7
Retirement benefit obligations	15	8.2	9.1
Deferred tax liabilities	23	183.1	148.2
Total non-current liabilities		**4,344.2**	**2,076.1**
Equity			
Invested equity	13	**95.8**	**272.8**
Non-controlling interests	16	(0.5)	5.2
Total equity		**95.3**	**278.1**
Total equity and liabilities		**5,176.6**	**2,937.6**

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE S.A.

Consolidated statement of changes in equity

Year ended December 31, 2013

	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		(in millions of euros)	
Equity at January 1, 2012	**367.2**	**349.2**	**716.4**
Loss for the year	(139.3)	(40.9)	(180.2)
Variation in CPEC			
Employee benefits	0.1	0.4	0.5
Variation in Currency Translation Reserve	(3.7)	(1.3)	(5.0)
Increase or decrease of ownership interest	(16.2)	21.6	5.4
Dividends paid	—	(26)	(26.1)
Option warrants	(3.9)	—	(3.9)
Purchase of minority interest	68.3	(298.4)	(230.1)
Other variations	0.3	0.7	1.0
Equity at December 31, 2012	**272.8**	**5.2**	**278.1**
Profit/(Loss) for the year	71.8	(22.1)	49.7
Employee benefits	0.6	—	0.6
Variation in CPEC	(203.9)	—	(203.9)
Shareholders' contribution	151.9	—	151.9
Effect of discounting of financial instruments	(45.7)	—	(45.7)
IFL fair value variation	2.6	—	2.6
Variation in Currency Translation Reserve	0.1	0.3	0.4
Increase in equity	5.4	—	5.4
Increase or decrease of ownership rate	(132.8)	16.0	(116.8)
Acquisition of companies under common control	(31.2)	—	(31.2)
Other variations	4.2	0.1	4.3
Equity at December 31, 2013	**95.8**	**(0.5)**	**95.3**

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE S.A.

Consolidated statement of cash flows

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Net profit/(loss), including non-controlling interests		**49.6**	**(180.2)**
Adjustments for:			
Depreciation and amortization		399.6	391.0
Share in profit of associates		(15.5)	(20.4)
Gains and losses on disposals	28	(1.0)	4.8
Other non-cash operating gains and losses	17	(268.7)	53.6
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**164.1**	**248.8**
Finance costs recognized in profit and loss		244.6	181.9
Income tax (benefit)/expense recognized in the statement of income	23	7.4	(26.0)
Income tax (paid)/received		(2.3)	1.6
Changes in working capital		25.3	58.2
Net cash provided by operating activities		**439.1**	**464.5**
Purchases of tangible and intangible assets	5,6	(288.8)	(347.0)
Acquisitions of financial assets		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets		1.5	0.1
Increase/(decrease) in non-current financial assets		0.5	(16.1)
Acquisition of shares in associates	7	(243.7)	—
(Increase)/ use of restricted cash	12	(1,234.9)	32.6
Payment to acquire subsidiaries, net	3.3	(253.1)	(172.9)
Transactions with non-controlling interests	17	(120.9)	32.6
Net cash provided used by investing activities		**(2,157.5)**	**(574.2)**
Proceeds from issue of equity instruments	13	1.8	—
Dividends paid to non-controlling-interests	—	—	(26.0)
Proceeds from issuance of debts	17	2,795.5	891.5
Repayment of debt	17	(756,3)	(532.6)
Distribution to CPEC holders	13	(212.5)	—
Interest paid		(178.6)	(117.8)
Net cash provided in financing activities		**1,649.8**	**215.1**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.2
Net increase in cash and cash equivalents		**(68.1)**	**105.6**
Cash and cash equivalents at beginning of year	12	129.7	24.2
Net (decrease) / increase in cash and cash equivalents		(68.1)	105.6
Cash and cash equivalents at end of year	12	**61.6**	**129.8**

The accompanying notes form an integral part of these consolidated financial statements.

1—Notes to the consolidated financial statements

1.1 Presentation of the Two Groups forming Altice Group

Altice S.A.

Altice S.A. (the ''Company'') is a public limited liability company (*Société Anonyme*) incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company's shares on Euronext Amsterdam on January 31, 2014, the Company received the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. is hereafter referred to as ''Altice Six'' and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as ''Altice VII'' or ''Altice VII Group''. The Company is hence the successor entity of Altice Six and Altice VII (collectively the ''Predecessor Entities'').

Altice Six

As at December 31, 2013, Altice Six holds shares in Numericable Group, a French group listed on Euronext Paris. Numericable Group is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. They also provide French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

Additionally to the Business To Consumer (''B2C'') described above and through its main operational entity, Completel S.A.S., Numericable Group operates the largest alternative fiber-to-the-office (''FTTO''), network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Altice VII

Altice VII offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, Altice VII Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Altice VII group companies aim at sharing skills and best practices across the various operations of Altice VII Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Altice VII Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice VII Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

1.2 Description of the context

Altice Six and Altice VII (collectively the ''**Two Groups**'', the ''**Reporting Entity**'' or the ''**Consolidated Group**'') are as at December, 2013, entities under common control and considered together to be the reporting entity for the purposes of these consolidated financial statements. The Two Groups are ultimately controlled by Patrick Drahi. The purpose of the consolidated financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical

1—Notes to the consolidated financial statements (Continued)

bases in the assets, liabilities and results of operations and cash flows for each period presented in the consolidated financial statements.

Accordingly, the consolidated financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice Six and Altice VII, which are separate legal groups as at December 31, 2013.

1.3 Statement of compliance

The Consolidated financial statements of Altice Group include a consolidated statement of financial position as of December 31, 2013, a consolidated statement of income, a consolidated statement of other comprehensive income, a consolidated statement of cash flows and a Consolidated statement of changes in equity for the year ended December 31, 2013 and the underlying Notes. The Consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (**"IFRS"**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union.

The Consolidated Financial Statements were approved by the Board of Directors on March 18, 2014.

1.4 Basis of presentation of the consolidated financial statements

The consolidated financial statements were prepared using the accounting records that were used to prepare the financial statements of the Altice Six and Altice VII sub-groups for the year ended December 31, 2013.

All intra-group balances and transactions have been eliminated in preparing the consolidated financial statements, including the transactions between Altice Six and Altice VII and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Patrick Drahi and the Consolidated Financial Statements reflects the combination of Altice Six and Altice VII using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Consolidated Financial Statements.
- Likewise, the Consolidated Financial Statements were prepared by aggregating the separate financial statements of Altice Six and Altice VII at their historical book value:
  - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Altice Six and Altice VII sub-groups and fully aggregated at their historical book value without being revalued;
  - The invested equity has been determined by aggregating the consolidated equity of the subgroups Altice Six and Altice VII;
  - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Consolidated Financial Statements;

1—Notes to the consolidated financial statements (Continued)

The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated except for the operations that relate to associates which are not eliminated.

1.2. Application of new and revised International Financial Reporting Standards (IFRSs)

1.2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements:

In the current year, the Consolidated Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Consolidated Group has early applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Consolidated Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation—Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The Directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and has not identified any impact in the scope of consolidation linked to application of IFRS 10 on the existing companies that are in the scope of consolidation as at December 31, 2013.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers.

IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures.

1—Notes to the consolidated financial statements (Continued)

These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements.

Types of Joint Arrangement	Features	Accounting under IFRS 11
Joint venture	Joint ventures have rights to the net assets of the arrangement.	Equity method of accounting—Proportionate consolidation is no longer allowed
Joint operation	Joint operators have rights to the assets and obligations for the liabilities of the arrangement.	Each joint operator recognizes its assets, liabilities, revenue and expenses relating to its interest in joint operation in accordance with the IFRSs applicable to those particular assets, liabilities, revenues and expenses

Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

Application of IFRS 11 has no impact on the consolidated financial statements of the Consolidated Group for the year ended December 31, 2013.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The Consolidated Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Consolidated Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

1—Notes to the consolidated financial statements (Continued)

Amendment to IFRS 7 disclosure—Offsetting Financial Assets and Financial Liabilities

The Consolidated Group has applied the amendments to IFRS 7 disclosures—Offsetting financial assets and liabilities for the first time in the current period, The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral pricing agreements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Consolidated Group does not have an offsetting arrangement in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Annual improvements to IFRSs 2009-2011 cycle issued in May 2012

The Annual Improvements to IFRSs 2009-2011Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

Amendments to IAS 16 Property Plant and Equipment; and

Amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of the property, plant and equipment in IAS 16 and as inventory otherwise. This amendment does not have a significant impact on the Consolidated Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 income taxes. This amendment does not have a significant impact on the Consolidated Group's consolidated financial statements.

Standards issued but not yet effective

In its financial statements, the Consolidated Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2013. Their impact on the Consolidated Group's financial statements is estimated not to be significant and/or not applicable.

IAS 36 Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets

This standard's objective is to amend the disclosure requirements in IAS 36 Impairment of Assets with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13 Fair Value Measurement in May 2011.

The Consolidated Group anticipates additional disclosures in relation to the application of this standard.

IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments: Novation of derivatives and continuation of hedge accounting*

This standard's objective is to provide an exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

The Consolidated Group does not apply hedge accounting and therefore does not expect any impact from the application of this Standard.

2—Significant accounting policies

2.1 Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Reporting Entity and entities (including structured entities) controlled by the Reporting Entity and its subsidiaries, except as disclosed in note 1.6. Control is achieved when the Reporting Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

2—Significant accounting policies (Continued)

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Group are eliminated in full on consolidation.

All companies in which the Consolidated Group has a controlling interest are fully consolidated. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Consolidated Group's equity therein.

2.4 Functional currency

The consolidated financial statements are presented in millions of euros. Euro is the functional of Altice VII and the presentation currency of the Consolidated Group.

The functional currency, which is the currency that best reflects the economic environment in which the Consolidated Group operates and conducts its transactions, is separately determined for each Consolidated Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results.

2.5 Foreign currency translation

The presentation currency of the Consolidated Group is euro. In individual companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are accounted for in the income statement. On consolidation, assets and liabilities of the Consolidated Group's entities reported in their functional currencies are translated into euro, the Consolidated Group's presentation currency, using the year-end exchange rates. Income and expense items are translated into euro at the annual weighted average exchange rate or at the rate of the date the transaction occurred for significant items.

Differences arising from the translation of opening net assets of the Consolidated Group entities, together with differences arising from the restatement of the net results for the year of the Consolidated Group entities, are recognized in other comprehensive income.

2—Significant accounting policies (Continued)

2.6 Subsidiaries and associates

2.6.1 Subsidiaries

All companies in which the Consolidated Group has a controlling interest are fully consolidated. Control exists when the Consolidated Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Consolidated Group's equity therein.

2.6.2 Associates

Investments, over which the Consolidated Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these consolidated financial statements.

Significant influence is presumed to exist when the Consolidated Group holds at least 20% of the voting power in the associates. Associates are initially recognized at cost at acquisition date. The Consolidated Financial Statements include the Consolidated Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

As per the provisions of IAS 28 *Investment in associates* the interest income and expenses recorded in the consolidated financial statements of the Consolidated Group on loans with associates have not been eliminated in the consolidated statements of income and therefore are still recorded in the consolidated financial statements.

2.7 Operating profit before depreciation, amortization and non-recurring costs

The Consolidated Group has included the subtotal ''Operating profit before depreciation, amortization and no-recurring costs'' on the face of the consolidated statements of income. The Consolidated Group believes that this subtotal is useful to users of the Consolidated Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Consolidated Group's financial statements and providing information regarding the results of the Consolidated Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Consolidated Group's financial performance.

This non-IFRS measure is used by the Consolidated Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel.

The Consolidated Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IFRS 1.

2.8 Revenue recognition

Revenue from the Consolidated Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription and installations fees invoiced to residential and business clients.

2—Significant accounting policies (Continued)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Consolidated Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group.

Revenues on bundle packages sold by the Consolidated Group are split into and recognised under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

- Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered;
- When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Consolidated Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract;
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period; and
- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use (''IRU'') arrangements are recognized on a straight-line basis over the life of the contract.

Revenues from mobile services resulting from the sale of mobile services:

- Revenues from the sale of equipment includes the sale of mobile devices and ancillary equipment for those devices. The revenues from the sales are recognized where all of the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the delivery is the time at which ownership is transferred. The charge in respect of terminal equipment is made separately from the monthly charge for the consumption of services, in accordance with the amounts that is denoted in a separate invoice, which reflects the fair value of the terminal equipment, which is not subsidized by the Consolidated Group. In the light of the aforesaid, the Consolidated Group recognizes revenues in respect of the sale of devices on the transfer of the ownership of the devices to its customers. The revenues are recognized on the first day in accordance with its fair value as of that time and the difference between the fair value and the denoted amount of the consideration is recognized as financing income over the course of the period of the installment payments.

Income from credit arrangements

- Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of the present value of the future cash flows (against long-term receivables) and are discounted in accordance with interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

2—Significant accounting policies (Continued)

2.9 Finance costs

Finance costs primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized costs;
- Changes in the fair value of interest rate derivative instruments that do not qualify as hedges for accounting purposes according to ''IAS 39'';
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

2.10 Income taxes

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the relevant equity item.

2.10.1 Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2.10.2 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- Deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving),
- Deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried

2—Significant accounting policies (Continued)

forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Consolidated Statement of Financial Position and Consolidated Income Statement of the Consolidated Group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to other comprehensive income, and not earnings, if the tax relates to items that are credited or charged directly to other comprehensive income.

2.11 Goodwill and business combinations

Business combinations, not occurring under common control, are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 ''Business combinations'' are recognized at their fair value at acquisition date.

The Consolidated Group recognizes goodwill as of the acquisition date and is measured as the excess of (a) over (b) as follows:

a) The aggregate of:

- The consideration transferred, which generally requires acquisition-date fair value;
- The amount of any non-controlling interests in the acquiree measured;
- In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date balances of the identifiable assets acquired and the liabilities measured in accordance with IFRS 3.

Any excess of the cost of acquisition over the Consolidated Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

The goodwill is determined provisionally by the end of the period. The Consolidated Group recognizes any adjustments to those provisional values within twelve months after the acquisition date.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

If the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the purchase price, a gain is recognized immediately.

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating income (account ''Depreciation and amortization'') and is never reversed subsequently.

2—Significant accounting policies (Continued)

Changes in the Consolidated Group's ownership interests in subsidiaries that do not result in the Consolidated Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Consolidated Group.

For acquisitions under common control, the Consolidated Group does not perform a purchase price allocation. Any difference between the consideration paid and the book value of the net assets acquired is directly attributed to the reserves of the Consolidated Group and no residual goodwill is recorded.

2.12 Other intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. In our Israeli entity, the costs of producing in-house content is also considered to be an intangible assets and recognized at the cost of production of the shows. Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses.

According to Management, intangible assets have either definite or indefinite useful lives.

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Customer relations	7 to 37 years
Licences	5 years
Customer relations with a defined contractual term	3 years
Subscriber purchase costs	based on average duration of subscriptions

Assets with indefinite useful lives are tested for impairment annually as well as where there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

2.13 Impairment of tangible and intangible assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, the Consolidated Group re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an impairment test performed annually.

This test is performed in order to compare the recoverable amount of an asset to its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A Cash

2—Significant accounting policies (Continued)

Generating Unit (''CGU'') is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the income statement. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment, may be reversed.

2.14 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	Duration
Buildings	25 to 50 years
Cables Network	4 to 20 years
Call center (primarily electronic equipment)	5 to 9 years
Converters and modems	7 years
Computers and ancillary equipment	3 to 6 years
Office furniture and equipment	6 to 16 years
Communication network infrastructure	6 to 16 years
Leasehold contracts	see below

Leasehold contracts are depreciated according to the straight line method during the rental period (including the option period for an extension by the Consolidated Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are considered to be sufficient in order to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least annually and any changes are accounted for prospectively as a change in accounting estimate.

2.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.15.1 The Consolidated Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Consolidated Group's net investment in the leases. Finance lease income is allocated in an accounting periods so as to reflect a constant periodic rate of return on the Consolidated Group's net investment outstanding in respect of the leases.

2—Significant accounting policies (Continued)

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Rental income from the leasing of customer premises equipment (set top boxes, modems and decoders) is recognized on a straight-line basis over the term of the subscription held by the client. At the end of the contract or in case of voluntary contract termination by the client, this equipment is repossessed and thus remains in the inventory of the Consolidated Group.

2.15.2 The Consolidated Group as lessee

Assets held under finance leases are initially recognized as assets of the Consolidated Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Consolidated Group's general policy on borrowing costs (see note 2.16 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to management, it does not take a substantial period of time to get ready for the intended use because of the incremental deployment of the network. This standard has consequently no impact on the consolidated financial statements.

2.17 Government grants

Government grants are not recognized until there is reasonable assurance that the Consolidated Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Consolidated Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Consolidated Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Consolidated Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

2—Significant accounting policies (Continued)

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.18 Financial assets

The Consolidated Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 ''Presentation of financial statements''.

Purchases and sales of all financial assets are recognized on a trade date basis.

2.18.1 Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of fair value cannot be made using valuation techniques, the Consolidated Group values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

2.18.2 Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets' carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.18.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Consolidated Group has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Consolidated Group currently does not hold any held to maturity financial assets.

2—Significant accounting policies (Continued)

2.18.4 Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as finance income or costs.

This category mainly includes:

- Assets held for trading which the Consolidated Group intends to sell in the near future (primarily marketable securities);
- Assets voluntarily classified at inception in this category;
- Derivatives financial assets.

2.19 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

Cost of inventories is determined using the weighted average cost method.

The Consolidated Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.20 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Consolidated Group's cash management.

2.21 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Consolidated Group's liabilities to banking entities in accordance with the Consolidated Group's credit agreement and therefore amounts that the Consolidated Group cannot use at its discretion.

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different group companies to financial institutions related to financing or other activities. Restricted cash is not considered to be a component of cash and cash equivalents since such balances are not held for the purposes of meeting short term cash commitments.

2.22 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Consolidated Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2—Significant accounting policies (Continued)

2.23 Share based payment arrangements

The Consolidated Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom on the Tel Aviv stock exchange.

2.24 Financial liabilities

Financial liabilities other than derivative instruments include:

2.24.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.24.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Consolidated Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Consolidated Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.24.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.24.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

2—Significant accounting policies (Continued)

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Consolidated Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 17.4.

2.25 Other liabilities

2.25.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Consolidated Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the financial statements:

2.25.2 Legal claims

A provision regarding legal claims is recognized when the Consolidated Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Consolidated Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2.25.3 Warranty

The Consolidated Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Consolidated Group and does not include warranty for damages incurred by the customer.

2.25.4 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Consolidated Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.25.5 Restructuring

A restructuring provision is recognized when the Consolidated Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Consolidated Group.

2—Significant accounting policies (Continued)

2.26 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Consolidated Group participates in, or maintains, several employee benefits. There are as follows:

2.26.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Consolidated Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.26.2 Post-retirement benefits

In Israel, the Consolidated Group operates a defined benefits plan in respect of the payment of severance pay in accordance with the Israeli Severance Pay Law. According to this law, employees are entitled to receive severance pay if they are dismissed or on their retirement. The liability in respect of the termination of employee-employer relations is measured in accordance with the actuarial value of a forecast unit of entitlement method. The actuarial calculation takes into account increases in salaries in the future and the rate at which employees leave the Consolidated Group and this on the basis of an estimate of the timing of the payment. The amounts are presented on the basis of the discounting of the forecast future cash flows, in accordance with government bonds' interest rates, whose repayment dates are close to the period relating to the liability in respect of severance pay.

The Consolidated Group deposits funds in respect of its severance pay liability in pension funds and insurance companies (hereafter—the plan assets). The plan assets are assets that are held by the employee benefits plan for the long-term or in qualifying insurance policies. The plan assets are not available for use by the Consolidated Group's creditors, and cannot be paid directly to the Consolidated Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

The Consolidated Group has defined contribution plans pursuant to the Severance Pay Law under which the Consolidated Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.26.3 Other long-term employee benefits

The Consolidated Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Consolidated Group estimates that these benefits will be used and the respective Consolidated Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Consolidated Group's net obligation regarding other long-term employee benefits is in respect of the future benefit amount due to employees for services rendered in current and prior periods. This amount of benefits is discounted to its present value and the fair value of the assets relating to this obligation is deducted from said amount. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the

2—Significant accounting policies (Continued)

Consolidated Group's obligation. The obligation is calculated using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.26.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Consolidated Group has made an undertaking, with no real possibility of cancellation, for the dismissal of employees before they reach the customary retirement age in accordance with a detailed formal plan. The benefits that are given to the employees who take voluntary retirement when the Consolidated Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.27 Significant accounting judgments and estimates used in the preparation of the financial statements

2.27.1 Judgments

In the process of applying the significant accounting policies, the Consolidated Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the consolidated financial statements.

2.27.2 Estimates and assumptions

The preparation of the consolidated financial statements requires the Consolidated Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.27.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1.5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 6.3% to 11%.

2.27.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Consolidated Group and its investees, the group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.27.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates,

2—Significant accounting policies (Continued)

expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.27.6 Deferred tax asset

Deferred tax assets relate primarily to tax loss carry forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carry forwards are recognized if it is probable that the Consolidated Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Consolidated Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Consolidated Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry forwards.

2.27.7 Discounting of Yield Free Preferred Equity Certificates (YFPEC) and similar instruments

The Consolidated Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4.76% has been used for YFPECs and a discount rate of 6.79% for the Interest Free Loans (IFLs) issued by the Consolidated Group. YFPECs issued by Altice Six S.A. have been discounted at a rate of 5.3%, representing the effective borrowing rate for Altice Six as of December 31, 2013.

3—Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Consolidated Group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Six S.A.	Luxembourg	FC(*)	FC(*)	FC(*)	100%
Altice VII S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
H. Hadaros 2012 LTD	Israel	FC(*)	FC(*)	100%	100%
HOT Telecommunication Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	100%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	100%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	50%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	100%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	100%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot EDOM LTD	Israel	FC(*)	FC(*)	100%	100%
Zira (Copyrights on the Internet) LTD	Israel	Equity method	Equity method	25%	25%
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Holdings S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	—
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	76.97%	100%
WSG S.A.	France	FC(*)	FC(*)	76.97%	99.95%
green.ch AG	Switzerland	FC(*)	FC(*)	99.12%	99.12%
Valvision S.A.S.	France	—	FC(*)	—	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97,3%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	84.4%	44.39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Portugal S.A.	Portugal	FC(*)	FC(*)	100%	60%
Cabovisao S.A.	Portugal	FC(*)	FC(*)	100%	60%
Altice Finco S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Financing S.A.	Luxembourg	FC(*)	FC(*)	100%	100%

3—Scope of consolidation (Continued)

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Consolidated Group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice West Europe S.à r.l.	Luxembourg	FC(*)	—	100%	—
OMT Invest S.A.S	France	FC(*)	—	76.97%	—
Groupe Outremer Telecom S.A.	France	FC(*)	—	76.97%	—
Outremer Télécom S.A.S	France	FC(*)	—	76.97%	—
Outremer Télécom Océan Indien S.A.S	France	FC(*)	—	76.97%	—
Altice Blue Two S.A.S	France	FC(*)	—	76.97%	—
City Call Ltd	Mauritius	FC(*)	—	76.97%	—
Outremer Telecom Ltee	Mauritius	FC(*)	—	76.97%	—
Telecom Reunion SNC	France	FC(*)	—	76.97%	—
Telecom 2004 SNC	France	FC(*)	—	76.97%	—
OPS S.A.S	France	FC(*)	—	76.97%	—
WLL Antilles-Guyane S.A.S	France	FC(*)	—	76.97%	—
WLL Réunion SAS	France	FC(*)	—	76.97%	—
ONI S.G.P.S., S.A.	Portugal	FC(*)	—	100%	—
Winreason S.A.	Portugal	FC(*)	—	100%	—
Onitelecom-Infomunicações, S.A.,	Portugal	FC(*)	—	100%	—
Knewon S.A.	Portugal	FC(*)	—	100%	—
Onitelecom Açores S.A.	Portugal	FC(*)	—	100%	—
Onitelecom Madeira S.A.	Portugal	FC(*)	—	100%	—
Altice Content S.à r.l.	Luxembourg	FC(*)	—	100%	—
Ma Chaine Sport S.A.S.	France	FC(*)	—	100%	—
Sport Lux S.à r.l.	Luxembourg	FC(*)	—	100%	—
Sportv S.A.	Luxembourg	FC(*)	—	100%	—
CPA Lux S.à r.l.	Luxembourg	FC(*)	—	100%	—
Altice Bahamas S.à r.l.	Luxembourg	FC(*)	—	100%	—
Ypso Holding S.à r.l.(**)	Luxembourg	—	Equity method	—	24.06%
Altice B2B Lux S.à r.l.(**)	Luxembourg	—	Equity method	—	24.06%
Numericable Group S.A.(**)	France	Equity method	—	27.4%	—

(*) FC stands for ''Full Consolidation''

(**) Numericable Group S.A. is the Successor Entity of Ypso Holding S.à r.l. and Altice B2B Lux S.à r.l.

3.1.1 Composition of the Consolidated Group

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		31/12/2013	31/12/2012
Distribution of cable based telecommunication services	Israel	9	9
	Belgium	1	1
	Luxembourg	1	1
	Portugal	5	1
	France	3	2
Provider of mobile services	France	2	—
	Israel	1	1
Production and distribution of content based services	Israel	1	1
	France	1	—
	Luxembourg	1	—
Total		**25**	**16**

3—Scope of consolidation (Continued)

3.2.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/ (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Blue Two S.A.S	France	23%	—	(2.7)	—	(1.4)	—
Deficom Telecom S.à r.l.	Luxembourg	26%	26%	(17.1)	(10.6)	(9.3)	(13.5)
green.ch AG	Switzerland	0.88%	0.88%	—	—	0.3	0.4
Green Datacenter AG	Switzerland	3%	3%	—	—	0.2	0.2
Cool Holding Ltd	Israel	—	—	—	(39.4)	9.3	9.1
Winreason S.A.	Portugal	—	—	—	—	0.4	—
Altice Portugal S.A.	Portugal	—	40%	(2.3)	9.1	—	9.1
Total				**(22.1)**	**(40.9)**	**(0.5)**	**5.2**

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2013

3.2.1.1 Acquisition of OMT

On July 5, 2013 the Consolidated Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 77% of the shares and voting interests in the company. This acquisition enables the Consolidated Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed EUR 102.1 million to revenue and EUR 13.5 million to operating profit to the Consolidated Group's results for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of OMT based on the assumptions described below.

Brand:

The ONLY brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions:

- Discount rate—11.4%
- Royalty rate—1.5%

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumption:

- EBIT margin rate: 13.5% for fixed telephone clients, 12.4% for internet clients, 19.3% for mobile clients, 26.4% for B2B clients.
- Attrition rate: 9.7% for fixed telephone clients, 29.2% for internet clients, 48.5% for mobile clients, 16.4% for B2B clients.
- Discount rate: 11.4%
- Perpetuity growth rate: 2%

3.2.1.2 Acquisition of ONI Communication

On August 8, 2013 the Consolidated Group obtained control of ONI, a business to business telecommunications operator in Portugal, by acquiring 100% of the shares and voting interests in the

3—Scope of consolidation (Continued)

company. This acquisition enables the Consolidated Group to expand its footprint in Portugal and eventually realise synergies with the Consolidated Group's other business within the same country.

Since August 8, 2013 ONI contributed EUR 41.8 million in revenue and EUR 4.9 million in operating loss to the Consolidated Group's result for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of ONI based on the assumptions described below.

Brand:

The ONI brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions :

- Discount rate—6.5%;
- Royalty rate—2.0%.

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumptions :

- EBIT margin rate: 14.1%;
- Attrition rate: 22.9% for B2B clients;
- Discount rate: 6.5%;
- Perpetuity growth rate: 0%.

3.2.1.3 Integration of content channels

On October 4, 2013 Ma Chaine Sport S.A.S. (''MCS'') and SportV S.A. (''SportV''), two exclusive content producing companies based in France and Luxembourg respectively were transferred to the Consolidated Group by Altice IV and Valemi Corp, Altice IV S.A. being considered as a related party as it shares the same controlling shareholder as the Consolidated Group at time of acquisition. In the absence of any specific guidance concerning the accounting for common control transactions within IFRS, no purchase price allocation was performed. These transactions allow the Consolidated Group to pursue a strategy of vertical integration and also provide a more integrated solution to its customers.

Since October 4, 2013, Ma Chaine Sport and SportV contributed EUR 6.4 million in revenue and EUR 0.3 million in operating profit to the Consolidated Group's result for the year ended December 31, 2013.

3.2.2 Change in the Consolidated Group's ownership interest in 2013

3.2.2.1 Acquisition of minority interests in Cabovisao

On April 23, 2013, the Company completed the acquisition of 40% of minority stake held by Apax Partners in its Portuguese subsidiary Cabovisao S.A, through an investment in the holding company of Cabovisao S.A, Altice Portugal.

The total consideration of EUR 105.0 million was paid on April 23, 2013, of which EUR 90.0 million was paid in consideration for the shares acquired and EUR 15.0 million towards the repayment of an existing vendor note. An amount of EUR 9.1 million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred between non-controlling interests to controlling interest. The difference of EUR 80.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3—Scope of consolidation (Continued)

3.2.2.2 Disposal of Valvision

On June 6, 2013, the Consolidated Group disposed of its interests in Valvision S.A.S, a cable based service provider in France to Altice VII Bis S.à r.l., a sister concern under common control of the Company's sole shareholder, Next L.P.

The difference of EUR 3.3 million gain generated on this transaction (representing the difference between the net asset value of the entity prior to transfer and the consideration received) has been recognized directly in equity.

3.2.2.3 Acquisition of minority interests in Coditel

Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, is the owner of 60% of the outstanding shares of Coditel Holding Lux II and Coditel Management. On November 29, 2013, Altice Holdings S.à r.l. purchase 40% of the interest of Coditel Holding Lux II and Coditel Management held by Codilink S.à r.l. .

The total consideration of EUR 82.5 million was paid on November 29, 2013, of which EUR 30.6 million was paid in consideration for shares and EUR 51.9 million paid as repayment of subordinated debt instruments held by Codilink (the Coditel PECs). An amount of EUR (9.3) million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred from non-controlling interests to controlling interest. The difference of EUR 39.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.4 Acquisition of an additional stake in Numericable Group ("NG Group")

In November 2013, concomitantly with the initial public offering of Numericable Group on the Paris Stock Exchange, Altice Six increased its stake in NG group to reach a percentage holding of 27.4% from 24.06%..

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

3—Scope of consolidation (Continued)

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	OMT	ONI	MCS(1)	SportV(1)
	(in millions of euros)				
Cost of acquisition(2)	280.6	223.3	22.3	23.0	12.0
ASSET					
Intangible assets	154.1	106.7	45.9	1.3	0.2
Property, plant and equipment	122.9	69.5	52.6	0.9	—
Non-current financial assets	1.6	1.6	—	—	—
Inventories	6.3	4.9	1.4	—	
Trade accounts receivable and other	55.7	28.1	19.6	6.0	2.0
Tax receivable	3.0	2.6	0.4	—	—
Cash and cash equivalents	36.3	33.6	0.7	0.3	1.7
Other current assets	13.0	3.2	8.7	0.6	0.5
Total assets	**393.0**	**250.2**	**129.3**	**9.1**	**4.4**
EQUITY AND LIABILITIES					
Non-current liabilities	253.1	205.3	47.5	0.3	—
Current liabilities	185.7	115.5	60.8	6.7	2.7
Total liabilities	**438.8**	**320.8**	**108.3**	**7.0**	**2.7**
Net assets	**(45.9)**	**(70.6)**	**21.0**	**2.1**	**1.7**
Residual goodwill	**295.2**	**293.9**	**1.3**	—	—
Including impact of non-controlling interests on goodwill	*67.7*	*67.7*		—	—

(1) No goodwill is attributed to neither MCS nor SportV as these were deemed by the Board of Directors to be integration under common control and thus any difference in the net asset value and the purchase price is recorded directly in the reserves of the group attributable to the shareholders.

(2) When acquiring OMT, ONI and integrating MCS and Sport, the company did not, (i) pay the vendors of OMT and ONI directly as the cash was transferred directly from the lenders to the sellers' accounts, or to their debt holders in case of refinancing of the acquired entities debts or (ii) did not pay the entire amount in cash (as was the case for MCS and SportV), thus generating vendor notes held by the vendors. The total cash out from the accounts of the company amounted to EUR 13.0 million. These vendor notes were settled in 2014.

The acquisition of a controlling stake in OMT Invest S.A.S (''OMT'') and Winreason S.A. (''ONI'') are considered to be non-cash transactions, as the consideration paid to the vendors flows directly from the lending parties to final sellers, without transitioning through the company's accounts. Thus, the cost of such transactions is deducted directly from the issuance of debt in the consolidated statement of cash flows.

3—Scope of consolidation (Continued)

The main figures of the entity, since the beginning of the year, and until the business combination, are presented as follows:

	OMT	ONI	MCS	SportV
	(in millions of euros)			
Revenues	**96.5**	**59.0**	**13.8**	**4.5**
Cost of sales	(30.1)	(31.2)	(3.4)	(1.1)
Gross Profit	**66.4**	**27.8**	**10.5**	**3.3**
Other operating expenses	(19.8)	(11.2)	(1.4)	—
General and administrative expenses	(6.1)	(5.9)	(1.1)	(0.1)
Other sales and marketing expenses	(7.3)	(1.3)	(0.2)	(0.2)
Operating profit before depreciation, amortization and non-recurring costs	**33.2**	**9.4**	**7.7**	**3.0**
Depreciation and amortization	(11.4)	(9.9)	(6.2)	(1.1)
Other expenses, net	(2.0)	(1.7)	(0.5)	—
Management fees	—	—	—	—
Reorganization and non-recurring costs	(0.4)	(0.5)	—	—
Operating profit	**19.4**	**(2.7)**	**1.0**	**1.9**
Profit / (loss) for the period (including non-controlling interests)	**10.9**	**(8.8)**	**0.8**	**1.4**

4—Goodwill

The Company identified six operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the cash generating units. Goodwill is allocated as follows to each of the Company's operating segments:

	December 31, 2012	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	December 31, 2013
			(in millions of euros)			
WSG	4.6	—	—	—	—	4.6
Valvision	1.4	—	—	—	(1.4)	(0.0)
Green	17.8	—	—	—	—	17.8
Coditel	295.5	—	—	—	—	295.5
Hot Telecom	601.8	—	—	18.4	—	620.3
OMT Invest	—	293.9	—	—	—	293.9
ONI	—	1.3	—	—	—	1.3
Total Gross Value	**921.1**	**295.2**	**—**	**18.4**	**(1.4)**	**1,233.3**
WSG	(4.6)	—	—	—	—	(4.6)
Valvision	(1.4)	—	—	—	1.4	—
Green	—	—	—	—	—	—
Coditel	—	—	—	—	—	—
Hot Telecom	(124.2)	—	—	(3.8)	—	(128.0)
OMT Invest	—	—	—	—	—	—
ONI	—	—	—	—	—	—
Total Cumulative impairment	**(130.1)**	**—**	**—**	**(3.8)**	**1.4**	**(132.6)**
WSG	(0.0)	—	—	—	—	(0.0)
Valvision	(0.0)	—	—	—	—	(0.0)
Green	17.8	—	—	—	—	17.8
Coditel	295.5	—	—	—	—	295.5
Hot Telecom	477.6	—	—	14.6	—	492.3
OMT Invest	—	293.9	—	—	—	293.9
ONI	—	1.3	—	—	—	1.3
Total Net book value	**790.9**	**295.2**	**—**	**14.6**	**—**	**1,100.7**

4—Goodwill (Continued)

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
			(in millions of euros)		
WSG	4.6	—	—	—	4.6
Valvision	1.4	—	—	—	1.4
Green	17.8	—	—	—	17.8
Coditel Brabant	209.2	—	—	—	209.2
Coditel S.à r.l.	86.3	—	—	—	86.3
Hot Telecom	600.2	—	—	1.6	601.8
Total Gross Value	**919.5**	**—**	**—**	**1.6**	**921.1**
WSG	(4.6)	—	—	—	(4.6)
Valvision	(1.4)	—	—	—	(1.4)
Green	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	(1.6)	—	(121.9)	(0.7)	(124.2)
Total Cumulative impairment	**(7.6)**	**—**	**(121.9)**	**(0.7)**	**(130.2)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Green	17.8	—	—	—	17.8
Coditel Brabant	209.2	—	—	—	209.2
Coditel S.à r.l.	86.3	—	—	—	86.3
Hot Telecom	598.6	—	(121.9)	0.9	477.6
Total Net book value	**911.9**	**—**	**(121.9)**	**0.9**	**790.9**

The carrying amount of goodwill as at December 31, 2013 was EUR 1,100.7 million (December 31, 2012 was EUR 790.9 million).

Goodwill is reviewed at the Consolidated Group of cash-generating unit (''CGU'') level for impairment annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested at the CGU level for impairment as of December 31. The CGU is at the subsidiary level of the Company. The recoverable amounts of the CGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the churn rate during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

When estimating turnover for purposes of the 2013 impairment test, the Company used a growth rate between (3.6)-6% over the next 5 years. Those estimates were determined on the basis of the analysis of

4—Goodwill (Continued)

the markets where the Company is active in as well as on the basis of projections provided by external sources.

	Green	Coditel	Hot Mobile
Average long term growth rate in 2012 (in %)	2.0	2.0	1.5-2
Average long term growth rate in 2103 (in %)	2.0	2.0	2.0

When estimating EBIT margin for purposes of the 2013 impairment test, the Company used a stable ratio of EBIT margin over the next 5 years.

Management estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the CGUs was estimated from the weighted average cost of capital (''WACC'') of companies which operate a portfolio of assets similar to those of the Company's assets.

	Green	Coditel	Cabovisao	Hot Mobile
CGU weighted average post-tax WACC rate used in 2012 (in %)	7.0	8.0-8.5	—	10-11
CGU weighted average pre-tax WACC rate used in 2013 (in %)	6.5	6.6	6.3	10-11

The results of the goodwill impairment test of 2012 and 2013 for each CGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the CGU, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

In validating the value in use determined for the CGU, key assumptions used in the discounted cash-flow model were sensitized to test the resilience of value in use and no impairments were noted in these sensitivity analysis.

	Green	Coditel	Hot Telecom
Recoverable amount	124.4	466.6	1,357.1
Carrying amount	17.8	295.5	477.6
Excess of recoverable amount over carrying amount	106.6	171.1	879.5

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value.In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the weighted average cost of capital (WACC), all other assumptions being stable and the impact would be:
  - Green: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment would be required.
  - Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.
  - HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR 807.2 million and therefore no impairment would be required.
- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the perpetuity growth rates, all other assumptions being stable and the impact would be:
  - Green: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.

4—Goodwill (Continued)

- Coditel: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

The analysis did not result in a scenario whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the CGU which is inferior to the carrying value.

5—Intangible assets

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
			(in millions of euros)				
Software	64.9	23.5	—	—	3.0	0.1	91.2
Brand name	79.8	0.3	—	49.1	0.7	—	129.9
Customer relations(1)	325.6	—	—	52.9	8.2	—	386.7
Licenses	31.9	6.2	—	14.7	0.5	3.6	56.8
R&D costs acquisitions	—	—	—	1.8	—	2.1	3.8
Subscriber purchase costs(2)	173.9	20.2	—	—	6.2	—	200.3
Intangible assets under construction	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
Total Gross Value	**795.0**	**92.5**	**(1.2)**	**154.1**	**21.1**	**0.5**	**1,061.9**
Software	(28.1)	(25.4)	—	—	(1.9)	(0.1)	(55.5)
Brand name	(2.6)	(2.2)	—	—	(0.2)	—	(5.0)
Customer relations(1)	(52.9)	(36.1)	—	—	(2.5)	—	(91.5)
Licenses	(9.9)	(7.3)	—	—	(0.1)	0.1	(17.2)
R&D costs	—	(0.7)	—	—		—	(0.7)
Subscriber purchase costs(2)	(166.3)	(21.8)	—	—	(6.0)	—	(194.1)
Intangible assets under construction	—	—	—	—	—	—	
Other intangible assets	(76.7)	(40.7)	0.7	—	(1.6)	—	(118.3)
Total Cumulative amortization and depreciation	**(336.5)**	**(134.1)**	**0.7**	**—**	**(12.3)**	**—**	**(482.3)**
Software	36.8	(1.9)	—	—	1.1	—	36.0
Brand name	77.2	(1.9)	—	49.1	0.5	—	124.9
Customer relations(1)	272.7	(36.1)	—	52.9	5.8	—	295.3
Licenses	22.0	(1.1)	—	14.7	0.4	3.8	39.7
R&D costs	—	(0.7)	—	1.8	—	2.1	3.1
Subscriber purchase costs(2)	7.6	(1.6)	—	—	0.2	—	6.2
Intangible assets under construction	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets	42.2	(3.6)	—	28.0	0.9	0.5	68.0
Total Net book value	**458.5**	**(41.7)**	**(0.5)**	**154.1**	**8.7**	**0.5**	**579.6**

5—Intangible assets (Continued)

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Software	37.1	27.3	—	—	0.3	0.1	64.9
Brand name	50.0	—	—	29.6	0.2	—	79.8
Customer relations[1]	316.4	—	—	8.2	1.0	—	325.6
Licenses	19.2	13.2	(0.6)	—	—	0.1	31.9
Subscriber purchase costs[2]	152.1	21.2	—	—	0.6		173.9
Intangible assets under construction	—	0.3	—	—	—	(0.3)	—
Other intangible assets	95.3	23.1	—	0.1	0.4		118.9
Total Gross Value	**670.3**	**85.1**	**(0.6)**	**37.9**	**2.5**	**(0.1)**	**795.0**
Software	(10.8)	(17.2)	0.2	—	(0.2)	0.1	(28.1)
Brand name	(1.1)	(1.5)	—	—	—		(2.6)
Customer relations[1]	(21.6)	(31)	—	—	(0.3)		(52.9)
Licenses	(7.1)	(2.9)	0.2	—	—	(0.1)	(9.9)
Subscriber purchase costs[2]	(140.4)	(25.3)		—	(0.6)		(166.3)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(30.9)	(46.1)	—	—	(0.3)	0.6	(76.7)
Total Cumulative amortization and depreciation	**(211.9)**	**(124.0)**	**0.4**	**0.0**	**(1.4)**	**0.4**	**(336.5)**
Software	26.3	10.1	0.2	—	0.1	—	36.8
Brand name	48.9	(1.5)	—	29.6	0.2	—	77.2
Customer relations[1]	294.8	(31.0)	—	8.2	0.7	—	272.7
Licenses	12.1	10.3	(0.4)	—	—	—	22.0
Subscriber purchase costs[2]	11.7	(4.1)	—	—	—	—	7.6
Intangible assets under construction	—	0.3	—	—	—	(0.3)	—
Other intangible assets	64.4	(23.0)	—	0.1	0.1	0.6	42.2
Total Net book value	**458.3**	**(38.9)**	**(0.2)**	**37.9**	**1.1**	**0.3**	**458.5**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. These are amortized on the basis of the local churn rate.

(2) Subscriber purchase costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.

6—Property, Plant & Equipment

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
			(in millions of euros)				
Land	2.9	0.2	—	0.2	—	—	3.3
Buildings	68.6	8.7	—	5.6	1.4	2.5	86.8
Cable networks(1)	661.8	58.8	(0.2)	0.7	31.8	1.1	754.0
Call center (primarily electronic equipment)(2)	94.9	16.1	(0.4)	1.0	7.5	0.1	119.1
Converters and modems	230.5	26.3	(1.0)	2.9	14.8	2.0	275.5
Computers and ancillary equipment	39.5	3.1	(0.1)	0.8	2.0	—	45.3
Office furniture and equipment(3)	110.7	17.1	(19.2)	1.0	(0.5)	1.3	110.4
Communication network infrastructure(4)	361.7	41.5	(3.6)	89.2	9.7	25.0	523.5
Other data center equipment	2.0	0.7		—	(0.0)	0.6	3.3
Tangible assets under construction	17.0	19.9	—	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets	3.1	0.3	—	0.7	(0.0)	(4.1)	—
Other tangible assets	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
Total Gross Value	**1,602.1**	**196.7**	**(24.6)**	**123.0**	**67.2**	**(4.3)**	**1,961.9**
Buildings	(12.9)	(9.0)	—	—	(0.7)	—	(22.6)
Cable networks(1)	(136.4)	(112.1)	0.2	—	(18.5)	—	(266.8)
Call center (primarily electronic equipment)(2)	(26.7)	(25.6)	—	—	(5.5)	—	(57.8)
Converters and modems	(50.5)	(50.3)	0.6	—	(9.3)	0.2	(109.3)
Computers and ancillary equipment	(27.6)	(5.4)	0.1	—	(1.8)	—	(34.7)
Office furniture and equipment(3)	(37.0)	(14.1)	15.2	—	0.1	—	(35.8)
Communication network infrastructure(4)	(235.0)	(46.2)	3.6	—	(5.9)	(0.5)	(284.0)
Other data center equipment	(1.4)	(0.4)	—	—	—		(1.8)
Tangible assets under construction	(0.3)	—	—	—	—	0.3	(0.1)
Other tangible assets	(6.4)	(8.0)	—	—	(0.5)	0.1	(14.8)
Total Cumulative amortization and depreciation	**(534.3)**	**(271.1)**	**19.7**	**—**	**(42.1)**	**0.1**	**(827.7)**
Land	2.9	0.2	—	0.2	—	—	3.3
Buildings	55.7	(0.3)	—	5.6	0.7	2.5	64.2
Cable networks(1)	525.4	(53.3)	—	0.7	13.3	1.1	487.2
Call center (primarily electronic equipment)(2)	68.1	(9.5)	(0.4)	1.0	2.0	0.1	61.3
Converters and modems	180.0	(24.0)	(0.4)	2.9	5.5	2.2	166.2
Computers and ancillary equipment	11.9	(2.3)	—	0.8	0.2	—	10.6
Office furniture and equipment(3)	73.7	3.0	(4.0)	1.0	(0.4)	1.3	74.6
Communication network infrastructure(4)	126.7	(4.7)	—	89.2	3.8	24.5	239.5
Other data center equipment	0.6	0.3	—	—	—	0.6	1.5
Tangible assets under construction	16.6	19.9	—	19.9	—	(31.3)	25.1
Prepayments on tangible assets	3.1	0.3	—	0.7	—	(4.1)	0.0
Other tangible assets	3.1	(4.0)	(0.1)	1.0	—	0.7	(0.7)
Total Net book value	**1,067.8**	**(74.4)**	**(4.9)**	**123.0**	**25.1**	**(2.4)**	**1,134.2**

6—Property, Plant & Equipment (Continued)

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Land	2.6	—	—	0.3	—	—	2.9
Buildings	55.5	12.3	—	0.5	0.3	—	68.6
Cable networks[1]	480.3	58.3	(0.9)	110.4	3	10.7	661.8
Call center (primarily electronic equipment)[2]	68.3	25.8	—	—	0.7	—	94.8
Converters and modems	161.8	70.4	(3.2)	—	1.5	—	230.5
Computers and ancillary equipment	29.1	6.4	—	0.1	0.2	3.7	39.5
Office furniture and equipment[3]	97.7	12.2	(0.5)	0.7	0.2	0.4	110.7
Communication network infrastructure[4]	301.9	58	(2.3)	3.1	1.0	—	361.7
Other data center equipment	3.0	—	(2.8)	—	—	1.8	2.0
Tangible assets under construction	7.2	19.8	(1.8)	8.4	—	(16.6)	17.0
Prepayments on tangible assets	0.1	3.0	—	—	—	—	3.1
Other tangible assets	6.2	3.2	—	0.1	—	—	9.5
Total Gross Value	**1,213.7**	**269.4**	**(11.5)**	**123.6**	**6.9**	**0.0**	**1,602.1**
Buildings	(8.7)	(4)	—	—	(0.2)	—	(12.9)
Cable networks[1]	(24.7)	(110.6)	0.8	—	(1.9)	—	(136.4)
Call center (primarily electronic equipment)[2]	(5.8)	(19.6)	(0.8)	—	(0.5)	—	(26.7)
Converters and modems	(11)	(44.9)	6.3	—	(0.9)	—	(50.5)
Computers and ancillary equipment	(20.4)	(5.0)	(2.0)	—	(0.2)	—	(27.6)
Office furniture and equipment[3]	(23.7)	(15.2)	1.9	—	—	—	(37.0)
Communication network infrastructure[4]	(212.3)	(28.2)	6.0	—	(0.5)	—	(235.0)
Other data center equipment	(1.1)	(0.3)	—	—	—	—	(1.4)
Tangible assets under construction	(0.1)	(0.3)	—	—	—	—	(0.3)
Prepayments on tangible assets	—	—	—	—	—	—	
Other tangible assets	(4.1)	(2.9)	0.6	—	—	—	(6.4)
Total Cumulative amortization and depreciation	**(311.9)**	**(231.1)**	**12.8**	**—**	**(4.3)**	**—**	**(534.3)**
Land	2.6	—	—	0.3	—	—	2.9
Buildings	46.8	8.3	—	0.5	0.1	—	55.7
Cable networks[1]	455.6	(52.2)	(0.1)	110.4	1.1	10.7	525.4
Call center (primarily electronic equipment)[2]	62.6	6.2	(0.8)	—	0.2	—	68.1
Converters and modems	150.8	25.5	3.1	—	0.6	—	180.0
Computers and ancillary equipment	8.7	1.4	(2.0)	0.1	—	3.7	11.9
Office furniture and equipment[3]	74	(3.0)	1.4	0.7	0.2	0.4	73.7
Communication network infrastructure[4]	89.6	29.8	3.7	3.1	0.5	—	126.7
Other data center equipment	1.9	(0.3)	(2.8)	—	—	1.8	0.6
Tangible assets under construction	7.1	19.5	(1.8)	8.4	—	(16.6)	16.6
Prepayments on tangible assets	0.1	3.0	—	—	—	—	3.1
Other tangible assets	2.0	0.3	0.6	0.1	—	—	3.1
Total Net book value	**901.8**	**38.4**	**1.3**	**123.6**	**2.7**	**0.0**	**1,067.8**

(1) Cable network: the Consolidated Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

6—Property, Plant & Equipment (Continued)

The increase in the intangible and tangible assets of the Consolidated Group can mainly be attributed to the acquisition of Outremer Telecom and ONI Telecom during the course of 2013. These increases were slightly offset by the disposal of the Company's interests in Valvision.

7—Investment in associates

The breakdown of the investments in associates is detailed as follows:

	December 31, 2013	
(in millions of euros)	**Consolidated Group's share of profits of associates**	**Consolidated Group's investments in associates**
Numericable Group S.A.	15.5	679.1
Total	**15.5**	679.1

	December 31, 2012	
(in millions of euros)	**Consolidated Group's share of profits of associates**	**Consolidated Group's investments in associates**
Numericable Group S.A.(*)	20.4	81.3
Total	**20.4**	**81.3**

Variation in the statement of financial position of investment in associates is shown below:

(in millions of euros)	**Balance on December 31, 2012**	**Share in profit of associates**	**Loan conversions/ (Disposals)**	**Balance on December 31, 2013**
Numericable Group S.A.(*)	**81.3**	15.5	582.3	679.1
Total	**81.3**	15.5	582.3	**679.1**

(*): The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

The Numericable Group S.A. figures are detailed as follows:

(in millions of euros)	**December 31, 2013**	**December 31, 2012(*)**
Current assets	561.3	430,6
Non-current assets	3,398.6	3,199.2
Current liabilities	828.1	1,008.4
Non-current liabilities	2,878.1	3,141.5
Total Equity	**253.5**	**(320,1)**
% of interest = 27.4% (24.06%)	69.4	(77,0)
Revenue for the year	**1,314.2**	—
Profit and loss for the year	**64.6**	—
Total other comprehensive income	**(0.5)**	—
Total comprehensive income	**64.1**	—
% of interest = 27.4%	**15.5**	—

(*) The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

7—Investment in associates (Continued)

On November 7, 2013, the newly formed Numericable Group S.A. completed its initial public offering. The Numericable Group is considered to be the successor entity of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l.

Effective upon initial public offering of Numericable Group, a restructuring of the capital structure of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l. was undertaken, as a result of which, all shares and loans held by Altice Six S.A. against these entities were converted into common shares of the new entity, Numericable Group S.A..

Altice Six holds 33.9 million of shares of Numericable Group as at December 31, 2013. Based on the share price as of December 31, 2013 (EUR 26.4), the fair value of the investment amounted to EUR 895.9 million. Based on this valuation, it is concluded that the fair value is greater than the carrying value of the investment and therefore no impairment shall be recorded in the consolidated financial statements for the year ended December 31, 2013.

8—Financial assets

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Investments held as available for sale(1)	40.3	6.1
Loans and receivables(2)	3.0	144.8
Other financial assets	5.5	—
Restricted cash(3)	1.8	9.6
Total	**50.6**	**160.5**

(1) Investment in available for sale financial asset:s are composed of:

Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Directors considers the investment in Wananchi to be available for sale investment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Directors considers that the nominal value of its investment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Directors is of the opinion that it has no significant influence on the Board of Wananchi.

(2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to EUR 3.0 million ($4 million equivalent). The decrease compared to December 31, 2012 is explained by:

- the conversion of loans and receivables due from Wananchi to equity
- the conversion of loans and receivables against Ypso Holdings S.à r.l. and Altice B2B Lux Holding S.à r.l..See note 7 for more information.

(3) Restricted cash (see Note 2.21)

As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Esprito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

9—Non-current trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Prepaid expenses	0.6	0.8
Other receivables[1]	22.2	23.7
Total	**22.8**	**24.6**

(1) The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its value, as discounted using an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables.

10—Inventories

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Work in progress	0.1	0.1
Finished/semi-finished goods	12.4	7.1
Total Gross Value	**12.5**	**7.2**
Work in progress	—	(0.1)
Finished/semi-finished goods	(1.5)	(1.0)
Total Depreciation	**(1.5)**	**(1.1)**
Work in progress	0.1	—
Finished/semi-finished goods	10.9	6.2
Total Net book value	**11.0**	**6.1**

Inventories are almost exclusively comprised finished goods corresponding to customer premises equipment (modems, decoders, mobile handsets etc.), which is used in the daily business activity of the Consolidated Group. Management considers that inventory will be fully renewed in the next twelve months.

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2012	Business Combinations	Variation	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)		
Work in progress (goods)	(0.1)	—	0.1	—	—
Finished/semi-finished goods	(1.0)	—	(0.5)	—	(1.5)
Total Cumulative amortization and depreciation	**(1.1)**	**—**	**(0.4)**	**—**	**(1.5)**

10—Inventories (Continued)

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)				
Work in progress (goods)	—	(0.1)	—	—	(0.1)
Finished/semi-finished goods	(1.9)	—	0.9	—	(1.0)
Total Cumulative amortization and depreciation	**(1.9)**	**(0.1)**	**0.9**	**—**	**(1.1)**

The cost of inventories recognised as an expense consists of EUR 0.4 million (2012: EUR 0.1 million) in respect of write-downs of inventory to net realisable value. This write down mainly concerns the write off of mobile handsets and accessories at OMT to reflect their net recoverable value.

11—Trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade receivables	194.0	150.8
Other receivables	38.2	42.5
Total current trade and other receivables	**232.2**	**193.3**
Trade receivables		
Other receivables	22.8	24.6
Total non-current trade and other receivables	**22.8**	**24.6**
Total	**255.0**	**223.9**

11.1 Trade receivables

	December 31, 2012	Business Combinations	Net increase/ (decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
	(in millions of euros)					
Trade receivables	175.6	50.0	(6.8)	—	5.5	224.3
Allowance for doubtful debts	(24.8)	—	(10.1)	7.0	(2.4)	(30.3)
Trade receivable, net	**150.8**	**50.0**	**(16.9)**	**6.9**	**3.1**	**194.0**

11—Trade and other receivables (Continued)

	December 31, 2011	Business Combinations	Net increase/ (decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Trade receivables	129.1	5.9	40.4	—	0.1	175.6
Allowance for doubtful debts	(26.4)	—	(3.0)	4.4	0.2	(24.8)
Trade receivable, net	**102.7**	**5.9**	**37.4**	**4.4**	**0.3**	**150.8**

The increase in trade receivables in the year ended December 31, 2013, as compared to the year ended December 31, 2012 is mainly explained by the acquisition of OMT, ONI as well as the integration of MCS and SportV during the course of the year.

11.2 Age of trade receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Not yet due	137.1	116.7
30 - 90 days	22.1	14.0
91 - 121 days	34.8	20.2
Total	**194.0**	**150.8**

11.3 Other current receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party	0.1	13.1
Bank guarantee(1)	—	14.0
Prepaid expenses(2)	20.9	6.3
Other current receivables	17.2	9.1
Total	**38.2**	**42.5**

(1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 32 for details on guarantees given by HOT and HOT mobile.

(2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Consolidated Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

The Consolidated Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, the in-country fixed line communications field and the mobile communication field, respectively. The Consolidated Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Consolidated Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

12—Cash and cash equivalents and current restricted cash

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Term deposits	1.4	5.2
Bank balances	60.2	124.5
Cash and cash equivalents presented in the consolidated statement of cash flows	**61.6**	**129.8**
Restricted cash[(1)]	1,242.8	—
Restricted cash	**1,242.8**	**—**

(1) Current restricted cash refers to cash held in escrow accounts on behalf of Altice Finco and Altice Financing S.A., related to the acquisition of Orange Dominicana and Tricom. The Board of Directors expects the transactions to close in the first quarter of 2014, thus ensuring utilization of the cash in less than twelve months following December 31, 2013. As of the date of signing of these accounts, the Tricom acquisition had been successfully closed (See note 35).

13—Invested equity

As of December 31, 2013, the invested equity consists of the sum of the net equity of the Altice Six and Altice VII sub-groups. On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers.

13.1 Earnings per share:

In the context of these consolidated financial statements, it is not meaningful to present earnings per share in accordance with IAS 33 since the Reporting Entity does not have a legal share capital. Upon completion of its initial public offering, the Company had 202,787,193 shares in issue. The earnings for the year ended December 31, 2013 divided by the number of shares in issue immediately following the initial public offering are equivalent to EUR 0.35 (2012—EUR (0.69))

14—Provisions

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Litigations[(1)]	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses	1.8	4.7	0.5	(0.7)	(1.0)	5.3
TOTAL	**25.7**	**8.2**	**5.5**	**(7.7)**	**(0.4)**	**31.1**

14—Provisions (Continued)

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Litigations[(1)]	38.8	—	1.9	(24.0)	(0.9)	15.8
Other risks	1.7	5.0	1.4	(0.1)	(0.1)	8.0
Provisions for other expenses	—	—	1.8	—	—	1.8
TOTAL	**40.5**	**5.0**	**5.1**	**(24.1)**	**(1.0)**	**25.7**

(1) Provisions for litigations : For the year ended December 31, 2013, Hot made payments to Tali, AGICOA and ESHKOLOT copyright owners. Total payments amounted to EUR 5.4 million. HOT also recorded additional provisions for litigation based on a class action lawsuit for a total of EUR 2.9 million.

Provisions for litigations are mainly relating to, (i) claims made by associations representing the owners of certain copyrights in Israel, (ii) class action suits filed by certain consumers in Israel and (iii) lawsuits pertaining to the take-private operation performed in December 2012.

More information on these provisions is provided in note 32.. Management considers that all potential risks of cash-outs on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2013.

15—Employee benefits

Breakdown of the employee benefits by entity:

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
Coditel Brabant		0.5	0.5
Hot Telecom	15.1	3.8	6.5
Green	15.1	1.8	1.8
OMT Invest	15.1	2.2	—
Total		**8.2**	**9.1**

15.1 Description of employee benefits by entity

15.1.1 HOT Telecom

(a) Defined Benefit Plans

Employee benefit liabilities

HOT Telecom has several employee benefit plans:

- *Short-term employee benefits*

  Short-term employee benefits are benefits that are forecast to be cleared in full within 12 months of the end of the annual reporting period in which the employees provide the related services. These benefits include salaries, paid annual leave, paid sick leave, recuperation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Consolidated Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

15—Employee benefits (Continued)

- *Post-employment benefits*

  The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

  Since 2011, the Consolidated Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Consolidated Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

  Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

  In addition, the Consolidated Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. The liability for termination of employment is measured in accordance with an actuarial evaluation of the projected unit credit. The actuarial calculation takes into account the future salary costs and the rate at which employees leave the Consolidated Group, which is done on the basis of an evaluation of the timing of the payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the obligation relating to severance pay.

  In respect of its severance pay obligation to certain of its employees, the Consolidated Group makes current deposits in pension funds and insurance companies (''the plan assets''). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Consolidated Group's own creditors and cannot be returned directly to the Consolidated Group.

  The employee benefit liabilities, which are presented in the statement of financial position, represents the present value of the defined benefit liabilities less the fair value of the plan assets.

  Re-measurements of the net liability are reflected under other comprehensive income as they arise.

  Actuarial gains and losses are reflected in other comprehensive income.

- *Other long-term employee benefits*

  The Consolidated Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Consolidated Group's obligation.

  Re-measurements of the net liabilities are reflected in profit or loss in the period in which they arise.

- *Termination benefits:*

  Employee termination benefits are recognized as an expense at the earlier of such time at which the Consolidated Group has committed to terminate employees before the normal retirement date and it is unable to cancel the proposal or where the Consolidated Group recognized costs in respect of a structural change that includes the payment of termination benefits.

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

15—Employee benefits (Continued)

The Consolidated Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	3.5	4.7
Interest expenses in respect of the benefit liabilities	0.8	1.0
Expected yield in the plan assets	(0.6)	(0.8)
Net actuarial gain which has been recognized in the year	0.1	0.6
Total expenses in respect of employee benefit	**3.8**	**5.5**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(19.3)	(26.8)
Fair value of the plan assets	15.5	20.3
Total net assets/(liabilities)	**(3.8)**	**(6.5)**

(d) Changes in the present value of the liabilities in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	27.6	25.4
Interest expenses	0.8	1.0
Current service cost	3.6	4.6
Benefits paid	(10.6)	(3.2)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss (profit)	0.0	0.6
Closing balance	**19.3**	**26.8**

15—Employee benefits (Continued)

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**20.9**	**20.7**
Expected yield	0.6	0.8
Deposits by the employer into the plan	3.8	4.1
Benefits paid	(8.3)	(3.7)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss	0.6	—
Closing balance	**15.4**	**20.3**

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.61	3.54
Expected yield on the plan assets	3.74	3.84
Expected yield of salary increases	2 - 5	2 - 4

15.1.2 Green.ch AG

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.4	—
Net actuarial gain which has been recognized in the year	(0.3)	—
Total expenses in respect of employee benefit	**0.2**	**—**

15—Employee benefits (Continued)

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(7.5)	—
Fair value of the plan assets	5.7	—
Total net assets/(liabilities)	**(1.8)**	**—**

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	**6.6**	**—**
Interest expenses	0.1	—
Current service cost	0.4	—
Participant contribution	0.3	—
Benefits received	0.4	—
Net actuarial loss (profit)	(0.4)	—
Closing balance	**7.5**	**—**

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**4.6**	**—**
Expected yield	0.1	—
Deposits by the employer into the plan	0.3	—
Participant contribution	0.3	
Benefits received	0.4	—
Net actuarial loss	(0.1)	—
Closing balance	**5.7**	**—**

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	2.5	—
Expected yield on the plan assets	—	—
Expected yield of salary increases	1.0	—

15.1.3 OMT Invest

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect

15—Employee benefits (Continued)

of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.1	—
Interest expenses in respect of the benefit liabilities	—	—
Expected yield in the plan assets	—	—
Net actuarial loss which has been recognized in the year	0.1	—
Total expenses in respect of employee benefit	**0.2**	**—**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	2.2	—
Fair value of the plan assets	—	—
Total net assets/(liabilities)	**2.2**	**—**

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	**2.1**	**—**
Interest expenses	0.0	—
Current service cost	0.2	—
Participant contribution	—	
Benefits paid	(0.0)	—
Net actuarial loss (profit)	(0.1)	—
Closing balance	**2.2**	**—**

15—Employee benefits (Continued)

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**—**	**—**
Expected yield	—	—
Deposits by the employer into the plan	—	—
Participant contribution		
Net actuarial loss	—	—
Closing balance	**—**	**—**

() The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.15	—
Expected yield on the plan assets	—	—
Expected yield of salary increases	1.5 - 2.0	—

16—Variations in non-controlling interests

	December 31, 2013	December 31, 2012
Balance at beginning of year	**5.2**	**349.2**
Share in loss for the year	(22.1)	(40.9)
Acquisition of non-controlling interests on Hot Telecom Ltd	—	(298.4)
Dividends paid to non-controlling interests	—	(26.0)
Acquisition of non-controlling interests in Altice Portugal S.A.	(9.1)	21.6
Acquisition of non-controlling interests in OMT Invest S.A.S	1.3	—
Acquisition of non-controlling interests in Winreason S.A.	0.4	—
Acquisition of non-controlling interests in Coditel Holding Lux II S.à r.l.	23.6	—
Effect of foreign exchange translation	0.2	(1.3)
Other variations	—	1.0
Balance at end of year	**(0.5)**	**5.2**

17—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Bonds	2,527.0	1,108.5
Related party bonds[5]	100.7	322.4
Borrowings from financial institutions[1]	1,214.0	257.2
Finance leases[2]	23.4	29.3
Other financial liabilities	105.9	89.4
Financial instruments	142.3	62.5
Non-current liabilities[3]	**4,113.3**	**1,869.4**
Bonds	26.4	25.4
Borrowings from financial institutions	—	86.5
Finance leases[2]	11.4	8.7
Other financial liabilities	4.5	—
Loan from related party	—	14.3
Accrued interest	33.3	—
Current liabilities[4]	**75.6**	**134.9**
Total	**4,188.9**	**2,004.3**

(1) Borrowings from financial institutions mainly comprised of (i) EUR 764.8 million corresponding to the Altice Financing term loan facility, (ii) the Coditel Mezzanine facility for EUR 104.0 million, (iii) Green Datacenter debt for a total of EUR 23.7 million, (iv) EUR 319.7 million Altice Six margin loan

(2) Liabilities related to finance leases were included in the line item 'other financial liabilities' for the year ended December 31, 2012 and have been reclassified for comparative purposes for the year ended December 31, 2013.

(3) Non-current liabilities shown here correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'long term loans from related parties' and 'other financial liabilities' as presented in the consolidated statement of financial position.

(4) Current liabilities shown above correspond to the total of the line items, 'borrowings from banking corporations and debentures','other current liabilities' and 'related party bonds', as presented in the consolidated statement of financial position.

(5) As part of the proposed initial public offering of the newly incorporated Altice S.A., it was decided to redeem the related party preferred equity certificates issued by Altice VII. The redemption proceeds will be contributed by Altice S.A. to Altice VII against shares in Altice VII and related premium.

17—Borrowings and other financial liabilities (Continued)

17.1 Bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Hot Telecom						
—Debentures	310.1	Between 3.9% and 6.9% + Consumer Price Index	2018	280.1	282.5	269.2
Altice Financing						
—Senior Secured Notes USD 460 M	346.1	7.875%	2019	305.1	333.9	348.4
—Senior Secured Notes EUR 210M	219.1	8.00%	2019	201.8	210.5	210.5
—New Senior Secured Notes EUR 300M[1]	300.0	6.5%	2022	292.8	300.0	—
—New Senior Secured Notes USD 900M[1]	652.7	6.5%	2022	637.3	652.7	
Altice Finco						
—Senior Notes USD 425M	309.6	9.875%	2020	309.1	309.1	322.7
—Senior Notes EUR 250M	272.2	9.00%	2023	245.3	250.0	—
—New Senior Notes USD 400M[1]	351.6	8.125%	2024	282.5	290.1	—
Nominal value of bonds	**2,761.3**			**2,554.0**	**2,628.8**	**1,150.8**
Of which due within one year	26.8			26.8	26.8	—
Of which due after one year	**2,734.6**			**2,527.0**	**2,602.0**	**1,150.8**

(1) New notes issued by Altice Finco S.A. and Altice Financing S.A. are held in escrow and are not used as of December 31, 2013 (See note 11).

During the year ended December 31, 2013, Debentures issued by the Company included:

The Hot Telecom Debentures:

The Series A' debentures-EUR 167 million, linked to the Consumer Prices Index for Tel Aviv, bear yearly interest at a rate of 3,9%. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures-EUR 137 million bear yearly interest at a fixed rate of 6,9%. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Altice Financing Senior Secured Notes:

Altice Financing S.A. has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- $ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.
- EUR 210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.
- $ 900.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana

17—Borrowings and other financial liabilities (Continued)

acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

- EUR 300.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

Altice Finco Senior Notes:

Altice Finco S.A. has issued Senior Notes in December 2012, June 2013 and December 2013 to finance various acquisitions:

- $ 425.0 million senior notes issued in December 2012, bearing a semi-annual coupon of 9.875% and maturing on December 15, 2020.
- EUR 250.0 million senior notes, issued in June 2013, bearing a semi-annual coupon of 9.0% and maturing on June 15, 2023.
- $ 400.0 million senior notes issued in December 2013, bearing a semi-annual coupon of 8.125% and maturing in 2024. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange.

17.2 Covenants

17.2.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv Stock Exchange by the Consolidated Group's subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

- A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- No distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2013, Hot Telecom was in compliance with all of the required financial covenants.

17.2.2 Altice Blue One

As of December 31, 2012, Altice Blue One was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt agreements, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

Altice Blue One debt was refinanced its external debt on July 2, 2013 and Altice Blue One is no longer subject to any debt covenants.

17.2.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A. On June 2, 2013, the senior facilities (A and B) were refinanced and repaid by anticipation, thus releasing Coditel Holding S.A. from any covenant requirements on the senior debt facility.

17—Borrowings and other financial liabilities (Continued)

As of December 31, 2013, Coditel Holding S.A. was in compliance with all of the required financial covenants on the Coditel Mezzanine debt.

17.2.4 Altice Finco and Altice Financing

Altice Finco and Altice Financing, the Senior and Senior Secured Notes issuers are subject to covenants that only come into effect every time new debts are issued with the following requirements:

- Secured net debt to EBITDA ratio: <3:1
- Unsecured net debt to EBITDA ratio: <4:1

The Consolidated Group is allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined under the indenture. In addition, the Consolidated Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the gross debt of the Group.

In case the Consolidated Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. The Consolidated Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Consolidated Group may face (for a total EUR equivalent amount of EUR 118.0 million).

17.2.5 Altice Six

Altice Six has pledged the shares it holds in the Numericable Group as collateral for a margin loan. Under the provision of the loan agreement, Altice Six must respect a certain ratio, the 'Collateral LTV ratio', failure to comply with which would entail certain penalties, which are enumerated below.

- The collateral LTV ratio is defined as the ratio between the aggregated outstanding loan amount (including accrued interests), less any cash present in the pledge account, divided by the market value of the shares provided as collateral by Altice Six.
- If the Collateral LTV ratio is greater or equal to 60%, then Altice Six is required to make a cash infusion into the collateral cash account, for an amount that represents the shortfall between the aggregate amount of outstanding debt (including accrued interest) and the amount of the aggregated amount of outstanding debt representing a collateral LTV ratio of 50%. The latter value is calculated using the share price of the collateral shares at closing on the day of default.

As of December 31, 2013, Altice Six was not in breach of the covenant, with a collateral LTV ratio of 36.4%.

17.3 Borrowings from financial institutions

In addition to the bonds described above, the Consolidated Group has issued the following debts:

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of EUR 100.0 million, bearing cash interest at 8.5% and a PIK interest at 5.25% which is capitalized annually. This debt matures in 2016.
- A covenant lite term loan issued by Altice Financing S.A for a total amount of USD 1,034 million (EUR 795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.
- A margin loan facility at Altice Six, with a principal amount of EUR 323.9 million, bearing interest at a variable rate of 12 months Euribor + 4.25% for the first period, then 6 months Euribor +4.25% and maturing in October 2016.

17—Borrowings and other financial liabilities (Continued)

17.4 Related party bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Related party bonds						
Altice VII						
—Alpecs	94.3	Variable	2057 to 2061	94.3	94.3	104.6
—Yfpecs	4.8	4.76%	2058 to 2061	4.8	4.8	4.4
—IFL	0.2	4.76%	2061	0.2	0.2	—
Altice Six						
—PECs		7.3786%	2058 to 2061	—	—	57.6
—Super PECs		Variable	2058 to 2061	—	—	43.8
—Super PECs		20.0%	2058 to 2061	—	—	14.9
—IFPECs		6.38%	2058 to 2061	—	—	86.5
—IFPECs		6.38%	2058 to 2061	—	—	4.2
—Tracking IFPECs		6.38%	2058 to 2061	—	—	5.7
—YFPECs		6.38%	2058 to 2061	—	—	0.7
—New YFPECs	1.5	5.263%	2058 to 2061	1.5	1.5	—
Nominal value of bonds	**100.7**			**100.7**	**100.7**	**322.4**
Of which due after one year	**100.7**			**100.7**	**100.7**	**322.4**

Subordinated financial instruments have been issued by Altice VII and Altice Six.

(a) Altice VII

Subordinated financial instruments have been issued by Altice VII consists of:

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

Conversely, according to our appreciation, and upon application of IAS 32/39, following instruments have to be classified as debt instruments:

ALPECs instruments (about EUR 94.3 Million as at the end of 2013; 2012 amount: EUR 104.6 million)

YFPECs instruments (about EUR 4.8 Million as at the end of 2013; 2012 amount: EUR 4.4 million)

IFL instruments (about EUR 0.2 million at the end of 2013; 2012 amount: EUR 0.2 million)

The YFPECs have been valued using a discount rate of 4.76% given its preferred interest rate which therefore values the liabilities at EUR 4.8 million as at December 31, 2013.

(b) Altice Six

All debt instruments previously issued by Altice Six have been reimbursed in exchange for capital increase of Altice Six or cash payments made by Altice Six. New YFPECs were issued by Altice Six on November 12, 2013 and subscribed by Next L.P. The New YFPECs are yield free instruments and hence under IAS 32/39, a fair value evaluation of such instruments is mandated.

The fair value of the new instruments was EUR 1.5 million as at December 31, 2013. The discounting rate used corresponds to the effective interest rate for Altice Six S.A. and is indexed to the external debt issued by the Company (5.3% as at December 31, 2013).

17—Borrowings and other financial liabilities (Continued)

All such debt instruments issued by Altice Six were converted into common shares of Altice S.A. on January 31, 2014.

17.5 Other financial liabilities

Other financial liabilities mainly consist of:

(i) Preferred equity certificates (PECs): These instruments bear a yield and shall have a maturity of 49 years.

On November 29, 2013, Altice Holding S.à r.l. acquired the PECs held by Codilink S.à r.l. (40% of the total amount). Following this transaction, all remaining PECs issued by Coditel Holding Lux II have been subscribed by Deficom Telecom, of which 26.2% is detained by Deficom Group S.A

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument in euro	Interest rate	Convertible	Amount as at the end of 2012	Amount as at the end of 2013
			(in millions)	(in euro)			(in millions of euros) including interests	
PECs C	30/06/2011	30/06/2060	16.90	1	12.98%	No	51.4	14.9
PECs C	02/12/2011	02/12/2060	3.86	1	12.98%	No	10.5	2.8
Total			***20.76***				***61.9***	***17.7***

(ii) Debt related to Altice Caribbean put: Altice Caribbean, the sole shareholder of Altice Blue Two S.A.S, has the option to repurchase the minority stake in Altice Blue Two S.A.S, valued at EUR 52.7 million for the year ended December 31, 2013.

(iii) EUR 20.2 million in vendor notes owed by Altice VII S.à r.l. to the previous shareholders of MCS S.A.S. and SportV S.A., payable in 2014. Of the total purchase price of EUR 23.0 million for MCS and EUR 12.0 million for SportV S.A. cash payments were made for an amount of EUR 14.9 million in the year ended December 31, 2013. These vendor notes were settled after year end.

17.6 Maturity of financial liabilities

	December 31, 2013	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	2,554.0	26.8	253.7	2,273.3
Related party bonds	100.7	—	—	100.7
Borrowings from financial institutions	1,213.2	—	319.8	893.4
Finance leases	34.8	11.4	23.4	—
Accrued interest	33.3	33.3	—	—
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	0.0	142.3	—
Nominal value of borrowings	**4,188.6**	**73.5**	**798.5**	**3,316.5**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	1,133.9	25.4	77.3	1,031.2
Related party bonds	322.4	—	—	322.4
Borrowings from financial institutions	343.7	86.5	27.5	229.7
Finance leases	38.0	8.7	3.4	25.9
Accrued interest	14.3	14.3	—	—
Other financial liabilities	89.4	—	7.8	81.6
Financial instruments	62.5	—	—	62.5
Nominal value of borrowings	**2,004.2**	**134.9**	**116.0**	**1,753.3**

17.7 Currency of borrowings

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	2,554.0	739,4	1534.0	280.6	—
Related party bonds	100.7	100.7			
Borrowings from financial institutions	1,213.2	1,189.7	—	—	23.4
Finance leases	34.8	5.8	—	26.5	2.5
Accrued interest	33.3	27.9	5.4	—	—
Other financial liabilities	110,4	107.1	—	3.0	0.2
Financial instruments	142.3	142.3	—	—	—
TOTAL	**4,188.6**	**2,312.9**	**1,539.4**	**310.1**	**26.1**

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	1,133.9	—	839.3	294.6	—
Related party bonds	322.4	322.4	—	—	—
Borrowings from financial institutions	343.7	319.7	—	—	24
Finance leases	38.0	6.2	—	29.2	2.6
Accrued interest	14.3	12.5	1.6	—	0.2
Other financial liabilities	62.5	—	62.5	—	—
Financial instruments	1,133.9	—		—	—
TOTAL	**2,004.2**	**747.4**	**903.4**	**326.5**	**27.0**

17.8 Nature of interest rate

	December 31, 2013	Fixed interest rate	Floating interest rate
		(in millions of euros)	
Bonds	2,554.0	2,554.0	—
Related party bonds	100.7	6.5	94.0
Borrowings from financial institutions	1,213.2	129.1	1,084.0
Finance leases	34.8	34.8	—
Accrued interest	33.3	15.4	17.8
Other financial liabilities	110.4	103.3	7.1
Financial instruments	142.3	—	142.3
TOTAL	**4,188.6**	**2,843.1**	**1,345.5**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1,133.9	969.7	164.2
Related party bonds	322.4	278.6	43.8
Borrowings from financial institutions	343.7	229.9	113.8
Finance leases	38.0	31.8	6.2
Accrued interest	14.3	11.8	2.5
Other financial liabilities	84.9	82.0	2.9
Financial instruments	62.5	62.5	—
TOTAL	**2,004.2**	**1,670.8**	**333.4**

17.9 Derivatives

As of December 31 2013, the Consolidated Group had entered into the following swap transactions:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%
- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%
- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%
- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%
- A coupon only cross-currency swap transaction covering part of the USD 1,034 million Term loan notional (USD 540.5 million), in which Altice pays Euros and receives US Dollars, amounting to EUR 392 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate of between 0.22% and 0.26% and a fixed spread of between 4.5% and 4.8%

As of December 31, 2013, the Consolidated Group has entered into the following forward transactions:

- A forward transaction covering USD 500 million of the total USD nominal due at maturity of the Altice Finco USD Senior Notes and Altice Financing USD Senior Secured Notes (USD 885 million) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.28-4.33 ILS/USD.
- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan at maturity, in which Altice pays Israeli Shekels and Euros to receive US Dollars. As part of the

17—Borrowings and other financial liabilities (Continued)

transaction, Altice will pay ILS 1,076 million and receive USD 293 million at a hedged rate of 3.678 ILS/USD and will pay EUR 415 million and receive USD 541 million at a hedged rate of 1.301.

- A coupon only forward transaction covering USD 200 million of the USD 400 million Senior Notes issued by Altice Finco (of which USD 25 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering USD 225 million of the USD 450 million Senior Secured Notes issued by Altice Financing (of which USD 10 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering EUR 200 million of the EUR 200 million Senior Secured Notes issued by Altice Financing (of which EUR 10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.036 ILS/EUR.

17.10 Non-cash transactions

Non-cash transactions consist of transactions where the Group has made payments to sellers of acquired entities or lenders (in case of debt repayments), with the cash being transferred directly to the third party.

The details of non-cash transactions are given below:

	December 31, 2013
(in millions of euros)	
Transaction costs related to acquisitions	(40.1)
Transaction with non-controlling interests	(120.9)
Acquisition of shares in associates	(243.7)
Net payments on acquisition of subsidiaries	(559.8)
Repayment of debt	(641.7)
TOTAL	**(1,606.2)**

In addition to this, Altice Six realized a non-cash gain arising from contribution of financial instruments to Numericable Group S.A. See note 27 for more details.

18—Obligations under finance leases

18.1 Leasing arrangements

The Consolidated Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The Consolidated Group has options to purchase the equipment for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. Entities with major lease contracts are, (i) HOT and HOT mobile, (ii) Outremer Telecom and (iii) Auberimmo.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

18—Obligations under finance leases (Continued)

18.1.1. Leasing arrangements

	Minimum lease payments	
	31 December 2013	31 December 2012
Less than one year	12.6	12.3
Between one and two years	7.3	7.2
Between two and three years	5.0	4.9
Between three and five years	2.8	2.9
More than five years	7.6	7.6
Less: future finance expenses	(2.9)	(2.6)
Present value of minimum lease payments	**35.3**	**34.9**

	31 December 2013	31 December 2012
Included in the consolidated financial statements as:		
Current borrowings (note 17)	23.4	27.1
Non-current borrowings (note 17)	11.4	7.8
Total	**34.8**	**34.9**

Current leasing obligations for HOT are listed below:

The HOT group (HOT Telecom and HOT mobile) leases equipment under finance leasing agreements. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2013 the net carrying value of the leased facilities and equipment is EUR 38.1 million (NIS 182 million) (2012—EUR 41.7 million/NIS 205 million).

HOT Mobile has finance leasing in an amount of EUR 2.9 million in accordance with its rental contract with the company ''Airport City'' Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2013, there is no balance recorded in the accounting records in respect of leasehold improvements (as of December 31, 2012, the net carrying value of leasehold improvements was EUR 3.0 million).

The Consolidated Group has recorded finance leasing in respect of the Bezeq agreement. As of December 31, 2013, the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of EUR 0.4 million (NIS 2 million), as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2012—EUR 0.4 million/NIS 2 million).

Other leasing contracts exist at Auberimmo, a datacenter owned by the Consolidated Group and operating in France. The facility was purchased under a finance lease agreement for an initial amount of EUR 5.6 million. A second tranche was issued to carry out renovations and leasehold improvements, amounting to a total of EUR 3.0 million.

19—Financial risk factors

In the course of its business, the Consolidated Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks (including equity price risk and settlement risk). This note presents the Consolidated Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Consolidated Group is managed. The Board of Directors establishes the Consolidated Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Consolidated Group is not subject to any externally imposed capital requirements.

19—Financial risk factors (Continued)

19.1 Credit risk

The Consolidated Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Consolidated Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Consolidated Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Consolidated Group does not have significant concentration of credit risk, as a result of the Consolidated Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

19.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

19.3 Market risks

The Consolidated Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

19.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Consolidated Group has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Financial debt at fixed rates	2,843.1	1,670.8
Financial debt at variable rates	1,345.5	333.4
TOTAL	**4,188.6**	**2,004.2**

31 December 2013	Weighted average effective interest rate	< 1 year	1 - 5 years	5+ years	Total	Carrying amount
Non-interest bearing	—	—	—	4.9	4.9	4.9
Variable interest rate instruments[(1)]	5.9%	73.9	1,309.7	481.1	1,864.7	1,345.5
Fixed interest rate instruments	7.7%	272.6	1,942.4	1,712.6	3,927.7	2,838.2

19—Financial risk factors (Continued)

31 December 2012	Weighted average effective interest rate	< 1 year	1 - 5 years	5+ years	Total	Carrying amount
Non-interest bearing	—	—	—	4.4	4.4	4.4
Variable interest rate instruments	5.1%	—	5.6	326.3	842.2	333.4
Fixed interest rate instruments	7.4%	—	—	839.4	839.4	1,666.4

(1) The carrying amount of variable interest rate instruments excludes the following items included in note 17.6, 'accrued interest. Other financial liabilities and financial instruments'

19.3.2 Israeli CPI risk

The Consolidated Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Consolidated Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Consolidated Group is exposed to changes in the Israeli CPI amounted to approximately EUR 187.0 million (NIS 895 million) as of December 31, 2013.

19.3.3 Foreign currency management

1. Foreign currency sensitivity analysis

The Consolidated Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Consolidated Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Consolidated Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures and swaps.

	December 31, 2013		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate	12.8	0.2	12.9
Equity			
Increase of 10% in exchange rate	5.6	2.1	7.6
Decrease of 10% in exchange rate	(5.6)	(2.1)	(7.6)

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.9)	(0.1)	(13.1)
Decrease of 10% in exchange rate	12.9	0.1	13.1
Equity			
Increase of 10% in exchange rate	23.3	3.0	26.3
Decrease of 10% in exchange rate	(23.3)	(3.0)	(26.3)

Exchange differences recorded in the income statement represented a profit of EUR 66.5 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The Consolidated Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to

19—Financial risk factors (Continued)

assess the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

2. Foreign currency hedging

It is the policy of the Consolidated Group to enter into hedging foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table details the hedging contracts outstanding at the end of the financial year:

	Average exchange rate	Foreign currency	Notional Value	Fair Value of assets(1)
Outstanding swap contracts (ILS coupons only)	4.34	3,201.8	620.6	(25.0)
Outstanding swap contracts (EUR coupons only)	0.79	415.5	392.0	(12.9)
Outstanding forward contracts (ILS coupons only)	4.31	2,154.3	426.7	(22.7)
Outstanding forward contracts (ILS nominal only)	5.07	2,125.0	362.6	(81.7)

(1) Fair value of swap and forward contracts as of December 31, 2012 amounted to EUR 62.5 million

19.3.4 Price risk

The Consolidated Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Consolidated Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2013, the carrying amount of these investments was EUR 9.4 million (6.1 million as of December 31, 2012).

19.4 Gearing computation

For the year ended December 31, 2013, the Consolidated Group had a net equity position of EUR 95.3 million, thus resulting in a gearing ratio of 43.3

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net Debt	**4,188.9**	**2,004.3**
Cash and cash equivalents	(61.6)	(129.8)
Total equity	**95.3**	**278.1**
Gearing	**43.3**	**6.7**

19.5 Fair value of financial assets and liabilities

19.5.1 Fair value of the Consolidated Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Consolidated Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these

19—Financial risk factors (Continued)

financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at 31/12/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
Foreign currency forward contracts (see notes 17.8)	(104.9)	(52.6)	Level 2	Zero curve	N/A N/A	N/A N/A
Interest rate swaps (see note 17.8)	(37.9)	(9.8)	Level 2	Zero curve	N/A N/A	N/A N/A
AFS					N/A	N/A
—Wananchi[(1)]	31.9	—	Level 3	Internal approach using business plans	N/A	N/A
—Partner and Co.	8.4	6.1	Level 1	Quoted price in an active market	N/A	N/A

(1) In April 2012, the Consolidated Group made an investment in the East-African cable operator Wananchi, to gain a foothold in the strategic and fast developing African cable and telecom market. To date the Consolidated Group has invested a total of EUR 34.9 million ($ 48.4million, of which EUR 31.9 million in equity and EUR 3.0 as a convertible note, as of the year ended December 31, 2013) in this venture, alongside other industry peers, and has acquired a total stake of 17.5% in Wananchi. Given the specific geo-economic context of the zone that Wananchi operates in, the high growth rate, infrastructure development needs and volatilities associated with the region, the Board of Directors considers that the carrying amount of its investment reflects the fair value of the investment as of December 31, 2013.

19.5.2 Reconciliation of Level 3 fair value measurements

	Available for sale (unlisted shares)	Others	Total
31 December 2013			
Opening balance	0.0	—	0.0
Total gains or losses:			
—in profit or loss	0.0	—	0.0
—in other comprehensive income		—	
Purchases[(*)]	31.9		31.9
Issues	—	—	—
Disposals/settlements	—	—	—
Transfers in level 3	—	—	—
Transfers out of level 3	—	—	—
Closing balance	**31.9**	**—**	**31.9**

There were no available for sale instruments classified as level 3 for the year ended December 31, 2012.

(*) As at December 31, 2012 and during the year 2013, the Consolidated Group invested into convertible bonds issued by Wananchi. Such bonds have been converted during the year in exchange for shares of Wananchi.

20—Trade and other payables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade payables	392.9	314.2
Corporate and social security contributions	29.8	24.5
Other payables	94.3	38.9
Amounts due to related parties	0.1	0.2
Deposit and guarantee received	0.4	—
Total current payables	**517.4**	**377.8**
Trade payables-acquisition of assets	13.0	5.9
Other payables	16.0	32.9
Total non-current payables	**29.0**	**38.8**

The increase in trade payables can mainly be attributed to the acquisitions of Outremer, ONI and integration of MCS and SportV in the scope of consolidation of the Consolidated Group in 2013.

The increase in income tax payables can be attributed to an improvement in the profit before tax at HOT and a concomitant increase in the income tax rate in Israel from 25.0% to 26.5% as compared to FY2012.

21—Deferred revenues

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current deferred revenue	55.9	34.1
Non-current deferred revenue	10.6	10.8
Total deferred revenues	**66.5**	**44.9**

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers.

The increase in deferred revenues for the year ended December 31, 2013 was mainly due to an increase in price of certain products for the year ended December 31, 2013 and the subsequent billing and revenue collection of these subscriptions before the year end.

22—Classification and fair value of financial assets and liabilities

On December 31, 2013 and 2012, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2013			
			Fair Value	
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
	(in millions of euros)			
Current assets				
Cash and cash equivalents	61.6	61.6	—	—
Restricted cash	1242.7	1242.7	—	—
Trade receivables	194.0	194.0	—	—
Other receivables	38.4	38.4	—	—
Non-current assets			—	—
Restricted cash	1.8	1.8	—	—
Loans and receivables	3.0	3.0		
Available for Sale	40.3	—	—	40.3
Long term trade receivables	5.5	5.5	—	—
Other long-term trade receivables	22.8	22.8	—	—
	1,610.1	**1,569.8**	**0.0**	**40.3**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	59.7	59.7	—
Loans from related parties	—	—	—
Trade payables	383.4	383.4	—
Others payables	246.8	246.8	—
Other current liabilities	15.9	15.9	—
Non-current liabilities			—
Loans from banking corporations and debentures	3,840.2	3,840.2	—
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	—
	4,857.2	**4,714.9**	**142.3**

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
Current assets				
Cash and cash equivalents	129.7	129.7	—	—
Trade receivables	150.8	150.8	—	—
Other receivables	37.9	37.9	—	—
Non-current assets				
Restricted cash	9.6	9.6	—	—
Investments in financial assets available for sale	—	—	—	—
Available for Sale	6.1	—	—	6.1
Long term trade receivables	18.7	18.7	—	—
Other long-term trade receivables	24.2	24.2	—	—
	377.0	**370.9**	**—**	**6.1**

22—Classification and fair value of financial assets and liabilities (Continued)

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	111.9	111.9	—
Trade payables	311.3	311.3	—
Others payables	111.4	111.4	—
Short-term loans from related parties	14.3	14.3	—
Other current liabilities	8.7	8.7	
Non-current liabilities			
Loans from banking corporations and debentures	1,365.7	1,365.7	—
Long-term loans from related parties	322.4	322.4	—
Other financial liabilities	181.2	118.70	62.5
Other non-current liabilities	49.5	49.5	—
	2,476.4	**2,413.9**	**62.5**

23—Taxes on income

23.1 Income tax (expense)/benefit

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current income tax	(38.0)	4.2
Deferred taxes on deductible temporary differences	30.6	21.8
TOTAL	**(7.4)**	**26.0**

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current tax assets	14.6	5.5
Current tax liabilities	(57.1)	(10.7)
TOTAL	**(42.5)**	**(5.2)**

23.2 Deferred tax assets and liabilities

	December 31, 2012	Reclassifications	Business combination	From equity	From profit and loss	December 31, 2013
			(in millions of euros)			
Other	0.4	0.2	—	—	—	0/4
IAS 19R Employee Benefits	—	(0.2)	—	0.7	0.3	0.8
IAS 36, Depreciable fixed assets	(0.6)	0.6	—	—	—	—
IAS 38, Intangible assets	—	—	1.3	—	0.1	1.4
IAS 39, Financial Instruments	19.0	—	—	(1.5)	26.2	43.7
Compensation DTA/DTL	—	(6.6)	—	—	—	(6.6)
Other	0.4	0.4	—	4.9	2.1	7.7
Total deferred taxes assets	**19.3**	**(6.1)**	**1.3**	**4.1**	**28.7**	**47.4**

23—Taxes on income (Continued)

	December 31, 2012	Reclassification	Business combination	From equity	From profit and loss	December 31, 2013
	(in millions of euros)					
Customer relationships	51.3	(.3)	15.1	—	(4.1)	62.0
Brand	16.7	.3	13.7	—	—	30.8
Other Intangible assets	21.3	14.1	2.0	2.3	17.6	57.3
Reevaluation of Tangible assets	30.1	(8.8)	.2	.0	(4.1)	17.4
IAS 23, Borrowing Costs	3.1	—	—	—	—	3.1
IAS 36, Depreciable fixed assets	(8.8)	(4.9)	—	(.4)	32.0	17.8
Present value of YFPECS financial instrument	9.3	—	—	—	.4	9.7
Present value of IFL financial instrument	—	—	—	1.1	—	1.1
Capitalisation of transaction costs	—	—	—	—	7.8	7.8
Temporary differences	22.3	(22.3)	—	—	—	—
Other	3.1	22.5	—	6.6	(49.4)	(17.2)
Compensation DTA/DTL	—	(6.6)	—	—	—	(6.6)
Total deferred taxes liabilities	**148.2**	**(6.0)**	**31.0**	**9.6**	**.2**	**183.1**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Other	0.2	—	—	0.2	0.4
IAS 16, Property, Plant and Equipment	0.1	—	—	0.3	0.4
IAS 36, Depreciable fixed assets	—	—	(0.6)	—	(0.6)
IAS 38, Intangible assets	—	—	—	—	—
IAS 39, Financial Instruments	—	—	—	19.0	19.0
Total deferred taxes assets	**0.3**	**—**	**(0.6)**	**19.5**	**19.3**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Customer relationships	52.0	3.6	—	(2.8)	51.3
Brand	9.3	7.4	—	—	16.7
Other Intangible assets	23.9	—	(4.7)	2.1	21.3
Reevaluation of Tangible assets	11.0	23.2	—	(4.1)	30.1
IAS 23, Borrowing Costs	3.6	—	—	(0.4)	3.1
IAS 36, Depreciable fixed assets	(11.1)	—	(1.4)	3.6	(8.8)
Present value of YFPECS financial instrument	9.0	—	—	0.2	9.3
Temporary differences	22.8	—	—	(0.5)	22.3
Other	3.1	—	0.1	(0.1)	3.1
Total deferred taxes liabilities	**123.7**	**32.7**	**(6.0)**	**(2.0)**	**148.2**

23—Taxes on income (Continued)

23.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net income	**49.6**	**(180.2)**
Share of net income—associates	15.5	**20.4**
Share of net income—equity holders	**65.1**	**(159.8)**
Tax charge [(−) expenses/(+) income]	(7.4)	26.0
Earnings/(Loss) before tax	**72.5**	**(185.7)**
Theoretical tax rate	29.22%	28.80%
Income tax calculated on theorical tax	21.2	53.5
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(6.5)	(5.8)
Permanent differences	28.0	(47.3)
Restatements without tax impact	(2.9)	18.7
Utilization of previously non capitalized tax credit	13.9	20.0
Carry-back	0.0	0.1
Tax loss carry forwards of the periods non activated	(61.2)	(13.2)
Effect of unused tax losses not recognized as Deferred tax asset	—	1.0
Effective Tax	**(7.4)**	**25.9**
Effective tax rate	10%	14%

Permanent differences present in different Consolidated Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Altice Six	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	37.5	(0.6)	**51.2**
Tax adjustments	—	—	—	0.4	1.1	—	—	**1.5**
Regularization of deferred tax from prior periods	—	—	—	(8.3)	—		—	**(8.3)**
Regularization of local tax from prior periods	—	—	—	3.5	—	—	—	**3.5**
Others	—	0.3	—	—	—	—	0.3	**0.6**
Earn out adjustment	—	—	(13.4)	—	—	—	(0.1)	**(13.5)**
Tax provisions	—	—	(6.8)	—	—	—	—	**(6.8)**
Total	**(1.5)**	**(3.6)**	**2.5**	**(4.9)**	**(1.4)**	**37.5**	**(0.4)**	**28.2**

23.4 Tax assessments

23.4.1 Hot Telecom

On December 22, 2013, an agreement was signed between Cool Holdings Ltd and all of its subsidiary companies (except for HOT Mobile Ltd.) (hereinafter in this section—the companies) and the Israeli Income Tax Authority for the closure of disputes that had arisen in the assessment discussions for the years 2006 - 2011 and in continuation of the tax assessments that had been received in December 2009 and during the course of 2010 for the 2006 - 2008 tax years. Pursuant to the compromise agreements the companies will be required to pay an additional amount of tax in respect of the said tax years, primarily in respect of timing differences in respect of the depreciation of the infrastructure and the cables network and the amortization of intangible assets. The implementation of the compromise agreements will result in the Company having chargeable income in 2012 and 2013 as well.

23—Taxes on income (Continued)

HOT Telecom's management has recorded the provision relating to the assessments in its financial statements in the past.

The impact of such assessment agreement in HOT's financial statements, including in respect of the updating of the HOT's deferred tax balances, is a net income of EUR 5.0 million.

Most of the companies have been issued with final tax assessments up to and including the 2011 tax year. HOT Mobile has been issued with tax assessments up to and including the 2009 tax year, which are deemed to be final.

23.4.2 Cabovisao

For the years 2012 and 2013, Cabovisao is subject to corporate income tax (''IRC—Imposto sobre o Rendimento das Pessoas Colectivas'') at a rate of 25%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax (''Derrama''); and (ii) by a 3% and 5% state tax (''Derrama Estadual'') applicable on taxable income between 1,5 million Euros and EUR 10 million (EUR 7.5 million as from January 1, 2013, following a change in Portuguese tax legislation occurred in December 2012) and on taxable income in excess of EUR 10 million (EUR 7.5 million as from January 1, 2013), respectively, in accordance with the article 87- A of the Portuguese Corporate Income Tax code, resulting in a maximum aggregate tax rate of approximately 31.5%.

In accordance with article 88º of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

As at December 31, 2013, the Company's tax returns, for the fiscal periods of 2006 until 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2013, the Company already received a tax notification, adjusting the Company's tax losses obtained in the fiscal year ended 2006, in the amount of approximately EUR 16.5 million. However, as of December 31, 2013, any carrying forward tax losses obtained in the fiscal year ended 2006 already expired, and therefore cannot be used to reduce future taxable profits.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of EUR 17.2 million, as well as an additional tax payment in the amount of EUR 4.1 million for withholding tax and stamp tax. The Company paid EUR 2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.
- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately EUR 5.2 million (excluding related late payment interests). Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6.8 million. As of December 31, 2013, the administrative and tax court of Almada didn't pronounce itself on that claim. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.

23.4.3 Other entities

The Board of Directors has not identified any other material tax assessments in other group entities.

23—Taxes on income (Continued)

23.5 Unrecognized deferred tax assets

As at December 31, 2013, unrecognized deferred tax assets amount to EUR 253.0 million and are mainly split as follows:

	December 31, 2013	December 31, 2012
	(in million Euros)	
Cool Holding and HOT Telecom	(13.9)	—
HOT Mobile	(118.9)	(10.8)
Altice Financing	(3.9)	—
Altice Six	(342.6)	(342.6)
Cabovisao	(56.0)	(51.3)
Altice Finco	(1.8)	—
Altice Holdings	(36.9)	—
Altice Caribbean	(1.5)	—
Altice Blue Two	(6.4)	—
ONI	(11.8)	—
Others	(2.0)	—
Total	**(595.7)**	**(404.8)**

24—Segment analysis

24.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to the Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel,
- Belgium and Luxembourg (Western Europe),
- Portugal (Western Europe)
- France (Western Europe)
- French Overseas Territories (Antilles and Indian Ocean),
- Others (Switzerland, Africa, France etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- B2B and Others (Content/etc.).

Following the signature of agreements to acquire Tricom and Orange Dominicana in the Dominican Republic in October and November 2013 respectively, a new segment, ''Dominican Republic'', will be defined. Given the nature of the activities of the two firms, there will be no changes to the activities segment.

24.1.1 Operational KPIs

It has also been decided by Management that operating subsidiaries shall report operational KPIs every week together with financial KPIs every month, using a standard reporting format.

24—Segment analysis (Continued)

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

24.1.2 Financial KPIs

Each local operational company will also report on a monthly basis the following financial KPIs by segment:

Revenues (Cable/Mobile/B2B and Others),

Cost of Sales (Cable/Mobile/B2B and Others),

Capex (Cable/Mobile/B2B and Others).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Consolidated Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).

Mobile Capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licences to operate. Once Capex are engaged and operational, there are limited Capex requirement.

Management believes that operations in Switzerland are currently not substantial enough to require a separate reporting segment, and will be reported under 'B2B and Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity.

24.2 Regional specificities

24.2.1 Israel

Israel is currently an important contributor to the Consolidated Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterised by a high broadband and cable penetration and a very technology-savy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. Management is factoring expectations for price pressure and increasing competition in its strategic plan.

Triple play penetration is low and represents a valuable growth driver.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which Management need to consider when setting up integration plans and operational synergies. The prevailing political environment in the region can also have adverse impacts on the

24—Segment analysis (Continued)

development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

24.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration. Customers are willing to pay more for premium services and hence price pressure appears limited.

These regions are marked by the presence of many well established local cable operators with no overlap thou. Customer retention is a key factor in maintaining strong profit margins.

Given the density and presence of mobile operators, the mobile strategy has been driven by Mobile Virtual Network operations, through the deployment of quadruple play packages.

24.2.3 France

The French market is a large and mature market with high cable penetration and a large consumer base. French operations represent the oldest and largest part of the cable operations of the combined Group to date.

This region is marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins. Competition is tough and innovations in cable technology, such as Fiber to the home (FTTH) are driving market growth. Incumbent operators are slowly migrating to fiber optic based networks which gives the Group a head start in capturing the ultra-high speed internet market, given its pre-existing high density cable network.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

24.2.4 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery, makes it difficult to achieve revenue growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and migrate the customer base from double play to triple play offers.

24.2.5 French Overseas Territories

The French Overseas Territories present growth opportunities with relatively limited competition and room to attract more subscribers on our cable infrastructure. Additional growth potential exists notably through the deployment of multiple-play services and efficiency gains in distribution network, , as multiple-play packages penetration remains low. Price pressure is low in these regions and customers are willing to pay more for value added services.

Additional opportunities have been identified and pursued in the e-banking sector.

24—Segment analysis (Continued)

24.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

		December 31, 2013					
	Total	Belgium & Luxembourg	France	Israel	French Overseas Territories	Portugal	Others
		(in millions of euros)					
Cable							
Revenue	891.8	61.8	—	694.2	27.1	108.7	—
Costs of sales	(179.3)	(10.6)	—	(129.6)	(5.0)	(34.1)	—
Gross Profit	**712.5**	**51.2**	**—**	**564.6**	**22.1**	**74.6**	**—**
Mobile							
Revenue	256.2	1.2	—	187.6	67.3	—	—
Costs of sales	(129.9)	(0.9)	—	(107.8)	(21.2)	—	—
Gross Profit	**126.2**	**0.3**	**—**	**79.8**	**46.1**	**—**	**—**
B2B and others							
Revenue	138.5	8.9	—	—	32.5	41.8	55.3
Costs of sales	(58.2)	(1.0)	—	—	(10.9)	(24.3)	(22.1)
Gross Profit	**80.2**	**7.9**	**—**	**—**	**21.6**	**17.5**	**33.2**
Total							
Total Revenue	**1,286.8**	**71.9**	**—**	**881.8**	**126.9**	**150.5**	**55.3**
Total Costs of sales	**(367.8)**	(12.9)	—	(237.4)	(36.9)	(58.4)	(22.1)
Total Gross Profit	**918.9**	**59.0**	**—**	**644.4**	**89.8**	**92.1**	**33.2**
Operating expenses	**(400.9)**	(12.9)	(0.7)	(281.7)	(40.5)	(43.0)	(22.0)
Depreciation and amortisation	**(399.6)**	(18.1)	—	(274.9)	(26.6)	(65.1)	(14.8)
Other operating income & expenses	**(76.9)**	(4.2)	—	(57.4)	(9.5)	(10.7)	5.0
Operating income	**41.5**	24.2	(0.7)	30.4	13.3	(26.8)	1.5

24—Segment analysis (Continued)

	December 31, 2012						
	Total	Belgium & Luxembourg	France	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)						
Cable							
Revenue	873.3	70.3	—	677.9	24.4	98.2	2.5
Costs of sales	(212.9)	(10.3)	—	(159.0)	(4.1)	(39.1)	(0.5)
Gross Profit	**660.4**	**60.0**	**—**	**518.9**	**20.4**	**59.1**	**2.0**
Mobile							
Revenue	172.7	0.2	—	172.5	—	—	—
Costs of sales	(69.9)	(0.1)	—	(69.8)	—	—	—
Gross Profit	**102.8**	**0.1**	**—**	**102.7**	**—**	**—**	**—**
B2B and others							
Revenue	46.4	0.8	—	—	—	—	45.6
Costs of sales	(19.3)	(0.6)	—	—	—	—	(18.7)
Gross Profit	**27.1**	**0.2**	**—**	**—**	**—**	**—**	**26.9**
Total							
Total Revenue	**1.092.4**	**71.3**	**—**	**850.4**	**24.4**	**98.2**	**48.1**
Total Costs of sales	**(302.1)**	**(11.0)**	**—**	**(228.8)**	**(4.1)**	**(39.1)**	**(19.2)**
Total Gross Profit	**790.3**	**60.3**	**—**	**621.7**	**20.4**	**59.1**	**28.9**

25—Operating expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Technical and maintenance costs	(149.7)	(141.9)
Customer services	(32.9)	(18.3)
Taxes	(3.6)	(2.4)
Total	**(186.2)**	**(162.5)**

26—Depreciation, amortization and goodwill impairment.

It consists in (i) amortization of intangible assets for a total of EUR 133.4 million (2012: EUR 245.7 million including EUR 121.9 million of goodwill impairment), (ii) depreciation of tangible assets for a total of EUR 251.4 (2012: EUR: 219.6 million) and (iii) other additions and reversals for a total of EUR 14.8 million (mainly representing additional depreciation on inventories and receivables) (2012: EUR 77.10 million, representing a net reversal for the year).

27—Gain on settlement of financial instruments

The gain on settlement of financial instruments recorded in the financial statements of Altice Six S.A. in the year ended December 31, 2013, corresponds to the difference between the carrying amount of the loans and receivables contributed by Altice Six in exchange for shares in Numericable Group S.A. and the fair value of these instruments as recorded in the IFRS financial statements of Altice Six at the time of the contribution.

The carrying amount of the loans at the time of the contribution was EUR 418.3 million and the fair value recorded in the IFRS accounts of Altice Six amounted to EUR 162.6 million, thus leading to a gain of EUR 255.7 million.

28—Other operating incomes and expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Other incomes and expenses	(17.0)	(24.9)
Other revenues	0.9	—
Disposal of tangible assets	1.0	(4.8)
Other expenses, net	**(15.1)**	**(29.8)**
Non-recurring costs(1)	(58.3)	(22.4)
Restructuring costs(2)	(2.9)	(6.7)
Restructuring and other non-recurring costs	**(61.2)**	**(20.8)**
Total	**(76.3)**	**(50.5)**

(1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone's network during the transition phase. In addition, Altice financing incurred costs related to consultants' fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.

(2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

29—Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments(1)	2.6	1.2
Foreign exchange gains	91.0	24.7
Interest income	27.3	10.3
Other financial income	2.5	4.5
Finance income	**120.9**	**40.7**
Interest charges on borrowings and overdrafts(2)	(201.5)	(118.5)
Loss arising on fair value of financial instruments	(99.4)	(72.0)
Interest on subordinated debt	(37.6)	(11.5)
Foreign exchange losses	(24.5)	(2.1)
Net book-value of disposal/financial assets	(13.6)	(21.2)
Finance costs	**(376.6)**	**(225.4)**
Total	**(255.6)**	**(184.7)**

(1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.

(2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (EUR 12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (EUR 47.45 million in 2013).

30—Transactions with non-controlling interests

On April 23, 2013, the company repurchased the 40% minority interests held by Apax in its Portuguese subsidiary, Cabovisao for a total consideration of EUR 105.0 million, of which EUR 90.0 million was paid as consideration for equity acquired and EUR 15.0 million used in the repayment of a shareholder loan. The total amount of equity acquired was valued at EUR 13.1 million and the impact on the net equity of the Consolidated Group was EUR 77.0 million following the consummation of the deal.

On November 29, 2013, the company repurchased the 40% minority interests held by Apax though its holding company Codilink S.à r.l. in Coditel Holding Lux and Coditel Management. The total

30—Transactions with non-controlling interests (Continued)

consideration paid was EUR 82.5 million, of which EUR 30.6 million was paid to acquire shares in Coditel Holding Lux II and EUR 51.9 paid to reimburse subordinated debt instruments (CPECs) held by the minority shareholder. The amount of equity acquired by the Consolidated Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Consolidated Group net equity following the consummation of the deal.

31—Average workforce

	December 31, 2013	December 31, 2012
Managers	352	268
Technicians	857	660
Employees	3,011	4,719
	4,220	**5,647**

32—Transaction with related parties

32.1 Trading and financial transaction

Transactions with related parties mainly related to transactions with Numericable Group, Next L.P. or Altice Six S.A.. Such transactions are limited to (i) re-invoicing of certain operational services granted by Numericable Group to certain subsidiaries of Altice VII, or (ii) shareholder preferred equity certificates or loan issued by Altice VII and held by Next L.P.

Transaction with related parties that directly impact the reserves of the Consolidated Group are summarized in note 13.

Other related parties include consulting firms specialized in the management and operations of telecom companies and executive managers of Altice VII. The fees paid to the consulting companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII. Transactions with executive managers include loans provided to them by the Company.

	Revenue		Operating expenses		Financial expenses	
Consolidated Income and expenses	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**
			(In millions of euros)			
Equity holders	0.2	0.1	12.1	0.2	—	0.6
Executive managers	—		—	—	—	—
Remuneration and benefits in kind	—		2.5	—	—	—
Associate companies	—	0.1	—	0.7	—	—
TOTAL	**0.2**	**0.2**	**14.6**	**0.9**	**—**	**0.6**

	Loans and receivables		Trade accounts receivable and other		Current accounts	
Assets	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**
			(In millions of euros)			
Equity holders	—	—	—	0.2	—	—
Executive managers	2.7	—	—	—	—	—
Associate companies	126.1	—	9.3	0.8	—	—
TOTAL	**2.7**	**0.0**	**—**	**1.0**	**—**	**—**

32—Transaction with related parties (Continued)

Liabilities	Other financial liabilities December 31, 2012	Other financial liabilities December 31, 2013	Trade accounts payable and other December 31, 2012	Trade accounts payable and other December 31, 2013	Current accounts December 31, 2012	Current accounts December 31, 2013
			(In millions of euros)			
Equity holders	322.4	100.7	1.6	—	0.6	—
Executive managers	—	—	—	—	—	—
Associate companies	—	—	—	6.6	—	—
TOTAL	**322.4**	**100.7**	**1.6**	**6.6**	**0.6**	**—**

32.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice S.A. for the financial year 2013, is EUR 2.3 million compared to EUR 1.7 million for the financial year 2012.

The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2013	December 31, 2012
Short-term benefits	2.3	1.7
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
Termination benefits	—	—
TOTAL	**2.3**	**1.7**

33—Contractual obligations and commercial commitments

The Consolidated Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

Unrecognised contractual commitments	December 31, 2013 < 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	Total
Good and service purchase commitments	101.3	70.0	36.0	1.4	21.9	230.6
Investment commitments	38.9	1.2	.6	—	—	40.7
Guarantees given to suppliers/ customers	5.8	2.7	2.3	2.3	1.2	14.3
Guarantees given to government agencies	14.1	7.5	.5	4.0	22.3	48.3
Commitments to buy shares	340.9					340.9
Other commitments	—	51.5	—	—	—	51.5
Total	**501.0**	**132.9**	**39.3**	**7.7**	**45.4**	**726.3**

33.1 Hot Telecom Commitments

33.1.1 Commitments

A. *Contingent liabilities*

1. Within the framework of the merger of the cable companies on December 31, 2006, the Company assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable

33—Contractual obligations and commercial commitments (Continued)

companies in their former format), furthermore, it was determined that the Company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

In addition, the Company has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the Company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Consolidated Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter—Lawsuits).

In the opinion of the managements of the Consolidated Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2013 in an amount of EUR 11.1 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

In the opinion of the management of the Consolidated Group companies the additional exposure in an amount of approximately EUR 565 million (over and above the provisions that have been recorded in these financial statements), as of December 31, 2013 in respect of lawsuits that have been filed against companies in the Consolidated Group on various issues is as follows:

a) An amount of approximately EUR 377 Million in respect of claims, the chances of which, in the assessment of the Company's management, in reliance on opinions from its legal advisors, do not exceed 50%.

b) An amount of approximately EUR 105 Million in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.

c) An amount of approximately EUR 84 Million in respect of claims, where the chances of there being accepted in the assessment of the Company's management, in reliance on the opinion of its legal advisers, exceed 50%.

33—Contractual obligations and commercial commitments (Continued)

The following table is an abbreviated summary of the Consolidated Group's contingent liabilities, which are outstanding as of December 31, 2013, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2013	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2013	Provision recorded in the financial statements as of December 31, 2012	Updating of the expense (income) in the reporting period
			EUR in Millions		
Customers[(1)]	490.0	82.0	4.2	2.1	2.1
Copyright	—	—	6.3	11.3	0.4
Suppliers[(2)]	22.6	11.3	0.4	0.6	—
Employees	1.0	—	0.2	0.2	—
The merger transaction	50.2	—	—	—	—
Total	**563.8**	**93.3**	**11.1**	**14.2**	**2.5**

(1) The amount includes EUR 10.5 million in respect of claims after the balance sheet date.

(2) The amount includes EUR 9.4 million in respect of claims after the balance sheet date.

B. Commitments

1. Royalties to the Ministry of Communications and other payments to the government

a) Hot Telecom used to be committed to pay annual royalties in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT Telecom and HOT Mobile have each been charged to pay stood at 1.75% in 2012 and decreased to 0% from 2013 onwards.

b) In July 2001, the cables companies, including Hot Telecom, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure for a period of 12 years. It was also stipulated in the agreement that in so far as Hot has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for

33—Contractual obligations and commercial commitments (Continued)

the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to Hot as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies) −1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 29 million and NIS 26 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Consolidated Group's routine operations in the broadcasting field, the Consolidated Group enters into commitments under arrangements and agreements under which the Consolidated Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Consolidated Group within this context in the years 2013 and 2012 amounted to NIS 45 million and NIS 42 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section—''The draft law'') was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, Hot is unable to assess what the impact of the said legislation will be on its business results, if it is passed.

3. A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, Hot is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2012 and 2013 Hot complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed Hot that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to receive broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that Hot will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989, Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq

33—Contractual obligations and commercial commitments (Continued)

company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing.

The total of the expenses recorded in Hot's accounting records for the network services payable to the Bezeq company in the years 2013 and 2012 amounted to NIS 47 million and NIS 48 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. Commitments to lease assets

The Consolidated Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2013, exclusive of the option period, are as follows:

	EUR Million December 31, 2013	EUR Million December 31, 2012
2014	37.3	37.8
2015	30.2	30.0
2016	19.7	24.4
2017	10.1	17.5
2018 and thereafter	7.3	61.7
	104.6	**171.3**

6. On July 19, 2011, Hot's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Consolidated Group can offer to its subscribers, faster internet services and it will also enable Hot to

33—Contractual obligations and commercial commitments (Continued)

deal with increased demand for traffic capacity on the network in the future, which is expected to arise as a result of increased uses and applications that require a considerable band width.

7. On May 27, 2010, a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

8. As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011, the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

9. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

10. On June 16, 2011, HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which HOT

33—Contractual obligations and commercial commitments (Continued)

Mobile is required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Consolidated Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement.

11. In 2013 and at the beginning of 2014, a number of additions to the agreement were signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with Hot acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

12. On October 27, 2011, an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter—Comverse), in accordance with which Comverse will supply Hot with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter—The system) and Comverse will also supply Hot with hardware, software and services, including the operation and maintenance of the system The agreement is for a period of five years. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addendum to this agreement, in accordance with which Comverse is committed to allocate seven additional employees to be available for the project (instead of the manpower that Hot had to make available for the project), for a payment of 500,000 US Dollars.

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter—HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter—The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. On November 11, 2013, Hot's Audit Committee approved Hot's commitment under a sub-leasing agreement with the Middle East Company Ltd. (hereinafter—the lessor) for the sub-leasing of a plot of land in the Jaffa Port, which Hot is leasing (hereinafter—the leased property), retroactively, as from July 2013.

The leased property will be used by the tenant, which is a company that produces broadcasts for a foreign news company, which is 85% owned by Mr. Patrick Drahi, the ultimate controlling interest in Hot.

The lease fees that will be paid to Hot in respect of the leased property have been set in accordance with the rental fees that Hot pays in respect of the property and under the same payment terms (back to back), with the addition of a monthly amount in respect of: (1) the tenant's relative share of the municipal taxes, electricity, water, security and cleaning expenses (back to back terms to those paid by Hot) and (2) adaptations to the leased property that Hot has executed at its own expense.

It is determined in the rental agreement that in any case in which the agreement ends before the end of the rental period, the tenant shall pay Hot the balance of the payments in respect of the adaptations that

33—Contractual obligations and commercial commitments (Continued)

Hot made in the leased property, as discounted using a real annual interest rate that has been set in the agreement.

15. On November 8, 2013, HOT Mobile signed on agreements with Partner Communications Ltd. (hereinafter—Partner), which are subject to the receipt of all of the approvals that are required, as detailed below: HOT Mobile and Partner will set up a limited partnership, which will hold, develop and operate a single advanced cellular communications network, for both of the companies, each of which will hold half of the rights in it. In accordance with the agreement, each of the parties will continue to hold and to operate its core of the network separately and provide cellular communications services, including the marketing and the selling of such services, to its customers alone.

The agreement arranges the management of the joint network and its development, the manner of the management of the partnership, including a mechanism for the appointment of a board of directors, the resolution of disagreements, the bearing of the costs of upgrading the network and so on.

The agreement will be in force for a period up to December 31, 2028, and thereafter, the agreement will be extended automatically for additional periods of 5 years each, unless either of the parties gives notice of its desire to terminate the agreement by giving notice in advance of 24 months before each automatic renewal. Despite the aforesaid, as from the end of a period of 8 years from the entry of the agreement into force, it may be cancelled by either of the parties, in accordance with their own judgment and by giving two years notice in advance from that time. The agreement also sets a mechanism for the separating of the parties in the event of the termination of the agreement.

In consideration for the agreement, HOT Mobile will pay a non-recurring amount, which is to be paid by the beginning of 2017, and thereafter, each party will bear half of the capital investments that are required to set up and to upgrade the joint network and the bearing of the operating expenses for the joint network will be in accordance with a mechanism that is set in the agreement and which is based, inter alia, on the volume of the data traffic that each party consumes from the joint network.

As an interim stage and until the receipt of the approvals that are required under the law, Partner will extend to HOT Mobile the right to use its cellular communications network for the purposes of the provision of brad national cover to its customers. The services under the agreement will apply after the completion of the preparations and in accordance with any agreement or regulation.

In the light of the commitment with Partner in connection with the in-country roaming services, HOT Mobile and Pelephone Telecommunications Ltd. (with which HOT Mobile had entered into an exclusive agreement in the past for in-country roaming services up to December 31, 2014) reached agreement regarding the cancellation of the exclusivity clause.

16. In the reporting period, the management of HOT Mobile Ltd. (hereinafter—HOT Mobile), made a decision regarding the vacation of its offices at Airport City, in respect of which there is a long-term rental contract with Airport City, for the period up to and including 2019. As a result of this decision, Hot has recognized losses of NIS 34 million (EUR 7.1 million) in the reporting period, which have been recorded under other expenses, reflecting the rental expenses, taxes and amortization of leasehold improvements, which in HOT Mobile's assessment are irrecoverable, and which meet the definition of anonerous contract.

17. Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Consolidated Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

C. Guarantees and liens

1. As collateral for Hot's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

33—Contractual obligations and commercial commitments (Continued)

a) A floating charge on Hot's assets.

b) A fixed charge on the shares in the subsidiary companies.

c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis Hot, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.

2. As collateral for the commitments of Hot, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the assets and the rights belonging to debtors of companies in the Consolidated Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Consolidated Group.

3. As collateral for Hot's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Consolidated Group's commitments, as determined in the Consolidated Group's licenses and in the decisions by the Director and the Council, the Consolidated Group has issued a number of guarantees, as follows:

a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

b) Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

5. HOT has given a number of bank guarantees to various bodies in an overall amount of NIS 32 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The Consolidated Group has extended guarantees in a cumulative amount of 22 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Consolidated Group has extended a guarantee in an amount of NIS 246 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

c) The Consolidated Group has extended a guarantee in an amount of 36 million Dollars as collateral for HOT Mobile's commitments to Bank Crédit Agricole in connection with transactions with suppliers of equipment.

d) The Consolidated Group has extended a guarantee in an amount of NIS 11 million as collateral for the commitments of HOT Telecom to various bodies.

7. On May 23, 2013, Hot signed on a credit agreement with Bank Discount Le'Israel Ltd., the First International Bank Le'Israel Ltd. and HSBC Bank PLC (hereinafter—the banks and the credit agreement, respectively).

The amounts of the credit are divided into a number of facilities: A working capital facility, which may be exploited by the drawing down of loans in an amount of up to NIS 200 million and a credit facility for guarantees in an amount of up to NIS 105 million.

The collateral that exists under the financing agreement that Hot signed with Altice Financing S.A., which is a related party of Hot, will serve as collateral, together with the creation of new, additional liens on Hot's holdings in subsidiary companies and partnerships, except for HOT Mobile. As of the balance sheet date, Hot has taken up a guarantee in an amount of NIS 84 million from these facilities, however it has not taken up credit for working capital from these facilities.

33—Contractual obligations and commercial commitments (Continued)

33.2 Cabovisao commitments

33.2.1 Contingent assets

During the year ended December 31, 2013 and the analysis of the Decree-Law n º 123/2009 of 21 May, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2013, Cabovisao had outstanding claims against several municipalities, totaling EUR 2.6 million. To present date, the Company received EUR 0.4 million from sixteen municipalities, and executed receivable plan of EUR 1.7 million for the next three years.

33.2.2 Contingent liabilities

a) Bank guarantees

	December 31, 2013
	In millions of euros
Tax Authority	9.6
City Council	0.9
Third Parties	0.1
Total	10.6

b) Commitments with third parties to add services to be provided in future years:

On December 31, 2013, the commitments with third parties to tangible assets and services to be provided in future years with an amount to approximately EUR 2.7 million Euros and EUR 65.7 million respectively.

c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

d) Other contingent liabilities:

As a result of the Cabovisao's decision to do not pay any taxes charged by municipalities (since September 2010), the municipality of Almada initiated a litigation process, regarding the municipality taxes charged for the period between 2006 and 2009, in the amount of 595.000 Euros. Until the present date, there are no subsequent deliberations. The Board of Directors understands that the final outcome will be favorable to Cabovisao, based on the legal counsels' opinion.

In addition, there are several legal proceedings, initiated by third parties, in particular claims by several suppliers, related to the supply of services and equipment, in the amount of approximately 174.000 Euros. Until the present date, Cabovisao has not recognized any provision, since it is Board of Directors understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

33—Contractual obligations and commercial commitments (Continued)

33.3 Coditel Holding commitments

As of December 31, 2013, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged in the framework of the Coditel facility. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

33.4 Altice Six

Altice Six has an outstanding commitment to buy an additional 10% stake in the Numericable Group S.A. from other major shareholders. This commitment, signed on November 7, 2013, amounted to a total of EUR 317 million for the year ended December 31, 2013. An additional price is due to be paid in the second quarter of 2014, which is based on the evolution of the share price of Numericable Group S.A. between the offering price at IPO and the price on the date of the transaction.; as of March 17, 2014 the additional price amounts to EUR 23.9 million.

33.5 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal S.A., Altice Carribean S. à r.l., Cool Holdings LTD S.A., H.Hadaros 2012 LTD., Hot Telecommunications System LTD, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A., Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice financing term loan. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Altice Financing S.A. has access to two super senior secured revolving credit facilities amounting to a total of USD 80 million and EUR 60 million respectively. In addition to these facilities, it also has access to a guarantee facility of EUR 75 million. As of December 31, 2013 the revolving credit facilities remain undrawn. EUR 8.4 million were drawn down on the guarantee facility, and recorded in the accounts of Cabovisao. All pledges applicable for the senior secured notes and the term loan are also applicable to these facilities.

34—Statutory Auditors' fees

In 2013, an amount of EUR 3.8 million was paid to various networks affiliates of the Consolidated Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 2.0 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

35—Going concern

During the year ended December 31, 2013, the company had a net current asset position of EUR 854.2 million (mainly due to current restricted cash of EUR 1,242.7 million), a net profit of EUR 49.6 million (down from a net loss of EUR 180.2 million in FY12), positive cash flow from operations of EUR 438.9 million and negative working capital of EUR 198.4 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.4 million is mainly driven by trade receivables and payables. The net profit recorded in FY13 was mainly driven by the recognition of a gain on the de-recognition of assets in the accounts of Altice Six related to the public offering of Numericable Group (See note 27). The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.4 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013. Despite the

35—Going concern (Continued)

net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Consolidated Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2013 (EUR 438.9 million). Operating income before D&A amounted to EUR 518.0 million, an increase of 28.5% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

The Consolidated Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.6 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the Consolidated Group had access to a revolving credit facility (''RCF'') of up to USD 80.0 million and EUR 63.8 million (EUR 124 million equivalent), as well as access to a guarantee facility of up to EUR 75 million (of which EUR 8.4 million were drawn in FY2013 in order to unblock restricted cash at Cabovisao).

The Consolidated Group had a net equity position of EUR 95.3 million as of December 31, 2013, a decrease of 66.0% compared to EUR 280.0 million for the year ended December 31, 2012. The decrease in the equity position was mainly driven by accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders recorded at Altice VII. It is management's view that these acquisitions have a strategic founding and will allow the Group to better integrate, absorb and utilize the cash generated by the concerned entities. In addition, Altice Six had enough reserves to absorb such non-cash losses and maintain a positive net equity position.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise is complemented by a mid-year reforecast based on real first semester numbers.

Management also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows management and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and ensure that the budgeted targets are met.

In the view of the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of Altice VII Sà r.l., it was decided to convert all existing subordinated debt instruments issued by Altice VII and Altice Six and subscribed by Next L.P.., into share capital, before the contribution of Altice VII and Altice Six to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII, and YFPECs issued by Altice Six were converted into equity at their nominal value, totalling EUR 181.5 million (EUR133.3 million at Altice VII and EUR 48.2 million at Altice Six).

36—Events after the reporting period

Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the ''Mobius Acquisition''). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the ''Mobius Technology'' brand and double and triple play services based on xDSL technology to residential customers under the ''IZI'' brand. The consummation of the Mobius Acquisition occured on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the ''Mobius Managers'') have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. as of the date of this report, an agreement had been reached with the Managers of

36—Events after the reporting period (Continued)

Altice Blue Two to transfer their minority holdings in Altice Blue Two into shares of Altice S.A. (please see below for more details).

Conversion of Altice VII and Altice Six subordinated debts

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, and Altice Six S.A. before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs and ALPECs issued by Altice VII were converted at their nominal value of EUR 133.2 million, which was directly attributed to the net equity of the company. All outstanding YFPECs issued by Altice Six were converted into common shares of Altice Six S.A. at their nominal value of EUR 48.2 million.

Initial public offering

On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. The shares were traded at opening at an offer price of EUR 28.25. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers. The shares are traded on Euronext Amsterdam with the ticker ATC:NA.

Change in minority interests of Altice Blue Two

In January 2014, the Company entered into discussion with the management of Outremer Telecom (''OMT Managers''), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, to exchange their existing shares in Altice Blue Two S.A.S against shares in the newly floated mother company of Altice VII, Altice S.A.

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Acquisition of the Tricom Group

On March 12, 2014 the Group obtained control of Tricom S.A. and Global Interlink Ltd. (together, ''Tricom''), a leading telecommunications operator in the Dominican Republic, providing (i) cable and xDSL-based multiple-play services and stand-alone pay television, broadband Internet and fixed-line telephony services and (ii) 3G and 4G mobile telephony services relying on its mobile network. This acquisition enables the Group to expand its footprint in the Carribean and more especially in the Dominican Republic. Control was obtained upon approval from Indotel, the Dominican Republic antitrust authority. As of the date of the transfer of the shares, the Group acquired 96% of the total equity in Tricom S.A. and 92% of the outstanding interests in Global Interlinks.

For the year ended December 31, 2013, Tricom would have contributed EUR 158.3 million to revenue and EUR 19.9 million to operating profit to the Group's results, if it had been purchased on January 1, 2013 (these figures are based on unaudited US GAAP figures).

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of Tricom amounted to €291.3 million, using the proceeds raised in December 2013.

36—Events after the reporting period (Continued)

The total value of assets transferred in consideration for the values mentioned above amounted to EUR 145.7 million, comprising mainly of intangible assets for a net value of EUR 21.0 million, property, plant and equipment for a total value of EUR 133.8 million and trade receivables for a total amount of EUR 16.5 million. Total liabilities amounted to €97.9 million, comprising of EUR 45.1 of non-current liabilities and EUR 52.8 million of current liabilities. The residual value of EUR 145.6 million was recognised provisionally as goodwill (these figures are based on unaudited US GAAP figures).

The values of the assets and liabilities assumed have been determined on a provisional basis until the Group finalizes its assessment of the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	EUR 291.3 million
Fair value of identifiable assets and liabilities	EUR (145.7) million
Goodwill	EUR 145.6 million

Acquisition of additional shares in Numericable

On November 18, 2013, Altice Six entered into an agreement with other major shareholders in the Numericable group to purchase an additional 10% stake, thus increasing its shareholding to 40% (inclusive of the 2.6% option provided to other shareholders and described elsewhere in this report). This acquisition triggered a change in control of the Numericable Group. The transaction was consummated on February 4, 2014, with the primary proceeds from Altice S.A.'s IPO and thus Altice S.A. became the controlling shareholder of Numericable S.A.

Stock Options provided to Senior Management and Executive Directors

Senior management and Executive Directors of the Company are eligible to participate in the Stock Option Plan (''SOP'') at the discretion of the Remuneration Committee.

Members of the management team (including the Executive Directors) will be granted options on Admission to acquire Shares at the Offer Price. These options will vest and become exercisable in tranches of 50%, 25% and 25% respectively, on the second, third and fourth anniversary of Admission, for a period of seven years (or if earlier, ten years from the initial grant) after which time they will lapse. It is intended that no further options will be granted to participants who were granted options on Admission until the last tranche of the initial options have vested, however options may be granted to new members of the management team.

Options with an aggregate value of up to €250 million will be granted on Admission with an exercise price equal to the Offer Price and further options with an aggregate value of up to €100 million will be made available for new hires. Therefore, up to 6.9% of the Company's issued share capital will be allocated to satisfy these option grants.

Clawback and malus will apply to options granted under the SOP, such that options may be adjusted or reduced (even to nil) prior to exercise, and any exercised options reimbursed to the Company, in circumstances in which the Remuneration Committee considers appropriate, including material misstatement of financial results, failure of risk management, reputational damage, fraud or negligence.

Participants who leave the Group by reason of death, injury, ill-health or, for any other reason, if the Remuneration Committee so determines, will retain any vested options. Unvested options will vest on cessation, but will be pro-rated for time (unless the Remuneration Committee determines otherwise). Participants who leave the Group *for* any other reason will forfeit any outstanding unexercised options, unless the Remuneration Committee determines otherwise. Unvested options will normally vest in full on a change of control of the Company.

36—Events after the reporting period (Continued)

Contribution in kind by Valemi Corp S.A.

On October 4, 2013, Altice VII S.à r.l., a direct subsidiary of Altice S.A., acquired a controlling stake in two content companies, MCS S.A.S and SportV S.à r.l. from Altice IV and Valemi Corp S.A. This transaction gave rise to a vendor loan, held by Valemi Corp. S.A. against Altice VII S.à r.l. As part of the pre-IPO restructuring, Altice S.A. and Valemi Corp reached an agreement under which Valemi contributed to the Company a vendor loan payable by Altice VII against the issue of Ordinary Shares. The total amount of the vendor loan held by Valemi was EUR 6.7 million at the time of admission.

Acquisition of SFR

On March 14, 2014, Altice S.A. and Vivendi S.A, the sole shareholder of SFR, France's second largest mobile operator, entered into exclusive talks to negotiate a potential business combination between Numericable and SFR.

Altice S.A.
("Altice Group")

Combined Financial Statements

as of December 31, 2012, 2011 and 2010 and for each of the three years then ended

Altice S.A.
("Altice Group")

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To the Board of Directors of
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying combined financial statements of Altice S.A. (the ''Company''); the successor entity of Altice Six S.A. and Altice VII S.à r.l. (collectively the ''Combined Group'') in the context of the contemplated initial public offering of the shares of the Company, which comprise the combined statements of financial position as at December 31, 2012, 2011 and 2010, the combined statements of income, comprehensive income, changes in equity and cash flows for each of the three years then ended, and a summary of significant accounting policies and other explanatory information (collectively the ''Combined Financial Statements''). The Combined Financial Statements have been prepared by the Board of Directors in accordance with the basis of preparation as described in the note 1 thereto, for the purposes of meeting the requirements of EU Regulation (EC) 809/2004 that relate to the inclusion of historical financial information within a prospectus.

Responsibility of the Board of Directors for the Combined Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Combined Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgment including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Combined Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements give a true and fair view of the combined financial position of the Combined Group as of December 31, 2012, 2011 and 2010, and of its combined financial performance and combined cash flows for each of the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of accounting

Without modifying our opinion, we draw attention to the disclosures in note 1 to the Combined Financial Statements, which describes the basis of preparation utilized in preparing the Condensed Combined Financial Statements. The Combined Financial Statements are prepared for the purposes of meeting the requirements of EU Regulation (EC) 809/2004 that relate to the inclusion of historical financial information within a prospectus, and may not be suitable for any other purpose. We also draw attention to note 1 to the Combined Financial Statements which provides a description of the accounting method utilized for the purposes of combining the individual elements of the Combined Group; these being under common control; in the absence of specific guidance within International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 9, 2014

Altice Group

Combined statements of income

	Note	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
			(in millions of euros)	
Revenue	22	1 092,4	784,2	167,2
Purchases and subcontracting services	22	(302,1)	(175,4)	(54,0)
Other operating expenses	22	(248,9)	(195,4)	(21,9)
Other sales and marketing expenses	22	(80,1)	(64,4)	(11,6)
General and administrative expenses	22	(58,2)	(51,3)	(31,7)
Operating profit before depreciation and amortisation	22	**403,1**	**297,7**	**48,0**
Depreciation and amortization		(266,4)	(176,0)	(26,2)
Goodwill impairment		(121,9)	—	—
Management fees		(6,2)	(3,6)	(0,8)
Other expenses, net	24	(29,8)	(5,6)	(7,4)
Restructuring and non-recurring costs	24	(20,8)	(7,6)	(3,9)
Operating (loss)/Income		**(42,0)**	**104,9**	**9,7**
Gain arising on step acquisitions	24	—	134,8	1,0
Financial income	25	40,7	26,8	51,1
Other financial expense	25	(225,4)	(130,6)	(30,9)
Finance (costs)/income, net	25	**(184,7)**	**(103,8)**	**20,2**
Share in net income of associates	7	20,4	58,6	20,7
(Loss)/profit before income tax expenses		**(206,2)**	**194,5**	**51,6**
Income tax expense	20	26,0	(32,5)	(2,2)
Net (loss)/income from continuing operations		**(180,2)**	**162,0**	**49,4**
Net income from discontinued operations		—	—	—
(Loss)/profit for the year		**(180,2)**	**162,0**	**49,4**
Attributable to owners of the combined group		*(139,3)*	*156,5*	*49,4*
Attributable to non-controlling interests		*(40,9)*	*5,5*	—

(*) Operating profit before depreciation and amortization is further referred to as ''EBITDA'' in these combined financial statements.

The accompanying notes form an integral part of these combined financial statements.

Altice Group

Combined statements of other comprehensive income

	Notes	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
			(in millions of euros)	
(Loss)/profit for the year		**(180,2)**	**162,0**	**49,4**
Other comprehensive (loss)/income				
Exchange differences on translation foreign operations		(5,1)	0,4	(1,6)
Net fair value gain on available-for-sale financial assets		—	0,3	—
Total comprehensive (loss)/income for the year		**(185,3)**	**162,7**	**47,8**
Attributable to owners of the combined group		*(143,1)*	*155,3*	*47,7*
Attributable to non-controlling interests		*(42,2)*	*7,4*	*0,1*

The accompanying notes form an integral part of these combined financial statements.

Altice Group

Combined statements of financial position

	Notes	December 31, 2012	December 31, 2011	December 31, 2010
			(in millions of euros)	
ASSETS				
Current assets				
Cash and cash equivalents	12	129,8	24,2	26,9
Trade receivables	11	151,6	103,4	51,0
Other receivables	11	41,7	26,3	19,2
Inventories	10	6,1	6,1	7,5
Current tax assets	11	5,5	5,1	2,6
Total Current assets		**334,7**	**165,1**	**107,2**
Non-current assets				
Restricted cash	8	9,6	41,4	0,2
Deferred tax assets		19,3	0,3	—
Loans to investment in associates	8	126,1	116,0	112,3
Investment in associates	7	83,2	62,8	298,9
Investments in financial assets available for sale	8	6,1	8,5	—
Long term trade receivables		18,7	2,4	3,0
Other long-term trade receivables	9	24,6	28,4	—
Property, Plant & Equipment	6	1.067,8	901,7	149,7
Other Intangible assets	5	458,5	458,3	90,1
Goodwill	4	790,9	911,9	17,8
Total non-current assets		**2 604,8**	**2 531,7**	**672,0**
Total assets		**2 939,5**	**2 696,8**	**779,2**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings from banking corporations and debentures	16	120,6	242,5	81,7
Trade payables	18	311,4	208,1	53,0
Others payables	18	100,6	98,4	46,6
Current loans from related parties	16	14,3	13,3	7,9
Provisions		—	—	0,2
Current tax liabilities	18	10,7	7,2	2,4
Total current liabilities		**557,6**	**569,5**	**191,8**
Non-current liabilities				
Borrowings from banking corporations and debentures	16	1 395,1	856,6	71,4
Non-current loans from related parties	16	322,4	271,6	246,6
Other financial liabilities	16	151,9	85,1	5,5
Provisions	14	25,7	40,5	1,5
Other non-current liabilities	19	49,5	24,7	0,7
Retirement benefit obligations	15	9,1	6,9	1,2
Deferred tax liabilities		148,2	123,7	26,2
Total non-current liabilities		**2 101,9**	**1 409,1**	**353,1**
Equity				
Invested equity	13	**274,8**	**369,1**	**233,9**
Non-controlling interests		**5,2**	**349,2**	**0,4**
Total equity		**280,0**	**718,3**	**234,3**
Total equity and liabilities		**2 939,5**	**2 696,8**	**779,2**

The accompanying notes form an integral part of these combined financial statements.

Altice Group

Combined statements of changes in equity

	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
	(in millions of euros)		
Equity at January 1, 2010	**161,7**	**0,2**	**161,9**
Profit for the year	49,4	—	**49,4**
Variation in CPEC	19,1	—	**19,1**
Employee benefits	0,1	—	**0,1**
Increase in share capital	7,8	—	**7,8**
Variation in Currency Translation Reserve	(1,6)	—	**(1,6)**
Increase or decrease of ownership interest	(0,7)	0,2	**(0,5)**
Other variations	(1,9)	—	**(1,9)**
Equity at December 31, 2010	**233,9**	**0,4**	**234,3**
Profit for the year	156,5	5,5	**162,0**
Variation in CPEC	(22,7)	—	**(22,7)**
Employee benefits	0,1	0,3	**0,4**
Decrease in share capital	(0,4)	—	**(0,4)**
Variation in Currency Translation Reserve	(1,4)	1,8	**0,4**
Increase or decrease of ownership interest	4,5	(2,5)	**2,0**
Step acquisition	(3,7)	343,5	**339,8**
Other variations	0,4	0,2	**0,6**
Equity at December 31, 2011	**369,1**	**349,2**	**718,3**
Profit for the year	(139,3)	(40,9)	(180,2)
Variation in CPEC	0,1	0,4	0,5
Variation in Currency Translation Reserve	(3,7)	(1,3)	(5,0)
Increase or decrease of ownership interest	(16,2)	21,6	5,4
Dividends paid	—	(26,0)	(26,0)
Option warrants	(3,9)	—	(3,9)
Purchase of minority interest	68,3	(298,4)	(230,1)
Other variations	0,4	0,6	1,0
Equity at December 31, 2012	**274,8**	**5,2**	**280,0**

The accompanying notes form an integral part of these combined financial statements.

Altice Group

Combined statements of cash flows

	Notes	December 31. 2012	December 31. 2011	December 31. 2010
			(in millions of euros)	
Net (loss)/income, including non-controlling interests		**(180,2)**	**162,0**	**49,4**
Adjustments for :				
Share of profit of associates	8	(20,4)	(58,6)	(20,7)
Depreciation and amortization		391,0	176,0	26,5
Gains and losses on disposals		4,8	6,0	(0,8)
Other non-cash operating gains and losses		53,6	(168,5)	3,1
Net cash provided by operating activities after changes in working capital, finance costs and income tax		**248,8**	**116,9**	**57,4**
Finance costs recognized in profit and loss		181,9	103,8	(20,4)
Income tax (benefit)/expense recognized in profit and loss		(26,0)	32,5	2,2
Income tax received/(paid)		1,6	(1,9)	(1,4)
Changes in working capital		58,2	54,8	(81,5)
Net cash provided by operating activities		**464,5**	**306,1**	**(43,7)**
Purchases of tangible and intangible assets		(347,0)	(189,8)	(49,9)
Acquisitions of Financial Assets		(35,8)	(0,1)	—
Proceeds from disposal of tangible, intangible and financial assets		0,1	0,8	8,4
(Decrease)/increase in loans and other non-current financial assets		(16,1)	0,6	(7,2)
Use of restricted cash		32,6	(40,8)	—
Net cash (outflow)/inflow on acquisition of subsidiaries		(35,1)	(347,3)	9,0
Transactions with non-controlling interests		(172,9)	—	—
Net cash provided used by investing activities		**(574,2)**	**(576,6)**	**(39,7)**
Proceeds from issue of equity instruments		—	(0,4)	7,8
Dividends paid to non-controlling-interests		(26,0)	—	
Proceeds from issue of debts	16	891,5	823,0	196,7
Repayment of debt	16	(532,6)	(484,9)	(98,3)
Interest paid		(117,8)	(69,0)	(7,3)
Net cash provided in financing activities		**215,1**	**268,7**	**98,9**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0,2	(0,9)	2,4
Net increase in cash and cash equivalents		**105,6**	**(2,7)**	**17,9**
Cash and cash equivalents at beginning of year	12	24,2	26,9	9,0
Net increase in cash and cash equivalents		105,6	(2,7)	17,9
Cash and cash equivalents at end of year	12	**129,8**	**24,2**	**26,9**

The accompanying notes form an integral part of these combined financial statements.

1—Basis of preparation of the combined financial statements

1.1 Presentation of the Two Groups forming Altice Group

Altice S.A.

Altice S.A. (the ''Company'') is a limited company incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company's shares on Euronext Amsterdam, the Company shall receive the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. and its subsidiaries are hereafter referred to as ''Altice Six'' and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as ''Altice VII'' or ''Altice VII Group''. The Company shall hence become the successor entity of Altice Six and Altice VII (collectively the ''Predecessor Entities'').

Altice Six

As at approval date, Altice Six holds shares in Numericable Group, a French group listed on Euronext Paris. Numericable Group is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. They also provide French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

Additionally to the Business To Consumer (''B2C'') described above and through its main operational entity, Completel S.A.S., Numericable Group operates the largest alternative fiber-to-the-office (''FTTO''), network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Altice VII

Altice VII offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, Altice VII Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Altice VII group companies aim at sharing skills and best practices across the various operations of Altice VII Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice VII Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

1.2 Description of the context

Altice Six and Altice VII (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by Patrick Drahi. The purpose of the combined financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the combined financial statements.

1—Basis of preparation of the combined financial statements (Continued)

Accordingly, the combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice Six and Altice VII, which are separate legal groups at December 31, 2012, 2011 and 2010.

The combined financial statements have been prepared for the three-year period ended December 31, 2012, 2011 and 2010 (collectively the ''Combined Financial Statements'') in conjunction with the contemplated initial public offering of the shares of Altice S.A. (the **''Offering''**). It is expected that Altice S.A. will acquire 100% of the share capital of Altice VII and Altice Six (the **''Combination''**) in order to reflect the combination of the Two Groups.

1.3 Statement of compliance

The combined financial statements of Altice Group include a combined statement of financial position as of December 31, 2012, 2011 and 2010, a combined statement of income, a combined statement of comprehensive income, a combined statement of cash flows and a combined statement of changes in equity for each of the three years in the period ended December 31, 2012 and the underlying Notes. The combined financial statements have been prepared in compliance with International Financial Reporting Standards (**''IFRS''**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union at December 31, 2012.

1.4 Basis of presentation of the Combined Financial Statements

1.4.1 IFRS financial statements

For the purpose of preparing the Combined Financial Statements, accounting principles effective as of December 31, 2012 have been applied to all years presented in these Combined Financial Statements. Altice Six prepares financial statements in accordance with the accounting rules and principles generally accepted in Luxemburg (''**Luxemburg GAAP**''), in application of the Law of December 19, 2012, as amended.

Altice VII prepares consolidated financial statements in accordance with the International Financial Reporting Standards as adopted in the European Union.

In preparing the Combined Financial Statements, Altice Six prepared financial statements in accordance with Luxemburg GAAP and converted them to IFRS which resulted in the following adjustments:

- Equity accounting of its investments in Altice B2B Luxembourg S.à r.l., Altice B2B Lux. Holding S.à r.l., Ypso Holding S.à r.l., in accordance with IAS 28 *Investments in Associates*;
- Under IFRS, transactions that are not carried at a market rate should be discounted over the life of the financial instruments and carried at amortized cost (as opposed to the cost less impairment under Luxemburg GAAP);
- Certain non-recurring income and expenses have been reclassified to EBITDA and/or financial income in the combined statements of income under IFRS.

1.4.2 Subsequent events

The Combined Financial Statements of Altice Group were prepared under the responsibility of the Board of Directors of Altice S.A. and approved by the Board of Directors of Altice S.A. on January 6, 2014. The preparation of the Combined Financial Statements is consistent with estimates reflected in the financial statements of Altice Six and Altice VII as of December 31, 2012, which were respectively authorized for issue on October 17, 2013 and November 12, 2013 by respectively the Board of Directors and Board of Managers. With the exception of the adjustments made in connection with the conversion of the financial statements of Altice Six from Luxemburg GAAP to IFRS, no adjustment has been reflected in the Combined Financial Statements for any subsequent events since November 12, 2013 to reflect exactly the position that was presented in the financial statements of Altice Six and Altice VII for which the Combined Financial Statements are being prepared as disclosed hereafter with the exception of the

1—Basis of preparation of the combined financial statements (Continued)

adjustments made in connection with the conversion in IFRS of the Financial Statements of Altice Six prepared initially in accordance with Luxemburg GAAP.

1.4.3 Basis of combination

The Combined Financial Statements were prepared using the accounting records that were used to prepare the financial statements of the Altice Six and Altice VII sub-groups for the year ended December 31, 2012, 2011 and 2010.

All intra-group balances and transactions have been eliminated in preparing the Combined Financial Statements, including the transactions between Altice Six and Altice VII and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Patrick Drahi and the Combined Financial Statements reflects the combination of Altice Six and Altice VII using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Combined Financial Statements.
- Likewise, the Combined Financial Statements were prepared by aggregating the separate financial statements of Altice Six and Altice VII at their historical book value:
    - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Altice Six and Altice VII sub-groups and fully aggregated at their historical book value without being revalued;
    - The combined equity has been determined by aggregating the consolidated equity of the subgroups Altice Six and Altice VII;
    - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Combined Financial Statements;
    - The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated except for the operations that relate to associates which are not eliminated.

2—Significant accounting policies

2.1 Accounting principles governing the preparation of the Combined Financial Statements

2.1.1 Standards and interpretations applied by the Combined Group as of December 31, 2012

With the exception of the principles used for the combination, as disclosed in Note 1, the accounting policies for recognition and measurement used in preparing the Combined Financial Statements at December 31, 2012 are the same as those used in the previous consolidated financial statements of

2—Significant accounting policies (Continued)

Altice VII under IFRS. Adjustments have been recognized to convert the consolidated financial statements of Altice Six (prepared under Luxemburg GAAP) to IFRS (see Note 1.4).

As mentioned in Note 1, the Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted in the European Union (''**EU**'') with mandatory application as of December 31, 2012. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the Combined Financial Statements.

2.1.2 Standards issued but not yet effective

In its combined financial statements, the Combined Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2011. Their impact on the Combined Group's financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

- IFRIC 20 ''Overdraft expenses''.
- IFRS 1 amended ''First application of IFRS'' concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the European Union on December 29, 2012. Application of this standard is obligatory from January 1, 2013.
- IAS 19 ''Revised Employee Benefits''.

The combined financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss and available for sale financial assets. The principal accounting policies are set out below.

2.2 Functional currency

The combined financial statements are presented in millions of euros. Euro is the functional of Altice Six and Altice VII and the presentation currency of the Two Groups.

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results.

2.3 Foreign currency translation

The presentation currency of Altice is euro. In individual companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are accounted for in the income statement. On consolidation, assets and liabilities of the Two Groups' entities reported in their functional currencies are translated into euro, the Two Groups' presentation currency, using the year-end exchange rates. Income and expense items are translated into euro at the annual weighted average exchange rate or at the rate of the date the transaction occurred for significant items.

Differences arising from the translation of opening net assets of the Two Groups entities, together with differences arising from the restatement of the net results for the year of the Two Groups entities, are recognized in other comprehensive income.

2—Significant accounting policies (Continued)

2.4 Subsidiaries and associates

2.4.1 Subsidiaries

All companies in which the Group has a controlling interest are fully consolidated. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2.4.2 Associates

Investments, over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these combined financial statements.

Significant influence is presumed to exist when the Group holds at least 20% of the voting power in the associates. Associates are initially recognized at cost at acquisition date. The Combined Financial Statements include the Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

As per the provisions of IAS 28 *Investment in associates* the interest income and expenses recorded in the consolidated financial statements of Altice Six on loans with associates have not been eliminated in the combined statements of income and therefore are still recorded in the combined financial statements.

2.5 Operating profit before depreciation and amortization

The Combined Group has included the subtotal ''Operating profit before depreciation and amortization'' on the face of the combined statements of income. The Combined Group believes that this subtotal is useful to users of the Combined Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Combined Group's financial statements and providing information regarding the results of the Combined Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Combined Group's financial performance.

This non-IFRS measure is used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel.

The Combined Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the combined financial statements in accordance with IFRS 1.

2.6 Revenue recognition

Revenue from the Combined Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription and installations fees invoiced to residential and business clients.

2—Significant accounting policies (Continued)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Combined Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group.

Revenues on bundle packages sold by the Combined Group are split into and recognised under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

- Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered;
- When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract;
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period; and
- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use (''IRU'') arrangements are recognized on a straight-line basis over the life of the contract.

2.7 Finance costs

Finance costs primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized costs;
- Changes in the fair value of interest rate derivative instruments that do not qualify as hedges for accounting purposes according to ''IAS 39'';
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

2.8 Income taxes

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the relevant equity item.

2.8.1 Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2—Significant accounting policies (Continued)

2.8.2 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Combined Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- Deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving),
- Deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Combined Statement of Financial Position and Combined Income Statement of the Combined Group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to other comprehensive income, and not earnings, if the tax relates to items that are credited or charged directly to other comprehensive income.

2—Significant accounting policies (Continued)

2.9 Goodwill and business combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 ''Business combinations'' are recognized at their fair value at acquisition date.

The Group recognizes goodwill as of the acquisition date and is measured as the excess of (a) over (b) as follows:

a) *The aggregate of:*

- The consideration transferred, which generally requires acquisition-date fair value;
- The amount of any non-controlling interests in the acquiree measured;
- In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date balances of the identifiable assets acquired and the liabilities measured in accordance with IFRS 3.

Any excess of the cost of acquisition over the Combined Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

The goodwill is determined provisionally by the end of the period. The Combined Group recognizes any adjustments to those provisional values within twelve months after the acquisition date.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

If the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the purchase price, a gain is recognized immediately.

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating income (account ''Depreciation and amortization'') and is never reversed subsequently.

Changes in the Combined Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Combined Group.

2.10 Other intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. In our Israeli entity, the costs of producing in-house content is also considered to be an intangible assets and recognized at the cost of production of the shows. Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses.

According to Management, intangible assets have either definite or indefinite useful lives.

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an

2—Significant accounting policies (Continued)

intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Customer relations	7 to 37 years
Licences	5 years
Customer relations with a defined contractual term	3 years
Subscriber purchase costs	based on average duration of subscriptions

Assets with indefinite useful lives are tested for impairment annually as well as where there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

2.11 Impairment of tangible and intangible assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, the Combined Group re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an impairment test performed annually.

This test is performed in order to compare the recoverable amount of an asset to its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A Cash Generating Unit (''CGU'') is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the income statement. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment, may be reversed.

2.12 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

2—Significant accounting policies (Continued)

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	Duration
Buildings	25 to 50 years
Cables Network	4 to 20 years
Call center (primarly electronic equipment)	5 to 9 years
Converters and modems	7 years
Computers and ancillary equipment	3 to 6 years
Office furniture and equipment	6 to 16 years
Communication network infrastructure	6 to 16 years
Leasehold contracts	see below

Leasehold contracts are depreciated according to the straight line method during the rental period (including the option period for an extension by the Combined Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are considered to be sufficient in order to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least annually and any changes are accounted for prospectively as a change in accounting estimate.

2.13 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.13.1 The Combined Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Combined Group's net investment in the leases. Finance lease income is allocated in an accounting periods so as to reflect a constant periodic rate of return on the Combined Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Rental income from the leasing of customer premises equipment (set top boxes, modems and decoders) is recognized on a straight-line basis over the term of the subscription held by the client. At the end of the contract or in case of voluntary contract termination by the client, this equipment is repossessed and thus remains in the inventory of the Combined Group.

2.13.2 The Combined Group as lessee

Assets held under finance leases are initially recognized as assets of the Combined Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see

2—Significant accounting policies (Continued)

note 2.11 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to management, it does not take a substantial period of time to get ready for the intended use because of the incremental deployment of the network. This standard has consequently no impact on the combined financial statements.

2.15 Government grants

Government grants are not recognized until there is reasonable assurance that the Combined Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Combined Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Combined Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the combined statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Combined Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.16 Financial assets

The Combined Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 ''Presentation of financial statements''.

Purchases and sales of all financial assets are recognized on a trade date basis.

2.16.1 Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of

2—Significant accounting policies (Continued)

fair value cannot be made using valuation techniques, the group values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

2.16.2 Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets' carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.16.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Combined Group has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Combined Group currently does not hold any held to maturity financial assets.

2.16.4 Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as finance income or costs.

This category mainly includes:

- Assets held for trading which the Combined Group intends to sell in the near future (primarily marketable securities);
- Assets voluntarily classified at inception in this category;
- Derivatives financial assets.

2.17 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

Cost of inventories is determined using the weighted average cost method.

2—Significant accounting policies (Continued)

The Combined Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.18 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Combined Group's cash management.

2.19 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Combined Group's liabilities to banking entities in accordance with the Group's credit agreement.

2.20 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Combined Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2.21 Share based payment arrangements

The Combined Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom on the Tel Aviv stock exchange.

2.22 Financial liabilities

Financial liabilities other than derivative instruments include:

2.22.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.22.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or

2—Significant accounting policies (Continued)

more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Combined Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.22.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.22.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 16.2.

2.23 Other liabilities

2.23.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Combined Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the financial statements:

2.23.1.1 Legal claims

A provision regarding legal claims is recognized when the Combined Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Combined Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2—Significant accounting policies (Continued)

2.23.1.2 Warranty

The Combined Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Combined Group and does not include warranty for damages incurred by the customer.

2.23.1.3 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Combined Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.23.1.4 Restructuring

A restructuring provision is recognized when the Combined Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Combined Group.

2.23.2 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Combined Group participates in, or maintains, several employee benefits. There are as follows:

2.23.2.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Combined Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.23.2.2 Post-retirement benefits

In Israel, the Combined Group operates a defined benefits plan in respect of the payment of severance pay in accordance with the Israeli Severance Pay Law. According to this law, employees are entitled to receive severance pay if they are dismissed or on their retirement. The liability in respect of the termination of employee-employer relations is measured in accordance with the actuarial value of a forecast unit of entitlement method. The actuarial calculation takes into account increases in salaries in the future and the rate at which employees leave the Combined Group and this on the basis of an estimate of the timing of the payment. The amounts are presented on the basis of the discounting of the forecast future cash flows, in accordance with government bonds' interest rates, whose repayment dates are close to the period relating to the liability in respect of severance pay.

The Combined Group deposits funds in respect of its severance pay liability in pension funds and insurance companies (hereafter—the plan assets). The plan assets are assets that are held by the employee benefits plan for the long-term or in qualifying insurance policies. The plan assets are not available for use by the Combined Group's creditors, and cannot be paid directly to the Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

2—Significant accounting policies (Continued)

The Combined Group has defined contribution plans pursuant to the Severance Pay Law under which the Combined Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.23.2.3 Other long-term employee benefits

The Combined Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Combined Group estimates that these benefits will be used and the respective Combined Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Combined Group's net obligation regarding other long-term employee benefits is in respect of the future benefit amount due to employees for services rendered in current and prior periods. This amount of benefits is discounted to its present value and the fair value of the assets relating to this obligation is deducted from said amount. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Combined Group's obligation. The obligation is calculated using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.23.2.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Combined Group has made an undertaking, with no real possibility of cancellation, for the dismissal of employees before they reach the customary retirement age in accordance with a detailed formal plan. The benefits that are given to the employees who take voluntary retirement when the Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.24 Significant accounting judgments and estimates used in the preparation of the financial statements

2.24.1 Judgments

In the process of applying the significant accounting policies, the Combined Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the combined financial statements.

2.24.2 Estimates and assumptions

The preparation of the combined financial statements requires the Combined Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.24.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

2—Significant accounting policies (Continued)

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1,5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 7% to 7,5%.

The carrying amount of goodwill as at December 31, 2012 was EUR 790,9 million (December 31, 2011 was EUR 911,9 million ; December 31, 2010: EUR 17,8 million). No impairment loss has been accounted for in 2010 and 2011 respectively.

2.24.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Combined Group and its investees, the Combined Group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.24.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.24.6 Deferred tax asset

Deferred tax assets relate primarily to tax loss carry forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carry forwards are recognized if it is probable that the Combined Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Combined Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry forwards.

As of December 31, 2012, 2011 and 2010, in evaluating whether deferred tax assets should be recognized, management considered the weight of one form of negative evidence being a significant amount of cumulative losses in recent years and concluded that it is not probable that future taxable profit will be available against which the unused tax loss carry forward can be utilized.

2.24.7 Discounting of Yield Free Preferred Equity Certificates (YFPEC)

The Combined Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4,76% has been used for YFPECs issued by Altice VII and 6,38% for YFPECs issued by Altice Six.

3—Scope of combination

3.1 Entities comprised in the scope of combination

Name of subsidiary	Country	Method of consolidation December 31, 2012	Method of consolidation December 31, 2011	Method of consolidation December 31, 2010	Proportion of ownership interest and voting power held by the group December 31, 2012	Proportion of ownership interest and voting power held by the group December 31, 2011	Proportion of ownership interest and voting power held by the group December 31, 2010
Altice VII S.à r.l.	Luxembourg	Parent company	Parent company	—	—	—	—
Altice Six S.A.	Luxembourg	Parent Company	Parent Company	—			—
Cool Holding LTD	Israel	FC(*)	FC(*)	FC(*)	100%	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Mobile LTD	Israel	FC(*)	FC(*)	FC(*)	100%	64,70%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Properties LTD[1]	Israel	—	FC(*)	Equity Method	—	64,70%	44,77%
Hot Vision LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Nonstop Ventures LTD	Israel	Equity method	Equity method	Equity Method	50%	32,35%	22,39%
South Saron Communications LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Iscarable LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Red LTD[1]	Israel	—	FC(*)	Equity Method	—	64,70%	44,77%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot Gold LTD[1]	Israel	—	FC(*)	Equity Method	—	64,70%	44,77%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	Equity Method	100%	64,70%	44,77%
Hot EDOM LTD	Israel	FC(*)	—	Equity Method	100%	—	
Zira (Copyrights on the Internet) LTD	Israel	Equity method	—	Equity Method	25%	—	
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	FC(*)	100%	100%	100%
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	FC(*)	100%	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	FC(*)	100%	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	FC(*)	100%	100%	100%
WSG S.A.	France	FC(*)	FC(*)	FC(*)	99,95%	99,95%	99,95%
Green ch.	Switzerland	FC(*)	FC(*)	FC(*)	99,12%	99,12%	99,12%
Valvision S.A.S.	France	FC(*)	FC(*)	FC(*)	100%	100%	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	FC(*)	100%	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	FC(*)	97%	97%	97%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)		44,39%	44,39%	
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)		74%	74%	
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)		44,39%	44,39%	
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)		44,39%	44,39%	
Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)		44,39%	44,39%	
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)		44,39%	44,39%	
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)		44,39%	44,39%	
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	—		100%	—	
Altice Portugal S.A.	Portugal	FC(*)	—		60%	—	
Cabovisao S.A.	Portugal	FC(*)	—		60%	—	
Altice Finco S.A.	Luxembourg	FC(*)	—		100%	—	
Altice Financing S.A.	Luxembourg	FC(*)	—		100%	—	
Ypso Holding S.à r.l.	Luxembourg	Equity method	Equity method	Equity method	24,06%	24,06%	24,06%
Altice B2B Lux S.à r.l.	Luxembourg	Equity method	Equity method	Equity method	24,06%	24,06%	24,06%

(1) Solutions 25 changed its name to Green ch as the result of the merger of Green ch by Solutions 25 in 2010

(2) Everido was merged into Altice VII in 2010

(3) The Combined Group acquired in January 2012 the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Combined Group owned 95% of Sequalum Participation.

(4) The entities Altitude Telecom, B3G SA and B3G Online were merged in 2011 in Completel SAS.

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2010

3.2.1.1 Hot Mobile (ex MIRS Communications Ltd)

In 2010, Altice Securities S.à r.l. decided to incorporate Altice Acquisition Ltd, a company incorporated under the laws of Israel. On December 9, 2009, the company entered into an acquisition agreement which was amended on February 4, 2010, pursuant to which, the company acquired all the shares held in MIRS Communications Ltd (''Hot Mobile''), by way of a merger with and into Hot Mobile of the shares held in Altice Acquisition Ltd. This merger became effective on May 27, 2010.

3—Scope of combination (Continued)

3.2.2 Main acquisitions in 2011

3.2.2.1 The HOT group

On October 26, 2010, the Combined Group entered into two acquisition agreements with the HOT Telecommunications equity holders, the Fishman Group and the Yediot Communications Ltd. Group, which as of the date of the above mentioned agreements held about 12,61% and 16,79% of HOT shares, respectively. On November 28, 2011 the transaction was consummated.

On March 16, 2011, Hot Telecommunications completed a private placement for approximately 2% of HOT issued share capital which was entirely subscribed by the Combined Group. At completion of this placement, the Combined Group held approximately 64,7% of HOT's shares.

Until March 16, 2011, the Combined Group held about 44,7% of HOT shares which until that date had been accounted for as an investment in associate using the equity method.

Since March 16, 2011, the Combined Group consolidates HOT and the Combined Group elected to measure the non-controlling interests in the acquiree at fair value at the date when control had been achieved.

The Combined Group has recognized the fair value of the assets that were acquired and the liabilities that were taken on within the framework of the business combination in accordance with an evaluation by an independent external expert. As of the time of the approval of the financial statements a final evaluation from an external expert has been received in relation to the fair value of the identified assets that were acquired and the liabilities that have been taken up. The amount of the investment prior to achieving control, in accordance with the equity method of accounting, as aforesaid, has been revalued in accordance with the share price as of the said time (approximately EUR 12,14), such that the financial statements as of March 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company, in an amount of approximately EUR 133,0 million.

a) Customer relations

The customer relations were valued on the basis of the fair value of the existing customers in accordance with the contracts with them, through the excess earnings method for multiple periods. The amortization period for customer contracts ranges from 7 to 14 years under the straight line method.

b) Customer relations with a defined contractual term

This intangible asset was estimated based on the cash flows expected from existing orders or signed agreements of existing customers according to the surplus earning method for multiple periods. The amortization period for this asset is 3 years according to the existing agreements data.

c) Brand name

The ''HOT'' brand and ''Mirs'' brand were valued within the framework of the business combination in accordance with the ''relief from royalties'' method.

d) Backlog of contracts

The backlog of contracts was valued within the framework of the business combination on the basis of the cash flows that were expected as a result of the acquisition, which derived from orders associated with signed contracts, with the addition of an appropriate profit margin, in accordance with the excess earnings method for multiple periods.

e) Subscriber purchase costs

The HOT Group has an intangible asset that was created in respect of the costs associated with the purchase of subscribers. The additional direct sales commissions that are paid in respect of sales to

3—Scope of combination (Continued)

subscribers that have signed on a commitment to remain customers of the Combined Group are recognized as an intangible asset up to the maximum fine that exists according to their contractor obligation. The expenses relating to the amortization of the purchase of the subscribers are recorded in the income statement over the period of the subscribers' average contractual commitment.

f) Software

The Combined Group's assets include computer systems that contain both software and hardware. Software that constitutes an integral part of the hardware, which cannot operate without the software that is installed therein, are classified as fixed assets. On the contrary, licenses from stand-alone software which add additional functionalities for the hardware are classified as intangible assets.

3.2.2.2 Coditel Brabant S.p.r.l. and Coditel S.à r.l.:

The Coditel reporting entity, Coditel Holding S.A. (''Coditel Holding'') was incorporated on May 12, 2011 for the purpose of acquiring Coditel Brabant S.p.r.l. (''Coditel Belgium'') and Coditel S.à r.l. (''Coditel Luxembourg''), which acquisition was completed on July 31, 2011.

As at the end of 2011, Altice VII holds an indirect interest of 44,4% in Coditel Brabant S.p.r.l. and Coditel S.à r.l.. Through various holding vehicles, Altice VII controls Coditel Brabant and Coditel S.à r.l.. Control is obtained via the majority position on the board of these entities by the Altice VII representatives.

3.2.3 Main acquisitions in 2012

Altice Portugal S.A. acquired 100% of Cabovisao as at February 29, 2012, from Cogeco Cable Luxembourg Holding S.A.. The consideration amounted to EUR 45 million, of which 40% was subsequently sold to Apax Partners in April 2013.

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

3—Scope of combination (Continued)

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	Cabovisao	Hot Telecom	Coditel Brabant S.p.r.l.	Coditel S.à r.l.
		(in millions of euros)			
Cost of acquisition	1 337,2	45,0	941,1	244,3	106,8
ASSET					
Intangible assets	452,8	37,8	367,8	40,0	7,2
Property, plant and equipment	886,3	123,0	718,8	25,1	19,4
Deferred tax assets	21,7	0,9	20,8	—	—
Other non-current assets	23,1	—	21,5	1,6	—
Inventories	7,3	6,5	—	0,3	0,4
Trade and other receivables	43,4	0,2	30,3	10,4	2,5
Cash and cash equivalents	18,2	9,0	8,3	0,6	0,3
Other current assets	5,4	1,6	3,4	0,3	—
Total assets	**1 458**	**178,9**	**1 170,8**	**78,4**	**30,0**
EQUITY AND LIABILITIES					
Non-current liabilities	682,5	37,7	625,3	17,2	2,2
Current liabilities	300,7	33,2	234,1	26,1	7,3
Total liabilities	**983,2**	**70,9**	**859,4**	**43,3**	**9,5**
Net assets	**474,9**	**108,0**	**311,3**	**35,1**	**20,5**
Residual goodwill/(badwill)	**862,2**	**(63,0)**	**629,8**	**209,2**	**86,4**
Including impact of non controlling interests on goodwill/(badwill)	*139,1*	*(25,2)*	—	*116,3*	*48,0*

The net cash outflow in 2012 on the acquisition of Cabovisao amounted to EUR 35.1 million.

The net cash outflow in 2011 for the acquisitions mentioned above is of EUR 347,3 million and consists of the following:

—acquisition of Coditel Brabant S.p.r.l. and Coditel S.à r.l. . . . . EUR 159,4 million
—acquisition of Hot Telecom . . . . EUR 197,1 million
—Cash used . . . . EUR −9,2 million

3—Scope of combination (Continued)

The main figures of the acquired businesses, since the beginning of the year, and until the business combination, are presented as follows:

	Cabovisao	Coditel Brabant S.p.r.l.	Coditel S.à r.l.	Hot Telecom
	January 1, 2012 to February 29, 2012	January 1, 2011 to June 30, 2011	January 1, 2011 to June 30, 2011	January 1, 2011 to March 16, 2011
	(in millions of euros)			
Revenues	**19,8**	**24,4**	**7,9**	**165,2**
Cost of sales	(8,8)	(3,6)	(1,4)	(48,0)
Gross Profit	**11,0**	**20,7**	**6,5**	**117,1**
Other operating expenses	(4,6)	(2,8)	(0,9)	(38,6)
General and administrative expenses	(1,4)	(3,0)	(0,9)	(5,4)
Other sales and marketing expenses	(2,4)	(1,3)	(0,1)	(9,8)
Operating profit before depreciation and amortization	**2,6**	**13,6**	**4,5**	**63,3**
Depreciation and amortization	(0,8)	(6,2)	(1,7)	(32,1)
Other expenses, net	(0,3)	—	—	(0,2)
Reorganization and non-recurring costs	—	(0,5)	—	—
Operating profit	**1,5**	**7,0**	**2,9**	**30,9**
Profit for the period (including non-controlling interests)	**1,4**	**2,4**	**0,6**	**30,5**

4—Goodwill

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
	(in millions of euros)				
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	600,2	—	—	1,6	601,8
Total Gross Value	**919,4**	**—**	**—**	**1,6**	**921,0**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	(1,6)	—	(121,9)	(0,7)	(124,2)
Total Cumulative impairment	**(7,5)**	**—**	**(121,9)**	**(0,7)**	**(130,1)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	598,6	—	(121,9)	0,9	477,6
Total Net book value	**911,9**	**—**	**(121,9)**	**0,9**	**790,9**

4—Goodwill (Continued)

	December 31, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2011
			(in millions of euros)		
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	629,8	—	(29,6)	600,2
Total Gross Value	**23,8**	**925,3**	**—**	**(29,6)**	**919,5**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	—	(1,6)	—	0,1	(1,6)
Total Cumulative impairment	**(6,0)**	**(1,6)**	**—**	**0,1**	**(7,6)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	628,1	—	(29,5)	598,6
Total Net book value	**17,8**	**923,7**	**—**	**(29,5)**	**911,9**

	January 1, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2010
	(unaudited)		(in millions of euros)		
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Everido	17,8	—	—	—	17,8
Total Gross Value	**23,8**	**—**	**—**	**—**	**23,8**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Everido	—	—	—	—	—
Total Cumulative impairment	**(6,0)**	**—**	**—**	**—**	**(6,0)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Everido	17,8	—	—	—	17,8
Total Net book value	**17,8**	**—**	**—**	**—**	**17,8**

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

- Israel
- Belgium and Luxembourg

4—Goodwill (Continued)

- France
- French overseas Territories
- Switzerland
- Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

- WSG
- Valvision
- Everido
- Coditel Brabant
- Coditel S.à r.l.
- Hot Telecom

Goodwill is tested at the cash-generating units (''CGU'') level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The Board of Directors estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

For the year ended December 31, 2012, the Board of Directors has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Group concluded that the recoverable amount of the Israeli in-country fixed line is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately EUR 121,9 million which was recorded as part of section ''depreciation and amortization''

The Board of Directors has performed an impairment analysis for the purpose of issuing these combined financial statements and determined that no impairment should be recorded for the years ended December 31, 2011 and 2010.

5—Other intangible assets

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Software	37,1	27,3	—	—	0,3	(0.1)	64,6
Brand name	50,0	—	—	29,6	0,2	—	79,8
Customer relations(1)	316,4	—	—	8,2	1,0	—	325,6
Licenses	19,2	13,2	(0,6)	—	—	0.1	32,0
Subscriber purchase costs(2)	152,1	21,2	—	—	0,6	—	173,9
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,0
Other intangible assets	95,3	23,1	—	0,1	0,4	—	118,8
Total Gross Value	**670,3**	**85,1**	**(0,6)**	**37,9**	**2,6**	**(0.2)**	**794,9**
Software	(10,8)	(17,2)	0,2	—	(0,2)	0.1	(27,9)
Brand name	(1,1)	(1,5)	0.0	—	—	—	(2,7)
Customer relations(1)	(21,6)	(31.0)	—	—	(0,3)	—	(53,0)
Licenses	(7,1)	(2,9)	0,2	—	—	(0.1)	(9,9)
Subscriber purchase costs(2)	(140,4)	(25,3)		—	(0,6)	—	(166,3)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(30,9)	(46,1)	—	—	(0,3)	0.6	(76,7)
Total Cumulative amortization and depreciation	**(211,9)**	**(124,4)**	**0,4**	**0,0**	**(1,4)**	**(0.6)**	**(336,5)**
Software	26,3	10,1	0,2	—	0,1	—	36,7
Brand name	48,9	(1,5)	—	29,6	0,2	—	77,2
Customer relations(1)	294,8	(31,0)	—	8,2	0,7	—	272,7
Licenses	12,1	10,3	(0,4)	—	—	—	22,0
Subscriber purchase costs(2)	11,7	(4,1)	—	—	—	—	7,6
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,1
Other intangible assets	64,4	(23.1)	—	0,1	0,1	0,7	42.2
Total Net book value	**458,3**	**(39)**	**(0.2)**	**37,9**	**1,2**	**0,5**	**458.5**

5—Other intangible assets (Continued)

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination.

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Software	6,0	19,8	(0,1)	13,7	(2,3)	—	37,1
Brand name	16,4	0,1	—	34,6	(1,0)	—	50,0
Customer relations[(1)]	38,9	—	—	290,5	(13,0)	—	316,4
Licenses	8,9	9,2	—	1,3	(0,1)	—	19,2
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[(2)]	145,4	7,3	—	7,7	(8,4)	—	152,1
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	7,3	23,0	—	67,2	(2,3)	0,1	95,3
Total Gross Value	**223,2**	**59,4**	**(0,1)**	**414,9**	**(27,1)**	**(0,1)**	**670,3**
Software	(2,5)	(9,9)	0,1	—	1,6	—	(10,8)
Brand name	—	(0,7)	(0,6)	—	0,2	—	(1,1)
Customer relations[(1)]	(2,3)	(17,9)	(3,4)	—	1,9	—	(21,6)
Licenses	(6,1)	(1,1)	—	—	0,1	—	(7,1)
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[(2)]	(118,4)	(28,6)	—	—	6,6	—	(140,4)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(3,8)	(12,4)	(14,5)	—	(0,3)	—	(30,9)
Total Cumulative amortization and depreciation	**(133,1)**	**(70,6)**	**(18,4)**	**—**	**10,2**	**—**	**(211,9)**
Software	3,5	9,8		13,7	(0,7)	—	26,3
Brand name	16,4	(0,6)	(0,6)	34,6	(0,8)	—	48,9
Customer relations[(1)]	36,6	(17,9)	(3,4)	290,5	(11,1)	—	294,8
Licenses	2,7	8,1	—	1,3	—	—	12,1
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[(2)]	27,1	(21,3)	—	7,7	(1,8)	—	11,7
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	3,5	10,6	(14,5)	67,2	(2,6)	0,1	64,4
Total Net book value	**90,1**	**(11,2)**	**(18,5)**	**414,9**	**(16,9)**	**(0,1)**	**458,3**

5—Other intangible assets (Continued)

	January 1, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
	(unaudited)			(in millions of euros)			
Software	1,9	1,1	—	2,3	0,7	—	6,0
Brand name	13,8	—	—	—	2,6	—	16,4
Customer relations(1)	32,8	—	—	—	6,1	—	38,9
Licenses	7,3	—	—	1,1	0,5	—	8,9
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	91,5	8,2	—	26,9	18,9	—	145,4
Intangible assets under construction	—	0,2	—	—	—	—	0,2
Other intangible assets	4,1	2,2	—	—	1,0	—	7,3
Total Gross Value	**151,4**	**11,7**	**—**	**30,4**	**29,8**	**—**	**223,2**
Software	(1,6)	(0,7)	—	—	(0,2)	—	(2,5)
Brand name	—	—	—	—	—	—	—
Customer relations(1)	—	(2,1)	—	—	(0,2)	—	(2,3)
Licenses	(5,8)	(0,2)	—	—	(0,3)	—	(6,1)
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	(91,5)	(12,0)	—	—	(14,9)	—	(118,4)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(1,4)	(2,0)	—	—	(0,4)	0,1	(3,8)
Total Cumulative amortization and depreciation	**(100,3)**	**(17,0)**	**—**	**—**	**(16,1)**	**0,1**	**(133,3)**
Software	0,3	0,4	—	2,3	0,4	—	3,5
Brand name	13,8	—	—	—	2,6	—	16,4
Customer relations(1)	32,8	(2,1)	—	—	5,9	—	36,6
Licenses	1,6	(0,2)	—	1,1	0,2	—	2,7
Start up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	—	(3,9)	—	26,9	4,0	—	27,1
Intangible assets under construction	—	0,2	—	—	—	—	0,2
Other intangible assets	2,7	0,2	—	—	0,5	0,1	3,5
Total Net book value	**51,3**	**(5,3)**	**—**	**30,4**	**13,7**	**0,1**	**90,1**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

(2) Subscriber purchase costs were recognized in respect of the costs of linked acquisition costs of subscribers (including additional sales commissions). The amortization expenses are related to the length of the average financial commitment of the subscribers.

The majority of the intangible assets movements for the year ended December 31, 2011 are related to the Hot Telecom, Coditel S.p.r.l. and Coditel S.à r.l. business combinations.

6—Property, Plant & Equipment

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Land	2,6	—	—	0,3	—	—	2,9
Buildings	55,5	12,3	—	0,5	0,3	—	68,6
Cable networks(1)	480,3	58,3	(0.9)	110,4	3	10,7	661,8
Call center (primarily electronic equipment)(2)	68,3	25,8	—		0,7	—	94,9
Converters and modems	161,8	70,4	(3.2)		1,5	—	230,5
Computers and ancillary equipment	29,1	6,4	—	0,1	0,2	3,7	35,8
Office furniture and equipment(3)	97,7	12,2	(0,5)	0,7	0,2	0,4	113,9
Communication network infrastructure(4)	301,9	58	(2.3)	3,1	1	—	362,1
Other data center equipment	3	(1,6)	—	—	—	1,8	3,3
Tangible assets under construction	7,2	19,8	(1,8)	8,4	—	(16,6)	17,0
Prepayments on tangible assets	0,1	3,0	—	—	—	—	3,1
Other tangible assets	6,2	3,2	—	0,1	—		9,6
Total Gross Value	**1 213,7**	**267,9**	**(8,8)**	**123.6**	**6,9**	**0,1**	**1 603,4**
Buildings	(8,7)	(4)	—	—	(0,1)	—	(12,8)
Cable networks(1)	(24,7)	(110,6)	0,8	—	(1,8)	—	(136,3)
Call center (primarily electronic equipment)(2)	(5,8)	(19,6)	(0,8)	—	(0,5)	—	(26,7)
Converters and modems	(11)	(44,9)	6,3	—	(0,9)	—	(50,6)
Computers and ancillary equipment	(20,4)	(5)	(2,0)	—	(0,2)	—	(27,6)
Office furniture and equipment(3)	(23,7)	(15,2)	1,9	—	—	—	(37,0)
Communication network infrastructure(4)	(212,3)	(28,2)	6,0	—	(0,5)	—	(235,1)
Other data center equipment	(1,1)	(0,3)	—	—	—	—	(1,5)
Tangible assets under construction	(0,1)	(0,3)	—	—	—	0,1	(0,3)
Prepayments on tangible assets	—	—	—	—	—	—	
Other tangible assets	(4,1)	(2,9)	(0,6)	—	—	—	(7,7)
Total Cumulative amortization and depreciation	**(311,9)**	**(231,1)**	**11,5**	**—**	**(4,1)**	**0,1**	**(535,6)**
Land	2,6	—	—	0,3	—	—	2,9
Buildings	46,8	8,2	—	0,5	0,2	—	55,8
Cable networks(1)	455,6	(52,2)	(0,1)	110,4	1,2	10,7	525,6
Call center (primarily electronic equipment)(2)	62,6	6,3	(0,8)	—	0,2	—	68,2
Converters and modems	150,8	25,5	3,0	—	0,6	—	179,9
Computers and ancillary equipment	8,7	1,4	(2,0)	0,1	—	—	8,2
Office furniture and equipment(3)	74	(2,9)	1,3	0,7	0,1	3,7	76,8
Communication network infrastructure(4)	89,6	29,7	3,6	3,1	0,5	0,4	127
Leasehold contracts	0	—	—	—	—	—	—
Other data center equipment	1,9	(1,9)	—	—	—	1,8	1,8
Tangible assets under construction	7,1	19,5	(1,8)	8,4	—	(16,4)	16,7
Prepayments on tangible assets	0,1	3,0	—	—	—	—	3,1
Other tangible assets	2,0	0,3	(0,6)	0,1	—	—	1,9
Total Net book value	**901,7**	**36,8**	**2,6**	**123,6**	**2,8**	**0,2**	**1 067,8**

Most of the tangible assets increases as of December 31, 2012 are related to the Cabovisao business combination (see Note 3.3). The additions in capital expenditures come mainly from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 69,4 million for the year ended December 31, 2012, as compared to EUR 29,3 million for the year ended December 31, 2011. The increase in converters and modems related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT

6—Property, Plant & Equipment (Continued)

Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.

- Cable network related (including centers) capital expenditures represented EUR 84 million for the year ended December 31, 2012, as compared to EUR 51.6 million for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fibre roll out in certain areas in 2012.

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Land	2,5	—	—	0,1	—	—	2,6
Buildings	17,9	13,0	—	14,6	(1,7)	11,7	55,5
Cable networks[1]	13,0	31,3	—	481,9	(45,9)	—	480,3
Call centers (primarily electronic equipment)[2]	—	14,1	—	64,1	(9,9)	—	68,3
Converters and modems	0,7	30,1	(2,0)	151,7	(18,6)	—	161,8
Computers and ancillary equipment	22,4	4,8	—	4,6	(2,6)	—	29,1
Office furniture and equipment[3]	29,4	15,2	(1,0)	43,6	0,4	10,0	97,7
Communication network infrastructure[4]	288,3	24,9	—	—	(11,4)	—	301,9
Other data center equipment	2,2	0,7	—	—	0,1	—	3,0
Tangible assets under construction	21,8	6,4	—	—	0,3	(21,3)	7,2
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	3,6	0,5	—	2,8	(0,7)	—	6,2
Total Gross Value	402,3	141,1	(3,1)	763,3	(89,9)	—	1 213,7
Buildings	(6,1)	(3,4)	—	—	0,9	—	(8,7)
Cable networks[1]	(1,4)	(46,6)	—	—	23,3	—	(24,7)
Call center (primarily electronic equipment)[2]	—	(12,7)	—	—	6,9	—	(5,8)
Converters and modems	(0,2)	(24,2)	1,8	—	11,6	—	(11,0)
Computers and ancillary equipment	(20,3)	(2,5)	—	—	2,3	—	(20,4)
Office furniture and equipment[3]	(15,8)	(8,6)	0,9	—	(0,1)	—	(23,7)
Communication network infrastructure[4]	(205,9)	(14,7)	—	—	8,3	—	(212,3)
Other data center equipment	(0,8)	(0,2)	—	—	—	—	(1,1)
Tangible assets under construction	—	(0,1)	—	—	—	—	(0,1)
Other tangible assets	(2,1)	(2,5)	—	—	0,5	—	(4,1)
Total Cumulative amortization and depreciation	(252,7)	(115,5)	2,7	—	53,5	—	(311,9)
Land	2,5	—	—	0,1	—	—	2,6
Buildings	11,8	9,5	—	14,6	(0,8)	11,7	46,8
Cable networks[1]	11,6	(15,2)	—	481,9	(22,6)	—	455,6
Call center (primarily electronic equipment)[2]	—	1,4	—	64,2	(3,0)	—	62,6
Converters and modems	0,5	5,9	(0,2)	151,7	(7,1)	—	150,8
Computers and ancillary equipment	2,1	2,3	—	4,6	(0,3)	—	8,7
Office furniture and equipment[3]	13,5	6,6	(0,1)	43,6	0,3	10,0	74,0
Communication network infrastructure[4]	82,4	10,2	—	—	(3,1)	—	89,6
Leasehold contracts	—	—	—	—	—	—	—
Other data center equipment	1,4	0,4	—	—	—	—	1,9
Tangible assets under construction	21,8	6,3	—	—	0,3	(21,3)	7,1
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	1,5	(2,1)	—	2,8	(0,2)	—	2,0
Total Net book value	149,7	25,6	(0,4)	763,3	(36,4)	—	901,7

6—Property, Plant & Equipment (Continued)

	January 1, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
	(unaudited)		(in millions of euros)				
Land	1,2	2,5	(1,2)	—	—	—	2,5
Buildings	7,5	3,3	(4,1)	5,0	2,1	4,1	17,9
Cable networks(1)	11,9	—	—	—	1,1	—	13,0
Converters and modems	0,4	0,5	(0,2)	—	—	—	0,7
Computers and ancillary equipment	0,1	0,8	—	1,6	2,9	17,0	22,4
Office furniture and equipment(3)	20,6	6,1	—	2,0	0,7	—	29,4
Communication network infrastructure(4)	43,8	6,5	(0,2)	57,3	32,9	147,9	288,3
Leasehold contracts	—	—	—	—	—	—	0,0
Computer equipment	—	0,6	—	1,4	0,2	—	2,2
Tangible assets under construction	0,3	19,6	—	—	1,9	—	21,8
Prepayments on tangible assets	1,8	—	(1,3)	—	—	—	0,5
Other tangible assets	1,4	(1,7)	(0,2)	3,3	0,2	0,5	3,6
Total Gross Value	**89,2**	**38,3**	**(7,2)**	**70,6**	**41,9**	**169,5**	**402,3**
Land							
Buildings	(1,0)	(0,7)	0,1	—	(0,7)	(6,0)	(6,1)
Cable networks(1)	—	(1,2)			(0,1)	—	(1,4)
Converters and modems	(0,2)	(0,2)	—	—	—	(0,2)	(0,2)
Computers and ancillary equipment	(0,1)	(0,6)	—	—	(2,7)	(16,9)	(20,3)
Office furniture and equipment(3)	(11,8)	(2,2)	—	—	(0,3)	(1,6)	(15,8)
Communication network infrastructure(4)	(25,9)	(10,5)	0,1	—	(23,5)	(146,1)	(205,9)
Other data center equipment	—	(0,2)	—	—	(0,1)	(0,5)	(0,8)
Other tangible assets	(1,0)	(0,4)	—	—	(0,1)	(0,6)	(2,1)
Total Cumulative amortization and depreciation	**(40,0)**	**(15,9)**	**0,3**	**—**	**(27,5)**	**(169,5)**	**(252,7)**
Land	1,2	2,5	(1,2)	—	—	—	2,5
Buildings	6,5	2,6	(3,9)	5,0	1,4	0,2	11,8
Cable networks(1)	11,9	(1,2)	—	—	0,9	—	11,6
Converters and modems	0,2	0,3	(0,2)	—	—	0,2	0,5
Computers and ancillary equipment	0,1	0,2	—	1,6	0,3	—	2,1
Office furniture and equipment(3)	8,9	4,0	—	2,0	0,3	(1,6)	13,5
Communication network infrastructure(4)	17,9	(4,0)	(0,2)	57,3	9,4	2,0	82,4
Other data center equipment	—	0,5	—	1,4	0,1	(0,6)	1,4
Tangible assets under construction	0,3	19,6	—	—	1,9	—	21,8
Prepayments on tangible assets	1,8	—	(1,3)	—	—	—	0,5
Other tangible assets	0,5	(2,1)	(0,1)	3,3	0,1	(0,2)	1,5
Total Net book value	**49,2**	**22,4**	**(6,9)**	**70,6**	**14,4**	**(0,1)**	**149,7**

(1) Cable networks: the Combined Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

Most of the tangible assets increases as of December 31, 2012 come from the Cabovisao business combinations (see Note 3.3).

Most of the tangible assets increases as of December 31, 2011 come from the Coditel and Hot Telecom business combinations (see Note 3.3).

6—Property, Plant & Equipment (Continued)

The additions in capital expenditures mainly come from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 29,3 million for the year ended December 31, 2011.The weaker amount of modems and converters related capital expenditures resulted from a delay in the delivery of the HOT Magic HD set top boxes which the local management initially expected to receive during the second quarter of 2011 and ended up not receiving until the fourth quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 43,4 million for the year ended December 31, 2011 and was related to investments in the Israeli UFI-channel in 2011.

7—Investments in associates

The breakdown of the investments in associates in 2010, 2011 and 2012 is detailed as follows:

	December 31, 2012	
	Combined Group's share of profits of associates	Combined Group's share of net assets of associates
	(in millions of euros)	
Altice B2B Lux Holding S.à r.l.	11,4	39,1
Ypso Holding S.à r.l.	9,0	(116,1)
Total	**20,4**	**(77,0)**

	December 31, 2011	
	Combined Group's share of profits of associates	Combined Group's share of net assets of associates
	(in millions of euros)	
HOT TELECOM (and its subsidiaries)	11,7	—
Altice B2B Lux Holding S.à r.l.	7,8	28,1
Ypso Holding S.à r.l.	39,1	(129,1)
Total	**58,6**	**(101,0)**

	December 31, 2010	
	Combined Group's share of profits of associates	Combined Group's share of net assets of associates
	(in millions of euros)	
HOT TELECOM (and its subsidiaries)	6,8	284,9
Altice B2B Lux Holding S.à r.l.	(1,9)	137,2
Ypso Holding S.à r.l.	15,9	(169,1)
Total	**20,7**	**253,0**

7—Investments in associates (Continued)

Variation in the statement of financial position of investment in associates is shown below:

	Balance on December 31, 2012	Increase/ (Decrease)	Balance on December 31, 2011	Increase/ (Decrease)	Balance on December 31, 2010
			(in millions of euros)		
Altice B2B Lux Holding S.à r.l.	**19,2**	**11,4**	**7,8**	**7,8**	**(1,9)**
Ypso Holding S.à r.l.	**64,0**	**9,0**	**55,0**	**39,1**	**15,9**
HOT Telecom	**—**	**—**	**—**	**(284,9)**	**284,9**
Total	**83,2**	**20,4**	**62,8**	**(238,1)**	**298,9**

The Altice B2B Lux Holding S.à r.l. figures are detailed as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
		(in millions of euros) (unaudited)	
Current assets	222,5	213,8	643,0
Non-current assets	789,6	793,2	806,2
Current liabilities	395,4	357,0	294,4
Non-current liabilities	454,1	533,3	584,4
Total Equity	**162,5**	**116,8**	**570,3**
% of interest = 24,06%	**39,1**	**28,1**	**137,2**
Revenue for the year	464,1	473,3	382,2
Profit for the year	47,4	32,6	(8,1)

The Ypso Holding S.à r.l.figures are detailed as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
		(in millions of euros) (unaudited)	
Current assets	408,1	332,8	275,6
Non-current assets	2 409,6	2 380,0	2 654,8
Current liabilities	613,0	653,6	623,0
Non-current liabilities	2 687,4	2 595,8	3 010,0
Total Equity	**(482,6)**	**(536,6)**	**(702,7)**
% of interest = 24,06%	**(116,1)**	**(129,1)**	**(169,1)**
Revenue for the year	838,4	833,6	826,5
Profit for the year	37,5	162,5	65,9

7—Investments in associates (Continued)

The Hot Telecom Ltd figures are detailed as follows:

	December 31, 2010
	(in millions of euros)
Current assets	70,2
Non-current assets	1 072,2
Current liabilities	(279,2)
Non-current liabilities	(540,7)
Total Equity	**322,4**
Revenue for the year	656,8
Profit for the year	21,4
Other comprehensive income for the year	20,6

8—Financial assets

	December 31, 2012	December 31, 2011	December 31, 2010
		(in millions of euros)	
Assets available for sale(1)	6,1	8,5	—
Loans to investment in associates	126,1	116,0	112,3
Restricted cash(2)	9,6	41,4	0,2
Total Gross Value	**141,8**	**165,9**	**112,5**
Assets available for sale(1)	—	—	—
Loans to investment in associates	—	—	—
Restricted cash(2)	—	—	—
Total Cumulative amortization and depreciation	**—**	**—**	**—**
Assets available for sale(1)	6,1	8,5	—
Loans to investment in associates	126,1	116,0	112,3
Restricted cash(2)	9,6	41,4	0,2
Total Net book value	**141,8**	**165,9**	**112,5**

(1) Investment in available for sale financial asset:

A subsidiary company, operating through Hot Net Internet Services Ltd. (formerly Hot Properties) and Finance Ltd. (hereinafter—Hot Net) holds 1 454 663 regular shares in Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel. Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.19).

The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits. It is restricted to repayment of certain interests on bank borrowings and debentures.

8—Financial assets (Continued)

Loans to associates as of December 31, 2012, 2011 and 2010 are summarised below:

December 31, 2012

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
			(in millions of euros)			(in millions of euros)	
Ypso Holding S.à r.l.	Yield free non-convertible preferred equity certificates (YFPECs)	February 28, 2057	620,597	25.0	0.00%	15,5	1,2
	Interest free non-convertible preferred equity certificates (IFPECs)	February 28, 2057	109,623	25.0	0.00%	2,7	0,2
	Interest free non-convertible preferred equity certificates (IFPECs)	March 12, 2057	365,378	25.0	0.00%	9,1	0,6
	Interest free non-convertible preferred equity certificates (IFPECs)	July 17, 2057	486,000	25.0	0.00%	12,2	0,8
	Convertible preferred equity certificates (CPECs)	February 28, 2057	628,835	25.0	0.00%	17,9	1,2
	Convertible preferred equity certificates (CPECs)	February 28, 2057	3,559,968	45.7	0.00%	174,7	11,3
	Convertible preferred equity certificates (CPECs)	June 6, 2055	68,431	25.0	0.00%	1,9	0,1
	Convertible preferred equity certificates (CPECs)	November 14, 2054	387,401	25.0	0.00%	11,1	0,8
	Non-convertible preferred equity certificates (Super PECs)	December 9, 2058	32,237,358	1.0	Variable rate	42,9	40,1
Total Ypso Holding S.à r.l.						**288,0**	**56,3**
Altice B2B Lux Holding S.à r.l.	Yield free non-convertible preferred equity certificates (YFPECs)	December 17, 2059	29,270,834	1.0	0.00%	29,3	1,6
	Convertible preferred equity certificates (CPECs)	December 17, 2059	63,553,410	1.0	7.38%	68,2	68,2
Total Altice B2B Lux Holding S.à r.l.						**97,5**	**69,8**
Total						**382,7**	**126,1**

8—Financial assets (Continued)

December 31, 2011

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
			(in millions of euros)			(in millions of euros)	
Ypso Holding S.à r.l.	Yield free non-convertible preferred equity certificates (YFPECs)	February 28, 2057	620,597	25.0	0.00%	15,5	0,9
	Interest free non-convertible preferred equity certificates (IFPECs)	February 28, 2057	109,623	25.0	0.00%	2,7	0,2
	Interest free non-convertible preferred equity certificates (IFPECs)	March 12, 2057	365,378	25.0	0.00%	9,1	0,5
	Interest free non-convertible preferred equity certificates (IFPECs)	July 17, 2057	486,000	25.0	0.00%	12,2	0,6
	Convertible preferred equity certificates (CPECs)	February 28, 2057	628,835	25.0	0.00%	17,9	1,0
	Convertible preferred equity certificates (CPECs)	February 28, 2057	3,559,968	45.7	0.00%	174,7	9,3
	Convertible preferred equity certificates (CPECs)	June 6, 2055	68,431	25.0	0.00%	1,9	0,1
	Convertible preferred equity certificates (CPECs)	November 14, 2054	387,401	25.0	0.00%	11,1	0,6
	Non-convertible preferred equity certificates (Super PECs)	December 9, 2058	32,237,358	1.0	Variable rate	38,3	38,3
Total Ypso Holding S.à r.l. . . .						**283,5**	**51,4**
Altice B2B Lux Holding S.à r.l. . .	Yield free non-convertible preferred equity certificates (YFPECs)	December 17, 2059	29,270,834	1.0	0.00%	29,3	1,1
	Convertible preferred equity certificates (CPECs)	December 17, 2059	63,553,410	1.0	7.38%	63,6	63,5
Total Altice B2B Lux Holding S.à r.l.						**92,8**	**64,6**
Total						**376,1**	**116,0**

8—Financial assets (Continued)

December 31, 2010

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
			(in millions of euros)			(in millions of euros)	
Ypso Holding S.à r.l.	Yield free non-convertible preferred equity certificates (YFPECs)	February 28, 2057	620,597	25.0	0.00%	15,5	0,8
	Interest free non-convertible preferred equity certificates (IFPECs)	February 28, 2057	109,623	25.0	0.00%	2,7	0,2
	Interest free non-convertible preferred equity certificates (IFPECs)	March 12, 2057	365,378	25.0	0.00%	9,1	0,4
	Interest free non-convertible preferred equity certificates (IFPECs)	July 17, 2057	486,000	25.0	0.00%	12,2	0.6
	Convertible preferred equity certificates (CPECs)	February 28, 2057	628,835	25.0	0.00%	17,9	0,9
	Convertible preferred equity certificates (CPECs)	February 28, 2057	3,559,968	45.7	0.00%	174,7	9,0
	Convertible preferred equity certificates (CPECs)	June 6, 2055	68,431	25.0	0.00%	1,9	0.1
	Convertible preferred equity certificates (CPECs)	November 14, 2054	387,401	25.0	0.00%	11,1	0,5
	Non-convertible preferred equity certificates (Super PECs)	December 9, 2058	32,237,358	1.0	Variable rate	35,3	35,3
Total Ypso Holding S.à r.l.						**280,4**	**47,8**
Altice B2B Lux Holding S.à r.l.	Yield free non-convertible preferred equity certificates (YFPECs)	December 17, 2059	29,270,834	1.0	0.00%	29,3	1,0
	Convertible preferred equity certificates (CPECs)	December 17, 2059	63,553,410	1.0	7.38%	63,5	63,5
Total Altice B2B Lux Holding S.à r.l.						**92,8**	**64,5**
Total						**373,2**	**112,3**

As of December 31, 2012, the total amount of non-capitalised accrued interest, included in the nominal value of the Super PECs issued by Ypso Holdings S.à r.l. amounted to €4,2 million. Non-capitalised accrued interest on PECs issued by Altice B2B Lux Holdings S.à r.l. amounted to €5,0 million. These captions are recorded in the combined statements of income in the financial income line item. The interests as of December 31, 2011 amounted to €4,5 million and €4,6 million respectively and €2,9 million for the Ypso Holding Super PECs on December 31, 2010.

Fair values of the loans and receivables to related parties were calculated using a discounting rate of 6,38%.

9—Other long-term trade receivables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Income taxes	—	—	—
Prepaid expenses	0,8	5,9	—
Other current receivables(1)	23,7	22,5	—
Total Gross Value	**24,6**	**28,4**	**—**
Income taxes	—	—	—
Prepaid expenses	—	—	—
Other current receivables(1)	—	—	—
Total Cumulative amortization and depreciation	—	—	—
Income taxes	—	—	—
Prepaid expenses	0,8	5,9	—
Other current receivables(1)	23,7	22,5	—
Total Net book value	**24,6**	**28,4**	**—**

(1) The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its value, as discounted using an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables.

10—Inventories

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Work in progress	0,1	0,1	0,1
Finished/semi-finished goods	7,1	7,9	7,9
Total Gross Value	**7,2**	**8,0**	**8,1**
Work in progress	(0,1)	—	—
Finished/semi-finished goods	(1,0)	(1,9)	(0,6)
Total Cumulative amortization and depreciation	**(1,1)**	**(1,9)**	**(0,6)**
Work in progress	—	0,1	0,1
Finished/semi-finished goods	6,2	6,1	7,3
Total Net book value	**6,1**	**6,1**	**7,5**

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)				
Work in progress (goods)	—	(0,1)	—	—	(0,1)
Finished/semi-finished goods	(1,9)	—	0,9	—	(1,0)
Total Cumulative amortization and depreciation	**(1,9)**	**(0,1)**	**0,9**	**—**	**(1,1)**

10—Inventories (Continued)

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2011
			(in millions of euros)			
Finished/semi-finished goods	(0,6)	(1,3)	—	—	—	(1,9)
Total Cumulative amortization and depreciation	**(0,6)**	**(1,3)**	**—**	**—**	**—**	**(1,9)**

	January 1, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2010
	(unaudited)		(in millions of euros)			
Finished/semi-finished goods	—	(0,6)	—	—	—	(0,6)
Total Cumulative amortization and depreciation	**—**	**(0,6)**	**—**	**—**	**—**	**(0,6)**

11—Trade and other receivables

11.1 Trade receivables

	December 31, 2011	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Trade receivables	129,8	5,9	40,6	—	0,1	16,4
Allowance for doubtful debts	(26,4)	—	(3,0)	4,4	0,2	(24,8)
Trade receivable, net	**103,4**	**5,9**	**37,4**	**4,4**	**0,3**	**151,6**

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2011
			(in millions of euros)			
Trade receivables	60,9	62,2	8,7	—	(2,0)	129,8
Allowance for doubtful debts	(9,9)	(14,7)	(4,0)	1,5	0,8	(26,4)
Trade receivable, net	**51,0**	**47,5**	**4,1**	**1,5**	**(1,2)**	**103,4**

11—Trade and other receivables (Continued)

	January 1, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2010
	(unaudited)		(in millions of euros)			
Trade receivables	9,1	36,6	8,0	—	7,2	60,9
Allowance for doubtful debts	(2,3)	(5,1)	(1,7)	—	(0,9)	(9,9)
Trade receivable, net	**6,8**	**31,5**	**6,2**	**—**	**6,3**	**51,0**

11.1.1 Age of receivables that are past due but not impaired

	December 31, 2012	December 31, 2011
	(in millions of euros)	
0–30 days	116,7	78,3
30–90 days	14,0	10,1
91–121 days	20,2	14,3
Total	**150,8**	**102,7**

11.2 Other receivables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Loans to related party	3,8	1,8	2,5
Bank Guarantee	14,0	—	—
Accrued interest on loans and receivables to associates(2)	9,3	9,3	2,9
Tax and social security receivables	5,5	5,1	2,6
Income tax	0,3	—	—
Prepaid expenses	6,1	4,3	1,0
Other current receivables(1)	8,1	10,9	12,8
Total	**47,2**	**31,4**	**21,8**

(1) The main contributions to the other current receivables in 2011 are:

- Derivative instruments: EUR 4,3 million
- Income receivable: EUR 1,6 million
- Advances to suppliers: EUR 1,8 million.

(2) Accrued interest on loans and receivables to associates correspond to interest accrued on the different debt instruments between Altice Six and its associates. As of December 31, 2012 this caption was composed mostly of interest due on Ypso Holdings and Altice B2B Super PECs for EUR 4,3 and 5,0 respectively As of December 31, 2011 this interest amounted to EUR 4,6 and EUR4,7 million respectively. For the period ended December 31, 2010, this amount totaled EUR 2,9 million.

The Combined Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, in the in-country fixed line communications field and in the mobile communication field, respectively. The Combined Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Combined Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

12—Cash and cash equivalents

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Time deposits	5,2	0,1	—
Bank balances	124,6	24,1	26,9
Cash equivalents	**129,8**	**24,2**	**26,9**
Bank overdrafts	—	—	0,4
Bank overdrafts	**—**	**—**	**0,4**
Cash and cash equivalents presented in the combined statements of cash flows	**129,8**	**24,2**	**26,5**

13—Invested equity

As of December 31, 2012, 2011, 2010 and January 1, 2010, the invested equity consisted of the sum of the individual share capital amounts and consolidated reserves of the Altice Six and Altice VII sub-groups.

14—Provisions

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)					
Provision for retirement benefits	6,9	—	2,0	(0,8)	1,0	9,1
Litigations[1]	38,8	—	1,9	(24,0)	(0,9)	15,8
Other risks[2]	1,7	5,0	1,4	(0,1)	(0,1)	8,0
Provisions for other expenses	—	—	1,8	—	—	1,8
Total	**47,4**	**5,1**	**7,1**	**(24,9)**	**0,1**	**34,7**

	December 31, 2010	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)						
Provision for retirement benefits	1,2	5,4	0,4	(2,5)	—	2,4	6,9
Litigations[1]	0,7	67,4	0,7	(26,6)	—	(3,4)	38,8
Other risks[2]	0,8	0,9	—	—	—	—	1,7
Total	**2,9**	**73,7**	**1,1**	**(29,3)**	**—**	**(0,9)**	**47,4**

14—Provisions (Continued)

	January 1, 2010	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2010
	(unaudited)		(in millions of euros)				
Provision for retirement benefits	0,9	—	0,2	—	—	0,1	1,2
Litigations	0,2	—	0,5	—	—	—	0,7
Restructuring costs	1,4	—	—	(0,6)	—	(0,8)	—
Other risks	—	—	—	—	—	0,8	0,8
Total	**2,4**	**—**	**0,7**	**(0,6)**	**—**	**0,3**	**2,9**

(1) Provisions for litigations and other risks decreased in FY12 compared to the previous period, mainly driven by a re-evaluation of the risk of pay-out on the various royalty and retransmission fees related lawsuits faced by HOT Telecom in Israel. The reversals on the three major litigations, namely TALI, AKUM and AGICOA, amounted to EUR 3, 13,5 and 3,5 million respectively. The total reversal on provision for litigation was EUR 20 million.

In 2012, HOT Telecom also recorded an additional provision of EUR 1,9 million to cover a contested withholding tax ruling. The increase in provisions for risks and litigation was mainly driven by the finalization of the acquisition of HOT Telecom on a fully consolidated basis from FY11 onwards. A large majority of provisions for litigations were recorded at HOT Telecom, arising from claims for royalty payments from the producers of audio-visual or musical content. The main litigations for the year ended December 31, 2011 were (i) Tali, a claim for royalties by a third party on behalf of writers and directors of audio-visual content, who are producers of their own local content. This claim was provisioned for a total amount of EUR 5,8 million; (ii) A claim by AKUM, provisioned for EUR 17,3 million, also relating to claims on royalties for musical writers, composers and publishers and (iii) a provision of EUR 8,6 million, brought forward by AGICOA, for the payment of fees to audio-visual producers for the retransmission of their locally produced content.

(2) In addition to the claims mentioned above, other provisions for risk mainly concerned legal claims made by former employees for wrongful dismissal in the French Caribbean subsidiaries (EUR 0,38 million), a provision for penalties stemming from an inspection by the labour department in Martinique (EUR 0,33 million) and a wrongful termination claim by a content provider (EUR 0,15 million).

15—Employee benefits

Breakdown of the employee benefits by entity:

	December 31, 2012	December 31, 2011	December 31, 2010	Notes
		(in millions of euros)		
Coditel Brabant	0,7	0,9	—	
Hot Telecom	6,5	4,7	—	**15.1**
Green ch	2	1,4	1,2	
Total	**9,1**	**6,9**	**1,2**	

15.1 Hot Telecom

a) Defined Benefit Plans:

The portion of the severance pay payments that is not covered by deposits, is treated by the Combined Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Combined Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

15—Employee benefits (Continued)

The Combined Group has defined contribution plans, in accordance with section 9 of the Israeli Severance Pay Law, in accordance with which the Combined Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

b) *Expenses reflected in the statement of comprehensive income:*

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Current service cost	4,7	3,9	—
Interest expenses in respect of the benefit obligations	1,0	1,0	—
Expected yield in the plan assets	(0,8)	(0,8)	—
Net actuarial loss (gain) which has been recognized in the year	0,6	2,4	—
Total expenses in respect of employee benefit	**5,5**	**6,5**	**—**

c) *The plan assets (liabilities):*

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Liabilities in respect of a defined benefit plan	26,8	25,4	—
Fair value of the plan assets	(20,3)	(20,7)	—
		—	—
Total net liabilities	**6,5**	**4,7**	**—**

Cumulative amounts in respect of the value of the liabilities and in respect of the value of the rights in the plan assets.

d) *Changes in the present value of the liability in respect of a defined plan:*

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Balance as of January 1	**25,4**	**23,8**	**—**
Interest expenses	1,0	1,0	—
Current service cost	4,7	3,9	—
Benefits paid	(3,2)	(4,1)	—
Transfer of employees to section 14	(1,6)	—	—
Net actuarial loss (profit)	0,6	0,8	—
Balance as of December 31	**26,8**	**25,4**	**—**

e) *The plan assets:*

- The plan assets:

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

15—Employee benefits (Continued)

- The movement in the fair value of the plan assets:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Balance as of January 1	**20,7**	**20,1**	**—**
Expected yield	0,8	0,8	—
Deposits by the employer into the plan	4,1	3,9	—
Benefits paid	(3,7)	(2,4)	—
Transfer of employees to section 14	(1,6)	—	—
Net actuarial loss	—	(1,6)	—
Balance as of December 31	**20,3**	**20,7**	**—**

f) The principal assumptions:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in %)		
Discount rate	3,54	4,34	—
Expected yield on the plan assets	3,84	4,51	—
Expected yield of salary increases	2–4	2–4	—

16—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Bonds	1 108,6	291,4	—
Related party bonds	322,4	271,6	246,6
Bank credit facilities	257,2	536,6	66,4
Finance leases	29,3	28,6	5,0
Other financial liabilities	89,4	85,1	5,5
Financial instruments	62,5	—	—
Non-current	**1 869,4**	**1 213,3**	**323,5**
Bonds	25,4	12,4	—
Bank credit facilities	86,5	228,8	80,5
Finance leases	8,7	0,6	0,4
Bank overdraft	—	—	0,4
Other financial liabilities	—	0,7	0,4
Accrued interest	14,3	13,3	7,9
Current	**134,9**	**255,8**	**89,6**

During the year ended December 31, 2012, bonds include the debentures in Hot Telecom:

- The Series A’ debentures—EUR 167 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. Series A’ debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.
- The Series B’ debentures—EUR 137 million (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B’ debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

16—Borrowings and other financial liabilities (Continued)

Bonds also include Senior and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

- The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of $ 425,0 million (EUR 322,0 million) mature on December 15, 2020 and bear coupons of 9,875% annually
- The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of $460 (EUR 348,5 million) mature on December 15, 2019 and bear coupons of 7,875% annually,
- The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of EUR 210 million mature on December 15, 2019 and bear coupons of 8% annually.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange. The interest payment of the bonds is semi-annually on June 15 and on December 15 of each year and the first payment of the interest will be on June 15, 2013.

16.1 Covenants

16.1.1 Hot

The unsecured debentures issued on the Tel Aviv stock exchange by the Combined Group's subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

- a debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- no distribution of a dividend at a time when Hot Telecom exceeds a debt to EBITDA ratio of 5,5.

As of December 31, 2011 and 2012, Hot Telecom was in compliance with all of the required financial covenants.

Financial covenants have been set for Hot Mobile, which include:

- the making available of a fixed charge on a Shekel deposit, in favor of the banks, in accordance with a formula that was detailed in the letter of undertaking;
- a minimal ratio between the amounts of the increase in the shareholders' equity and Mirs cumulative free cash flows; For the periods ended December 31, 2010 and December 31, 2011, HOT Mobile was in compliance of the covenants set forth in its debt contracts. This debt was refinanced at the end of 2012.

16.1.2 Altice Blue One

As part of the Altice Blue One (''ABO'') financing arranged in 2009, ABO was required to respect certain covenants calculated on the basis of its consolidated annual accounts. As of December 31, 2011, ABO was in default of its financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2012 were closed and approved based on the hypothesis outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby solving any default situation

As a result, the whole amount of debt has been reclassified as current borrowings from banking corporations and debentures for the three years ended December 31, 2012, December 31, 2011 and December 31, 2010.

16—Borrowings and other financial liabilities (Continued)

16.1.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A..

As of December 31, 2012, Coditel Holding S.A. was in compliance with all of the required financial covenants.

As at December 31, 2012, there were no breaches of covenants for the senior and senior secured notes mentioned in the note above.

16.2 Bonds

Issuer	Effective interest rate	Year of maturity	Carrying amount December 31, 2012	Carrying amount December 31, 2011	Carrying amount December 31, 2010
Bonds					
Hot Telecom					
—Debentures	Variable (3,9% and 6,9% + Consumer Price Index)	2018	294,4	303,8	—
—Senior Secured Notes	between 7,9% and 9,9%	2019/2020	516,7	—	—
—Senior Secured Notes	between 7,9% and 9,9%	2019/2020	322,7	—	—
Related party bonds					
—Alpecs	Variable	2057 to 2061	104,6	69,8	58,0
—Yfpecs	4,76%	2058 to 2061	4,4	4,1	3,9
—PECs	7,3786%	2037	57,6	53,6	49,9
—Super PECs	Variable	2058	43,8	39,2	36,3
—Super PECs	20,0%	2059	14,9	12,4	11,2
—IFPECs	6,38%	2037	86,5	82,7	77,8
—IFPECs	6,38%	2037	4,2	3,9	3,7
—Tracking IFPECs	6,38%	2037	5,7	5,3	5,0
—YFPECs	6,38%	2059	0,7	0,6	0,6
Nominal value of bonds			**1 456,2**	**575,4**	**246,6**
Of which due within one year			25,4	12,4	—
Of which due after one year			1 430,8	563,0	246,6

The carrying amount of bonds amounted to EUR 1 431,0 million (2011: EUR 563,0 million). This value includes accrued interest of EUR 3,3 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel holding).

As at the end of 2011, fair value of PECs issued by Coditel Holding is assumed not to be significantly different from their book value, as far as interest rate of 12,98% result from contracts signed in December 2011.

16.3 Subordinated financial instruments

Subordinated financial instruments have been issued by the following companies :

a) Altice VII

Subordinated financial instruments consists of:

- YFPECs: Yield Free Preferred Equity Certificates;
- ALPECs: Asset Linked Preferred Equity Certificate;
- ALN: Asset Linked Notes

16—Borrowings and other financial liabilities (Continued)

Different categories of subordinated financial instruments are summarized in the table below (YFPECs are presented before impact of discounting):

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2011	Principal amount as at the end 2012
				(in millions of euros)	
ALPECs A	14/05/2058	Loan Auberimmo—25 bp	No	1,0	1,0
ALPECs B1	31/12/2057	Loan ABO—25 bp	No	4,5	4,5
ALPECs B3	31/07/2058	Loan ICC France—25 bp	No	1,0	—
ALPECS F (US dollar)	27/05/2059	Loan Mirs—25 bp	No	—	—
ALPECS H	16/11/2060	Business Unit—25 bp	No	59,0	68,9
ALPECS I	28/02/2061	0%	No	—	11,3
ALPECS J	03/08/2061	Business unit yield	No	—	4,0
ALPECS J	02/10/2061	Business unit yield	No	—	7,7
ALPECS J	13/11/2061	Business unit yield	No	—	3,9
Total				**65,5**	**101,3**

Conversely, according to our appreciation, and upon a strict application of IAS 32/39, following instruments have to be classified as debt instruments:

- ALPECs instruments (about EUR 101,3 Million as at the end of 2012);
- YFPECs instruments (about EUR 36,3 Million as at the end of 2012).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

Name	Maturity date	Interest rate	Convertible	Amount as at the end 2010 (including interests)
				(in millions of euros)
ALPECs A	14/05/2058	Loan Auberimmo—25 bp	No	4,6
ALPECs B1	31/12/2057	Loan ABO—25 bp	No	4,5
ALPECs B3	31/07/2058	Loan ICC France—25 bp	No	1,0
ALPECS F (US dollar)	27/05/2059	Loan Mirs—25 bp	No	46,4
ALPECS H	16/11/2060	Business Unit[1]—25 bp	No	
Total				**56,5**

(1) As per the agreements, Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument is linked to a specific acquisition and hence to a specific asset.

Conversely, according to our appreciation, and upon a strict application of IAS 32/39, following instruments have to be classified as debt instruments:

- ALPECs instruments (about EUR 65,5 million nominal value as at the end of 2011);
- YFPECs instruments (about EUR 35,2 million nominal value as at the end of 2011).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,1 million as at December 31, 2011.

16—Borrowings and other financial liabilities (Continued)

b) Altice Six

Subordinated financial instruments consists of:

- YFPECs: Yield Free Preferred Equity Certificates;
- IFPECs: Interest Free Preferred Equity Certificate;
- PECs: Preferred Equity Certificates
- Super PECs: Super Preferred Equity Certificates
- Tracking IFPECs: Tracking Interest Free Preferred Equity Certificate;

The IFPECs, YFPECs and certain non bearing interests PECs at Altice Six have been valued using a discount rate of 6,38% given its preferred interest rate which therefore values the debt at EUR 97,0 million for the year ended December 31, 2012 (EUR 92,5 million for the year ended December 31, 2011 and EUR 87,2 million for the year ended December 31, 2010). As all the subordinated financial instruments mentioned above are non-convertible instruments, they are classified as debt in the local accounts of Altice Six and no reclassification was required in the combined accounts prepared as per the IFRS standards.

c) Coditel Holding

Subordinated financial instruments in Coditel Holding S.A. consist of PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2012, the total of PECs instruments amounts to EUR 61,8 million (including interests):

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument	Interest rate	Convertible?	Amount as at the end of 2011	Amount as at the end of 2012
			(in millions)	(in euro)			(in millions of euros)—including interests	
PECs C	30/06/2011	30/06/2060	44,2	1	12,98%	No	44,2	51,4
PECs C	02/12/2011	02/12/2060	9	1	12,98%	No	9	10,5
Total			**53,2**				**53,2**	**61,8**

16.4 Maturity of financial liabilities

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	1 133,9	25,4	77,3	1 031,2
Related party bonds	322,4	—	—	322,4
Bank credit facilities	343,7	86,5	27,5	229,7
Finance leases	38,0	8,7	3,4	25,9
Accrued interest	14,3	14,3	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	89,4	—	7,8	81,6
Financial instruments	62,5	—	—	62,5
Nominal value of borrowings	**2 004,2**	**134,9**	**116,0**	**1 753,3**

16—Borrowings and other financial liabilities (Continued)

	December 31, 2011	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	303,8	12,4	102,0	189,4
Related party bonds	271,6	—	—	271,6
Bank credit facilities	765,4	228,3	161,5	375,6
Finance leases	29,2	0,6	1,3	27,3
Accrued interest	13,3	13,3	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	85,8	0,7	2,8	82,3
Financial instruments	—	—	—	—
Nominal value of borrowings	**1 469,1**	**255,3**	**267,6**	**946,2**

	Total December 31, 2010	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	—	—	—	—
Related party bonds	246,6	—	—	246,6
Bank credit facilities	146,9	80,5	35,5	30,9
Finance leases	5,4	0,4	1,4	3,6
Accrued interest	7,9	7,9	—	—
Bank overdraft	0,4	0,4	—	—
Other financial liabilities	5,9	0,4	2,9	2,6
Financial instruments	—	—	—	—
Total nominal value of borrowings	**413,1**	**89,6**	**39,8**	**283,7**

16.5 Currency of financial liabilities

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	1 133,9	—	839,3	294,6	—
Related party bonds	322,4	322,4	—	—	—
Bank credit facilities	343,7	319,7	—	—	24
Finance leases	38,0	6,2	—	29,2	2,6
Accrued interest	14,3	12,5	1,6	—	0,2
Other financial liabilities	89,4	86,5	—	2,7	0,2
Financial instruments	62,5	—	62,5	—	—
Total	**2 004,2**	**747,4**	**903,4**	**326,5**	**27,0**

	December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	303,8	—	—	303,8	—
Related party bonds	271,6	271,6	—	—	—
Bank credit facilities	765,4	293,1	—	450,9	21,4
Finance leases	29,2	6,5	—	20,8	1,9
Accrued interest	13,3	13,2	—	0,1	—
Other financial liabilities	85,8	82,2	—	3,1	0,5
Total	**1 469,1**	**666,6**	**—**	**778,7**	**23,8**

16—Borrowings and other financial liabilities (Continued)

	Total December 31, 2010	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
	(in millions of euros)				
Bonds	—	—	—	—	—
Related party bonds	246,6	200,2	46,4	—	—
Bank credit facilities	146,9	78,4	—	62,9	5,6
Finance leases	5,4	3,6	—	—	1,8
Accrued interest	7,9	7,9	—	—	—
Bank overdraft	0,4	0,4	—	—	—
Other financial liabilities	5,9	1,8	—	3,6	0,5
Total	**413,1**	**292,3**	**46,4**	**66,5**	**7,9**

16.6 Nature of interest rate

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1 133,9	969,7	164,2
Related party bonds	322,4	278,6	43,8
Bank credit facilities	343,7	229,9	113,8
Finance leases	38,0	31,8	6,2
Accrued interest	14,3	11,8	2,5
Other financial liabilities	89,4	86,5	2,9
Financial instruments	62,5	62,5	—
Total	**2 004,2**	**1 670,8**	**333,4**

	December 31, 2011	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	303,8	—	303,8
Related party bonds	271,6	271,6	—
Bank credit facilities	765,4	245,7	519,7
Finance leases	29,2	22,7	6,5
Accrued interest	13,3	8,5	4,8
Other financial liabilities	85,8	83,3	2,5
Total	**1 469,1**	**631,8**	**837,3**

	December 31, 2010	Fixed interest rate	Floating interest rate
	(in millions of euros)		
	—	—	—
Bonds	—	—	—
Related party bonds	246,6	246,6	—
Bank credit facilities	146,9	63,1	83,8
Finance leases	5,4	1,8	3,6
Accrued interest	7,9	7,9	—
Bank overdraft	0,4	—	0,4
Other financial liabilities	5,9	1,8	4,1
Total	**413,1**	**321,2**	**91,9**

17—Financial risk factors

In the course of its business, the Combined Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk), commodity price risk and other risks (including equity price risk and settlement risk). This note presents the Combined Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Combined Group is managed. The Board of Directors establishes the Combined Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Combined Group is not subject to any externally imposed capital requirements.

17.1 Credit risk

The Combined Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of Combined Groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

The Combined Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, France and Switzerland). The Combined Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Combined Group does not have significant concentration of credit risk, as a result of the Combined Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

17.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Combined Group. The Combined Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

17.3 Market risks

The Combined Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

17.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Combined Group has an exposure to risk in respect of changes in the interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

17—Financial risk factors (Continued)

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Financial debt at fixed rates	1 698,3	655,3	316,8
Financial debt at variable rates	287,1	834,6	88,3
Total	**1 985,4**	**1 489,9**	**405,1**

Sensitivity tests for changes in interest rates are described as follows:

	December 31, 2011	December 31, 2010
	(in millions of euros)	
Increase of 0.5% in the interest rate	0,4	(3,2)
Decrease of 0.5% in the interest rate	(0,4)	1,0

17.3.2 Israeli CPI risk

The Combined Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Combined Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Combined Group is exposed to changes in the Israeli CPI amounted to approximately EUR 0,5 million (Hot Telecom) as of December 31, 2011.

The Combined Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 247 million as of December 31, 2012.

17.3.3 Foreign currency risk

The Combined Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Combined Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Combined Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures, swaps and options.

Exchange differences recorded in the income statement represented a loss of EUR 14,0 million in 2011 (2010: gain of EUR 33,8 million). They are allocated to the appropriate headings of expenses by function.

The Combined Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the chart presented below allows

17—Financial risk factors (Continued)

assessing the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12,9)	(0,1)	(13,1)
Decrease of 10% in exchange rate	12,9	0,1	13,1
Equity			
Increase of 10% in exchange rate	23,3	3,0	26,3
Decrease of 10% in exchange rate	(23,3)	(3,0)	(26,3)

	December 31, 2011		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(10,7)	(0,1)	(10,9)
Decrease of 10% in exchange rate	10,7	0,1	10,9
Equity			
Increase of 10% in exchange rate	(1,3)	(2,1)	(3,4)
Decrease of 10% in exchange rate	1,3	2,1	3,4

	December 31, 2010		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(0,7)	(1,9)	(2,6)
Decrease of 10% in exchange rate	0,7	1,9	2,6
Equity			
Increase of 10% in exchange rate	(6,2)	(0,3)	(6,5)
Decrease of 10% in exchange rate	6,2	0,3	6,5

17.3.4 Price risk

The Combined Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Combined Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price.

As of December 31, 2011, the carrying amount of these investments was EUR 8,5 million. An increase/decrease in the asset's market price of 10% would result in a change of EUR 0,850 million in the carrying amount of these investments.

As of December 31, 2012, the carrying amount of these investments was EUR 5,7 million. An increase/decrease in the asset's market price of 10% would result in a change of EUR 0,570 million in the carrying amount of these investments.

17—Financial risk factors (Continued)

17.4 Sensitivity tests in respect of a change in market factors

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

17.5 Gearing computation

Gearing ratio (net debt/total invested equity) amounts is as follows:

Combined statement of financial position	December 31, 2012	December 31, 2011	December 31, 2010
		(in millions of euros)	
Net Debt (short term and long term)	1 681,9	1 197,5	166,5
Invested Equity	272,9	367,2	233,9
Non-controlling interests	5,2	349,2	0,4
Total equity	278,1	716,4	234,3
Total equity and liabilities	2 937,7	2 695,0	779,2
Gearing	**6,1**	**1,7**	**0,7**

18—Trade and other payables

	December 31, 2012	December 31, 2011	December 31, 2010
		(in millions of euros)	
Trade payable	311,4	208,1	53,0
Trade payables—acquisition of assets	2,9	3,5	9,2
Corporate and social security contributions	24,5	26,2	4,7
Corporate income tax payable	10,7	7,2	2,4
Current Deferred revenue	34,1	31,3	17,7
Other payables	38,9	37,4	12,6
Liabilities from related parties	0,2	—	2,3
Total	**422,7**	**306,5**	**101,9**

Most of the trade payables' and other payables' increases as of December 31, 2011 is a result of the Coditel and Hot Telecom business combination and related to Cabovisao as of December 31, 2012.

19—Other non-current liabilities

	December 31, 2012	December 31, 2011	December 31, 2010
Trade payables—acquisition of assets	5,9	—	—
Non-current Deferred revenue	—	9,4	0,7
Deferred revenue	10,8	—	—
Other payables	32,9	15,3	—
Total	**49,5**	**24,7**	**0,7**

Other payables correspond to Israeli non-current payables: interest payable, royalties to the Israeli government, income in advance from customers (Hot Telecom Business combination).

20—Classification and fair value of financial assets and liabilities

On December 31, 2012 ,2011 and 2010, the principles for measuring financial instruments and their market value breaks down as follows:

	December 31, 2012					
			Fair Value			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale	Loans & Receivables	Derivative instruments
			(in millions of euros)			
Current assets						
Cash and cash equivalents	129,7	129,7	—	—	—	—
Trade receivables	150,8	150,8	—	—	—	—
Other receivables	37,9	37,9	—	—	—	—
Non-current assets						
Restricted cash	9,6	9,6	—	—	—	—
Investments in financial assets available for sale	—	—	—	—	—	—
Available for Sale	6,1	—	—	6,1	—	—
Long term trade receivables	18,7	18,7	—	—	—	—
Other long-term trade receivables	24,6	24,6	—	—	—	—
	377,4	**371,3**	**—**	**6,1**	**—**	**—**
Current liabilities						
Credit from banking corporations and debentures	113,2	113,2	—	—	—	—
Trade payables	311,3	311,3	—	—	—	—
Others payables	118,8	118,8	—	—	—	—
Short-term loans from related parties	2,7	2,7	—	—	—	—
Non-current liabilities				—	—	—
Loans from banking corporations and debentures	1 373,2	1 373,2	—	—	—	—
Long-term loans from related parties	322,5	322,5	—	—	—	—
Other financial liabilities	174,4	111,9	—	—	62,5	—
Other non-current liabilities	49,5	49,5	—	—	—	—
	2 465,6	**2 403,1**	**—**	**—**	**62,5**	**—**

20—Classification and fair value of financial assets and liabilities (Continued)

	December 31, 2011				
			Fair value		
	Book value	Amortised cost	Fair value through profit/loss	Assets available for sale	Derivative instruments
	(in millions of euros)				
Current assets					
Cash and cash equivalents	19,8	19,8	—	—	—
Trade receivables	102,7	102,7	—	—	—
Other receivables	31,4	31,4	—	—	—
Non-current assets					
Restricted cash	41,4	41,4	—	—	—
Investments in financial assets available for sale	—	—	—	—	—
Available for Sale	8,5	—	—	8,5	—
Long term trade receivables	2,4	2,4	—	—	—
Other long-term trade receivables	28,4	24,2	—	—	4,3
	234,6	**221,9**	**—**	**8,5**	**4,3**
Current liabilities					
Credit from banking corporations and debentures	241,8	241,8	—	—	—
Trade payables	208,2	208,2	—	—	—
Others payables	98,4	98,4	—	—	—
Short-term loans from related parties	2,9	2,9	—	—	—
Non-current liabilities					
Loans from banking corporations and debentures	835,2	835,2	—	—	
Long-term loans from related parties	127,1	127,1	—	—	—
Other financial liabilities	32,1	28,3	3,8	—	—
Other non-current liabilities	46,1	46,1	—	—	—
	1 591,8	**1 588**	**3,8**	**—**	**—**

20—Classification and fair value of financial assets and liabilities (Continued)

	December 31, 2010					
			Fair value			
	Book value	Amortised cost	Fair value through profit/loss	Assets available for sale	Loans and receivables	Derivative instruments
	(in millions of euros)					
Current assets						
Cash and cash equivalents	18,6	18,6	—	—	—	—
Trade receivables	50,9	50,9	—	—	—	—
Other receivables	16,4	16,4	—	—	—	—
Non-current assets						
Restricted cash	0,2	0,2	—			
Investments in financial assets available for sale	—	—	—	—	—	—
Available for Sale	—	—	—	—	—	—
Long term trade receivables	3,0	3,0	—	—	—	—
Other long-term trade receivables	—	—	—	—	—	—
	89,1	**89,1**	**—**	**—**	**—**	**—**
Current liabilities						
Credit from banking corporations and debentures	81,3	81,3	—	—	—	—
Trade payables	52,8	52,8	—	—	—	—
Others payables	46,6	46,6	—	—	—	—
Short-term loans from related parties	0,4	—	—	—	—	—
Non-current liabilities						
Loans from banking corporations and debentures	71,4	71,4	—	—	—	—
Long-term loans from related parties	61,9	61,9	—	—	—	—
Other financial liabilities	5,5	—	—	—	—	—
Other non-current liabilities	0,7	0,7	—	—	—	—
	320,6	**320,6**	**—**	**—**	**—**	**—**

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities. As of December 31, 2011 the Combined Group has no financial assets or liabilities that meet the definition of Level 1.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

20—Classification and fair value of financial assets and liabilities (Continued)

As result, as of December 31, 2012, classifications of financial instruments are as follows:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions of euros)			
Financial liabilities at FVTPL				
Other derivatives financial liabilities	—	62,5	—	62,5
AFS				
AFS HOT Telecom (Level 1)	6,1		—	6,1
	6,1	**62,5**	**—**	**68,6**

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

FX Forward contract: USD 550 million, the maturity date will be on December 15, 2017 and swap to NIS at the aggregate rate of 4,1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4,17 in December 15, 2017;

FX Forward contract: USD 98,9 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

FX Forward contract: EUR 40,1 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

Cross currency swap: USD 200 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 7,7550%,

Cross currency swap: USD 225 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,6850%,

Cross currency swap: EUR 100 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,7750%.

Those contracts are effectively fixed Euro and USD interest payments in NIS.

As of December 31, 2012, classification of financial instruments' issue are as follows:

	For the year ended December 31, 2012			
	Recorded Value in Condensed Combined Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
	(in millions of euros)			
Recurring Fair Value Measurements				
Financial assets				
—Partner Communication Co.	5.7	5.7	—	—
Financial liabilities				
—Derivatives financial liabilities at FVTPL	62.5	—	62.5	—

20—Classification and fair value of financial assets and liabilities (Continued)

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

HOT Telecom

	As of December 31, 2011	
	Level 2	Level 3
	(in millions of euros)	
Available for sale financial asset:		
Shares		8,5
Financial assets at fair value through profit or loss:		
Forward contracts in foreign currency that are not defined as accounting hedges	5,1	
Financial liabilities at fair value through profit or loss:		
Embedded derivatives	(0,4)	
Interest rate swap contract	(0,2)	
Liability to the Ministry of Communications		(3,8)
	4,5	4,7

21—Taxes income

21.1 Income tax expense

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Current income tax	4,2	0,2	(1,6)
Carry back	—	(0,2)	—
Deferred taxes on deductible temporary differences	21,7	(32,4)	(0,5)
Total	**26,0**	**(32,5)**	**(2,2)**

21.2 Deferred tax assets and liabilities

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Other	0,2	—	—	0,2	0,4
IAS 16, Property, Plant and Equipment	0,1	—	—	0,3	0,4
IAS 36, Depreciable fixed assets	—	—	(0,6)	—	(0,6)
IAS 38, Intangible assets	—	—	—	—	—
IAS 39, Financial Instruments	—	—	—	19,0	19,0
Total deferred taxes assets	**0,3**	**—**	**(0,6)**	**19,5**	**19,3**

21—Taxes income (Continued)

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Customer relationships	52,0	2,1	—	(2,8)	51,3
Brand	9,3	7,4	—	—	16,7
Other Intangible assets	23,9	—	(4,7)	2,1	21,3
Reevaluation of Tangible assets	11,0	23,2	—	(4,1)	30,1
IAS 23, Borrowing Costs	3,6	—	—	(0,4)	3,1
IAS 36, Depreciable fixed assets	(11,1)	—	(1,4)	3,6	(8,8)
Present value of YFPECS financial instrument	9,0	—	—	0,2	9,3
Temporary differences	22,8	—	—	(0,5)	22,3
Other	3,1	—	0,1	(0,1)	3,1
Total deferred taxes liabilities	**123,7**	**32,7**	**(6,0)**	**(2,0)**	**148,4**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Other	—	—	—	0,2	0,2
IAS 16, Property, Plant and Equipment	—	—	—	0,1	0,1
IAS 38, Intangible assets	—	—	—	—	—
Total deferred taxes assets	**—**	**—**	**—**	**0,3**	**0,3**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Customer relationships	6,9	44,0	(1,1)	2,3	52,0
Brand	3,1	6,0	0,1	0,1	9,3
Other Intangible assets	—	10,3	(0,3)	13,9	23,9
Revaluation of Tangible assets	1,0	10,6	(0,4)	(0,3)	11,0
IAS 23, Borrowing Costs	—	—	—	3,6	3,6
IAS 36, Depreciable fixed assets	—	1,5	(0,1)	(12,6)	(11,1)
Present value of YFPECS financial instrument	9,2	—	—	(0,2)	9,0
Temporary differences	6,5	—	(6,4)	22,8	22,8
Other	(0,4)	—	0,5	2,9	3,1
Total deferred taxes liabilities	**26,3**	**72,4**	**(7,6)**	**32,6**	**123,7**

21—Taxes income (Continued)

21.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Net income	**(180,2)**	**162,0**
Share of net income—associates	**(20,4)**	**(58,6)**
Share of net income—equity holders	**(200,6)**	**103,4**
Tax charge [(−) expenses/(+) income]	(26,0)	32,5
Earnings/(Loss) before tax	**(226,6)**	**135,9**
Theoretical tax rate	28,80%	28,80%
Income tax calculated on theorical tax	65,3	(39,1)
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(5,8)	
Permanent differences	(53,6)	2,0
Restatements without tax impact	12,1	10,6
Utilization of previously non capitalized tax credit	20,0	3,6
Carry-back	0,1	(0,2)
Tax loss carry forwards of the periods non activated	(13,2)	(9,7)
Effect of unused tax losses not recognized as Deferred tax asset	1,0	0,3
Effective Tax	**26,0**	**(32,5)**
Effective tax rate	**14,43%**	**20,06%**

The permanent differences mainly consist of:

- Reversal of the amortization of goodwill booked in the annual accounts of Solution 25 (Green.ch) for an amount of EUR 1,1.
- Elimination of a profit on internal operation on the sale of the shares of HOT Mobile by Altice Securities S.à r.l. to HOT Telecom Ltd, amounting to EUR 10,8 million.

21.4 Tax assessments

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax years after 2008.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006 - 2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006 - 2008, which could significantly change the results of the tax assessments for those years and could also significantly change the implications deriving from them in respect of the tax years after 2008.

21—Taxes income (Continued)

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006 - 2008 and within the framework of Stage A for the 2009 - 2010 tax years. A number of issues have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of HOT estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

21.4.1 Cabovisao

Cabovisao is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%, resulting in an aggregate rate of a maximum of 26.5%. Additionally, any taxable profit in excess of EUR 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds EUR 10 million, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, Cabovisao is subject to autonomous taxation over some costs incurred by Cabovisao at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security). These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, Cabovisao's tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

Cabovisao was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

Notification for fiscal year 2003 to adjust tax losses by EUR 7,2 million and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of EUR 1,3 million. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of EUR 1,7 million. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal was unfounded. Cabovisao has appealed against that decision before the Almada Administrative and Fiscal Court.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of EUR 17,1 million, as well as an additional tax payment in the amount of EUR 4 million, for withholding tax and stamp tax. Cabovisao paid EUR 2,6 million and contested this decision of the

21—Taxes income (Continued)

assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1 million, was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of the date of this report, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately EUR 4,9 million. Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6,8 million. As of December 31, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Directors believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded will not have a significant effect on the financial statements on December 31, 2012.

21.5 Unrecognized deferred tax assets

As at December 31, 2012, unrecognized deferred tax assets amount to EUR 86,1 million and split as follows:

- Cool Holding: EUR 21,2 million,
- Coditel Holding Lux S.à r.l.: EUR 13,6 million,
- Cabovisao: EUR 51,3 million.

As at December 31, 2011, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 26,7 million
- Coditel Holding Lux S.à r.l.: EUR 5,8 million
- Coditel Brabant: EUR 0,9 million

22—Segment analysis

22.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel,
- Belgium and Luxembourg (Western Europe),
- France (Western Europe)
- Portugal (Western Europe),
- French Overseas Territories (Antilles and Indian Ocean),
- Other (Switzerland, Africa etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- Others (B2B/Content/etc.).

22—Segment analysis (Continued)

22.1.1 Operational non-IFRS KPIs

It has also been decided by the central team that local operational teams in each geography shall report operational KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

The main operational KPIs that will be tracked will be:

- Subscriber base evolution (both cable and mobile),
- ARPU (Average Revenue per Unit) (cable and mobile),
- Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

22.1.2 Financial non-IFRS KPIs

Each local operational company will also report the following financial KPIs by segment:

- Revenues (Cable/Mobile/Other),
- Cost of Sales (Cable/Mobile/Other),
- Capex (Cable/Mobile/Other).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

HOT Telecom however will report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

- The cable business has small fixed Capex requirements and initial Capex is quite low, but variable Capex is high, as an increase in customers drives the cash needs for Customer Premise Equipment (CPE) and installation.
- Mobile Capex is one-off and mainly driven by investment in new mobile sites and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the central team places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under ‘Others’. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

22—Segment analysis (Continued)

22.2 Regional specificities

22.2.1 Israel

Israel is currently an important contributor to the Group revenues and EBITDA and, for this reason, is classified as a separate region. Apart from this, this region has particularities that differentiate it.

It is characterised by a high broadband and cable penetration and the general population is very technology focussed. The market is maturing but highly regulated, which means that while opportunities for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is low and this represents the biggest development path. Customer retention is difficult as contractual terms heavily favour the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

22.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite distinctly different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU/subs) and hence price pressures are low.

These regions are marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

22.2.3 France

The French market is a large and mature market with high cable penetration and a large consumer base. French operations represent the oldest and largest part of the cable operations of the combined Group to date.

This region is marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins. Competition is tough and innovations in cable technology, such as Fiber to the home (FTTH) are driving market growth. Incumbent operators are slowly migrating to fiber optic based networks which gives the Group a head start in capturing the ultra-high speed internet market, given its pre-existing high density cable network.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

22.2.4 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery after the crisis, makes it

22—Segment analysis (Continued)

difficult to achieve high sales growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and then slowly migrating the customer base from double play to triple play offers.

22.2.5 French Overseas Territories

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, as triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressures are low in these markets and customers are willing to pay more for value added services. Double play (TV and Internet) offers are predominant in these regions and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

22—Segment analysis (Continued)

22.2.6 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

	December 31, 2012						
	Total	Belgium & Luxembourg	France	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)						
Cable							
Revenue	873,3	70,3	—	677,9	24,4	98,2	2,5
Purchasing and subcontracting costs	(212,9)	(10,3)	—	(159,0)	(4,1)	(39,1)	(0,5)
Gross Profit	**660,4**	**60,0**	**—**	**518,9**	**20,4**	**59,1**	**2**
Mobile							
Revenue	172,7	0,2	—	172,5	—	—	—
Costs of sales	(69,9)	(0,1)	—	(69,8)	—	—	—
Gross Profit	**102,8**	**0,1**	**—**	**102,7**	**—**	**—**	**—**
Other							
Revenue	46,4	0,8	—	—	—	—	45,6
Costs of sales	(19,3)	(0,6)	—	—	—	—	(18,7)
Gross Profit	**27,1**	**0,2**	**—**	**—**	**—**	**—**	**26,9**
Total							
Total Revenue	**1092,4**	**71,3**	**—**	**850,4**	**24,4**	**98,2**	**48,1**
Total Purchasing and subcontracting costs	**(302,1)**	**(11,0)**	**—**	**(228,8)**	**(4,1)**	**(39,1)**	**(19,2)**
Total Gross Profit	**790,3**	**60,3**	**—**	**621,7**	**20,4**	**59,1**	**28,9**
Other operating expenses	(387,1)	(14,7)	(0,1)	(316,5)	(8,3)	(29,2)	(18,3)
Operating income before depreciation & amortisation	**403,2**	**45,6**	**(0,1)**	**305,2**	**12,1**	**29,9**	**10,6**
Depreciation and amortization	(269,1)	(17,2)	(2,8)	(200,6)	(6,6)	4,4	(46,3)
Goodwill impairment	(121,9)	—	—	(121,9)	—	—	
Management fees	(6,2)	—	—	—	—	—	(6,2)
Other expenses, net	(29,7)	(4,5)	—	(4,3)	(2,6)	(8,2)	(10,1)
Reorganization and non recurring costs	(20,8)	—	—	(14,2)	(,0)	(6,0)	(,6)
Operating Income	**(44,7)**	**23,9**	**(2,9)**	**(35,8)**	**2,9**	**20,1**	**(52,6)**

22—Segment analysis (Continued)

	December 31, 2011					
	Total	Belgium & Luxembourg	France	Israel	French Overseas Territories	Others
	(in millions of euros)					
Cable						
Revenue	560,3	34,5	—	499,7	23,6	2,5
Purchasing and subcontracting costs	(125,3)	(6,9)	—	(114,1)	(3,8)	(0,5)
Gross Profit	**435**	**27,6**	**—**	**385,6**	**19,8**	**1,9**
Mobile						
Revenue	180,6	—	—	180,6	—	—
Costs of sales	(31,0)	—	—	(31,0)	—	—
Gross Profit	**149,7**	**—**	**—**	**149,7**	**—**	**—**
Other						
Revenue	43,3	0,4	—	—	—	42,9
Costs of sales	(19,1)	(0,5)	—	—	—	(18,7)
Gross Profit	**24,1**	**−0,1**	**—**	**—**	**—**	**24,2**
Total						
Total Revenue	**784,2**	**34,8**	**—**	**680,4**	**23,6**	**45,4**
Total Purchasing and subcontracting costs	**(175,4)**	**(7,3)**	**—**	**(145,1)**	**(3,8)**	**(19,2)**
Total Gross Profit	**608,8**	**27,5**	**—**	**535,3**	**19,8**	**26,2**
Other operating income	—	—	—	—	—	—
Other operating expenses	(311,0)	(7,1)	(,1)	(279,2)	(8,1)	(16,5)
Operating income before depreciation & amortisation	**297,8**	**20,4**	**(,1)**	**256,1**	**11,7**	**9,7**
Depreciation and amortization	(176,0)	(7,2)	,4	(151,1)	(6,3)	(11,8)
Management fees	(3,6)	—	(,5)	—		(3,1)
Other expenses, net	(7,6)	(14,5)	—	(9,0)	—	15,9
Reorganization and non recurring costs	(5,6)	(,1)	—	(,2)	(5,3)	—
Operating Income	**105,0**	**(1,4)**	**(,2)**	**95,8**	**,1**	**10,7**

22—Segment analysis (Continued)

	December 31, 2010				
	Total	France	Israel	French Overseas Territories	Others
	(in millions of euros)				
Cable					
Revenue	22,5	—	—	19,9	2,6
Purchasing and subcontracting costs	(3,4)	—	—	(2,9)	(0,5)
Gross Profit	**19,0**	**—**	**—**	**16,9**	**2,1**
Mobile					
Revenue	103,5	—	103,5	—	—
Costs of sales	(33,3)	—	(33,3)	—	—
Gross Profit	**70,1**	**—**	**70,1**	**—**	**—**
Other					
Revenue	41,2	—	—	—	41,2
Costs of sales	(17,2)	—	—	—	(17,2)
Gross Profit	**24**	**—**	**—**	**—**	**24**
Total					
Total Revenue	**167,2**	**—**	**103,5**	**19,9**	**43,9**
Total Purchasing and subcontracting costs	**(54)**	**—**	**(33,3)**	**(2,9)**	**(17,7)**
Total Gross Profit	**113,2**	**—**	**70,1**	**16,9**	**26,1**
Other operating expenses	(65,2)	(0,1)	(46,0)	(8,3)	(10,8)
Operating income before depreciation & amortisation	**48,0**	**(0,1)**	**24,1**	**8,6**	**15,3**
Depreciation and amortization	(26,2)	0,3	(13,1)	(5,1)	(8,3)
Management fees	(,8)	—	—	—	(,8)
Other expenses, net	(7,4)	(1,0)	(1,4)	—	(5,0)
Reorganization and non recurring costs	(3,9)	—	—	(3,7)	(,2)
Operating Income	**9,7**	**(0,8)**	**8,6**	**(0,2)**	**1,0**

EBITDA split for Israel	**2010**	**2012**
	(in millions of euros)	
Cable	—	303.0
Mobile	24.1	2.1
Total	**24.1**	**305.2**

23—Operating expenses

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Other operating expenses	(248,9)	(195,4)	(21,9)
Other sales and marketing expenses	(80,1)	(64,4)	(11,6)
General and administrative expenses	(58,2)	(51,3)	(31,7)
Total Operating expenses	**(387,2)**	**(311,1)**	**(65,2)**

The increase in operating expenses at Combined Group level between FY10 and FY11 is mainly explained by the various acquisitions made by the Combined Group in FY11. The acquisition of Coditel Brabant and Coditel S.à r.l. and the change in consolidation method for HOT led to a EUR 114,5 million increase in Technical and Maintenance costs.

24—Other incomes and expenses

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Other incomes and expenses	(24,9)	(5,3)	(8,3)
Disposal of tangible assets—selling price and book value of disposal/tangible assets	(4,8)	(0,3)	0,8
Other expenses, net	**(29,8)**	**(5,6)**	**(7,4)**
Gain arising on step acquisition[(1)]		134,8	1,0
Other revenues	—		
Expenses from prior periods[(2)]	8,3	(7,5)	(3,9)
Restructuring costs[(3)]	(22,4)	(0,1)	(0,2)
Subvention	(6,7)	—	0,2
Reorganization and non-recurring costs	**(20,8)**	**127,2**	**(2,9)**
Total	**(50,6)**	**121,6**	**(10,3)**

(1) In the prior year, the gain from achieving control is linked to acquisition of Hot Telecom: the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

(2) The increase in expenses from prior periods is mainly explained by fines and penalties paid by HOT relating to the early breakage of mortgage contracts and disputes with other suppliers. The total charge registered was of EUR 22.8 million, offset by a reversal in the provision for these charges for EUR 7.7 million, thus resulting in a net expense of EUR 14.9 million.

(3) Restructuring costs refer to the non-recurring costs incurred by Cabovisao in the year ended December 31, 2012, arising from the restructuring carried out at this company level, post-acquisition by the Group. The costs engaged are made up entirely of personnel costs and are associated with dismissal indemnities paid to employees.

25—Net Finance costs

	December 31, 2012	December 31, 2011	December 31, 2010
	(in millions of euros)		
Gain arising on fair value financial instruments	1,2	6,4	—
Foreign exchange gains	24,7	6,8	43,3
Disposal of financial assets—selling price	4,5	3,0	(0,1)
Other financial income	10,3	10,6	7,9
Finance income	**40,7**	**26,8**	**51,1**
Loss arising on fair value financial instruments	(9,2)	(7,9)	(7.7)
Interest charges on borrowings and overdrafts	(118,5)	(70,2)	(7,3)
Interest on subordinated debt	(11,5)	(11,1)	(5,2)
Other finance costs	(62,8)	—	(0,2)
Foreign exchange losses	(2,1)	(20,8)	(8,5)
Book-value of disposal/financial assets	(21,2)	(20,7)	(1,9)
Finance costs	**(225,4)**	**(130,6)**	**(30,9)**
Total	**(184,7)**	**(103,8)**	**20,2**

26—Transaction with related parties

26.1 Trading and financial transaction

Transactions with related parties mainly related to the companies Adevintel, Titan consulting and DOK, all consulting firms specialized in the management and operations of telecom companies. The fees paid to these companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII.

	Revenue		Operating expenses		Financial expenses	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
			(in millions of euros)			
Consolidated Income and expenses						
Equity holders	0,4	0,2	(3,1)	(12,1)	—	—
Executive managers	—	—	—	—	—	—
Remuneration and benefits in kind	—	—	(1,5)	(2,5)	—	—
Associate companies	—	—	—	—	(8,9)	(7,7)
Total	**0,4**	**0,2**	**(4,6)**	**(14,6)**	**(8,9)**	(7,7)

	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
			(in millions of euros)			
Assets						
Equity holders	10,5	—	0,2	—	—	—
Executive managers	2,7	2,7	—	—	0,7	0,7
Associate companies	117,0	126,1	9,3	9,3	—	—
Total	**130,2**	128,8	9,5	9,3	0,7	0,7

	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
			(in millions of euros)			
Liabilities						
Equity holders	—	—	4,5	1,6	—	0,6
Executive managers	—	—	—	—	—	—
Associate companies	—	—	—	—	—	—
						—
Total	**—**	**—**	**4,5**	**1,6**	**—**	**0,6**

	Revenue		Operating expenses		financial expenses	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
			(in millions of euros)			
Consolidated Income and expenses						
Equity holders	—	0,4	—	(3,1)	—	—
Executive directors	—	—	—	—	—	—
Remuneration and benefits in kind	—	—	—	(1,1)	—	—
Associate companies	—	—	—	—	(4,8)	(8,9)
Total	**—**	**0,4**	**—**	**(4,2)**	**(4,8)**	**(8,9)**

26—Transaction with related parties (Continued)

	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
	(in millions of euros)					
Assets						
Equity holders	—	10,5	—	0,2	—	—
Executive directors	—	2,7	—	—	—	—
Associate companies	112,3	117,0	—	—	—	—
Total	**112,3**	**129,7**	**—**	**0,2**	**—**	**—**

	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
	(in millions of euros)					
Liabilities						
Equity holders	—	—	—	4,5	—	—
Executive directors	—	—	—	—	—	—
Associate companies	—	—	—	—	—	—
Total	**—**	**—**	**—**	**4,5**	**—**	**—**

27—Average workforce

	December 31, 2012	December 31, 2011	December 31, 2010
Managers	268	280	173
Technicians	660	604	362
Employees	4 719	5 152	4 585
	5 647	**6 036**	**5 120**

Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice VII, for the financial year 2012, was EUR 1,7 million compared to EUR 0,9 million for the financial year 2011.

28—Contractual obligations and commercial commitments

28.1 Hot Telecom Commitments

28.1.1 Commitments

- Royalties to the Ministry of Communications and other payments to the government
- a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalty rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2,5% in 2007, 2% in 2008, 1,5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalty rate for the years 2011 and 2012 stood at 1,75%.

28—Contractual obligations and commercial commitments (Continued)

- In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalty rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.
- b) In July 2001 the cables companies, including HOT, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.
- In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure or which touch upon the cables infrastructure (as defined in the agreement) for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to HOT as a merged company.
- c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).
- d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.
- Other royalties.
- a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.
- b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

28—Contractual obligations and commercial commitments (Continued)

- This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, of it is passed.
- A commitment to invest in original productions
- In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 HOT complied with the investment rate that is required, as aforesaid.
- It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, provided that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In October 2011 the Council informed HOT that with effect from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to record broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to such time the inclusion of income from terminal equipment for the purpose of this calculation was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that HOT will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.
- Agreement to deploy and maintain a cables network
- On January 1, 1990 and on May 1, 1989 Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with Bezeq (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.
- In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on Bezeq's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied Bezeq with the base equipment (as defined in the agreement) that comprises the cables network whereas Bezeq supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.
- In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and Bezeq conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.
- The agreement will remain in force for the length of the period of the concession, and will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.
- A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have

28—Contractual obligations and commercial commitments (Continued)

been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

- The total of the expenses recorded in HOT's accounting records for the network services payable to Bezeq in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.
- It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.
- Commitments to lease assets
- The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimum future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	NIS in millions	EUR in millions
2013	186	37,7
2014	148	30,0
2015	120	24,3
2016	86	17,4
2017 and thereafter	304	61,7
Total	**844**	**171,1**

- On July 19, 2011 HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.
- On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.
- Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are

28—Contractual obligations and commercial commitments (Continued)

required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that is required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

- In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network exclusively from Motorola alone during the period of the agreement.
- As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the manner of the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.
- In December 2011 the system maintenance agreement was extended for an additional period of three years, until the end of 2014.
- On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.
- The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party,60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.
- The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.
- The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.
- Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.
- On June 16, 2011 HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.
- In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which is HOT Mobile required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.
- The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.
- The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT

28—Contractual obligations and commercial commitments (Continued)

Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

- In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of USD 52 million, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to HOT Mobile's assessment.

  On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with HOT acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

- On October 27, 2011 an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter—Comverse), in accordance with which Comverse will supply HOT with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter—The system) and Comverse will also supply HOT with hardware, software and services, including the operation and maintenance of the system. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately USD 12.5 million. In January 2012, the parties signed on an addition to this agreement, in accordance with which Comverse is committed to allocating seven additional employees to be available for the project (instead of the manpower that HOT had to make available for the project), for a payment of USD 500 000.

- On October 6, 2005, HOT Mobile won a tender for the provision of Mobile services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new mobile operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139,3 million, NIS 112.4 million and NIS 83,7 million, respectively, which constituted approximately 13,5%, 12,5% and 9,8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

  On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter—HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter—The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

- Marketing and distribution (for iDEN technology products and services)

- In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

- In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

28—Contractual obligations and commercial commitments (Continued)

- Commitment with an external marketer
- As aforesaid, in 2012, one of the distribution channels for the Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.
- The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.
- The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.
- Marketing and distribution (for UMTS technology products and services)
- The marketing and distribution of UMTS products is performed by means of HOT Mobile's and HOT's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.
- Capitalized leasing rights on land from the Israel Lands Authority
- Capitalized leasing rights on land from the Israel Lands Authority over an area of 20 713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. The lease periods end in the years 2021-2045.

28.1.2 Guarantees and liens

- As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed
- A floating charge on HOT's assets.
- A fixed charge on the shares in the subsidiary companies.
- HOT Telecom has given a charge on some of its assets.
- The said charges are in an unlimited amount, vis-à-vis HOT, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.
- As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group
- As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.
- As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:
- Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8,4 million Dollars, in force until December 2017 and December 2025.

28—Contractual obligations and commercial commitments (Continued)

- Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.
- A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.
- A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.
- In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.
- In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.
- On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).
- The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.
- Guarantees to HOT Telecom
- The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.
- The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.
- There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

28.1.3 Other contingent liabilities

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, ''The Legal Claims'').

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company's Subsidiaries on various matters, is as follows:

a. An amount of approximately NIS 1.7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

b. An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements

28—Contractual obligations and commercial commitments (Continued)

c. An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessments of the managements of the Company's Subsidiaries, as aforesaid.

The following is an abbreviated summary of the Group's contingent liabilities effective as of signature date, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of signature date	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)
	(in millions of euros)	
Customers	574	21
Lawsuits after the balance sheet date in respect of customers	33	33
Suppliers	13	5
Employees	1	—
The merger transaction	50	—
Total	**671**	**59**

28.2 Cabovisao commitments

28.2.1 Contingent assets

During the year ended December 31, 2012, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2012, Cabovisao had outstanding claims against several municipalities, totaling EUR 3,6 million. To present date, Cabovisao received 102 004 Euros from seven municipalities.

28.2.2 Contingent liabilities

28.2.2.1 Bank guarantees

	December 31, 2012
	(in millions of euros)
Tax Authority	8,4
City Council	0,9
Third Parties	0,0
Total	**9,3**

28.2.2.2 Real guarantees

On December 31, 2012, Cabovisao issued a bond amounting to EUR 25 million which was fully underwritten by Goldman Sachs International together with a financial first degree collateral of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and pledge the shares representing Cabovisao's share capital and equity holders' rights.

28—Contractual obligations and commercial commitments (Continued)

28.2.2.3 Other contingent liabilities

As a result of the refusal by Cabovisao to pay the municipal taxes referred to above (since September 2010), the municipality of Almada initiated a process executive for payment of fees from 2006 to 2009, amounting to approximately EUR 0,7 million. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

28.2.2.4 Contingent assets

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was EUR 3.6 million for the year ended December 31, 2012, of which EUR 0,1 million have been received from seven municipalities, while recovery is on-going with others.

28.3 Coditel Holding commitments

As of December 31, 2012, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

28.4 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

29—Going concern

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net operating cash flows. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables.

Under these conditions and given the cash flow projections, Management believes that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Financial Statements for the three years ended December 31, 2012 and meet its financial debt obligations during the period.

As a result, the Combined Financial Statements of the Combined Group for the three years ended December 31, 2012 have been prepared on a going concern basis.

30—Events after the reporting period

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the ‘‘ONI Purchase Agreement’’), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the ‘‘ONI Transaction’’). The deal was consummated on August 8, 2013.

30—Events after the reporting period (Continued)

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the ''Outremer Purchase Agreement'') with the owners of OMT Investand certain of its affiliates pursuant to which (i) the Combined Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the ''Outremer Investment Agreement'') pursuant to which (i) the Combined Group contributed all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Combined Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the ''2013 Senior Notes'').

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the ''2013 Term Loan Facility'') which provides for U.S. dollar term loans (the ''2013 Term Loans'') up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the ''First Draw''). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Combined Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described below), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

Cabovisao Refinancing

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the ''Cabovisao Refinancing'').

Coditel Refinancing

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

ABO Refinancing

On July 2, 3013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the ''ABO Refinancing'').

WSG and MTVC Refinancing

WSG and MTVC are indirect subsidiaries of the Combined Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the ''Le Cable Refinancing'').

Reduction of Guarantees to the State of Israel

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11.3%, constituting an addition of 9.52% on HOT

30—Events after the reporting period (Continued)

Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695.0 (€144.6 million) million to an amount of NIS 80 (€16.6 million) million. This was in addition to an amount of NIS 10.0 (€2.0 million) million that it paid upon the receipt of the license.

As of November 21, 2013, the response of the Ministry of Communications has been received and they approved the reduction of Hot Mobile guarantee from NIS 695 Million to NIS 80 Million.

Acquisition of Ma Chaîne Sport and Sportv

On October 4, 2013, Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of approximately 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 32%, respectively) in Ma Chaîne Sport S.A.S to Altice VII. In addition, on October 10, 2013, the general shareholders' meeting of Ma Chaîne Sport S.A.S decided on a capital decrease of €5.0 million by way of a share buy-back of the remaining shares in Ma Chaîne Sport S.A.S held by Valemi Corp which was not sold under the sale and purchase agreement. This capital decrease has been completed on November 8, 2013. As a result of this transaction, Altice VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S which in turn holds 100% of Sportv S.A.. In 2012, Ma Chaîne Sport S.A.S. and Sportv S.A. generated EBITDA of €9.0 million and €0.8 million respectively and had an EBITDA margin of 56.7% and 62.5% respectively.

As this is a common control transaction, the requirements of IFRS 3 in relation to acquisition accounting shall not be applicable and it is expect that the Combined Group shall elect to utilise the pooling-of-interest method to record this acquisition.

Acquisition of the Mobius Group

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

The consideration paid, net of reinvestment of the Managers of Mobius, amounts approximately €21.0 million.

Network Sharing Agreement

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the ''Network Sharing Agreement'') with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates

30—Events after the reporting period (Continued)

optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Combined Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Combined Group will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Combined Group. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with the existing service provider, Pelephone, will be phased out until the contractual end of the agreement in 2014.

Tricom Dominican Republic Acquisitions

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

On October 31, 2013, Altice Caribbean (a wholly owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the ''Tricom Sellers''), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the ''Tricom Purchase Agreements'') pursuant to which Altice Caribbean or one of its subsidiaries (the ''Tricom Purchaser'') is expected to purchase all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, ''Tricom'') from the Tricom Sellers (the ''Tricom Acquisition''). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition is $405 million. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican Republic regulatory authority Indotel.

The purchase price for the ODO Acquisition and the Tricom Acquisition is expected to be financed from (i) the proceeds received pursuant to the issuance of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes which are currently being held in escrow and (ii) a portion of the proceeds from the Offering if regulatory approval for the pending acquisitions is received after the Admission, or, to the extent regulatory approval for the pending acquisitions is granted prior to the Admission, an equity contribution to the Altice VII restricted group by a subsidiary of the Company which has obtained committed third party financing to fund such equity contribution. To the extent such regulatory approval for the pending acquisitions is granted prior to the Admission and third party financing is used to complete such acquisitions, a portion of the proceeds from the Offering will be used by the Company to repay such third party financing.

Issuance of New Senior Notes and New Senior Secured Notes

Altice VII announced on December 2, 2013 that (i) its subsidiary Altice Finco S.A. would launch an offering of $400 million in aggregate principal amount of senior notes (the ''Senior Notes'') and (ii) its subsidiary Altice Financing S.A. would launch an offering of $1,309 million equivalent in aggregate principal amount of dollar and euro senior secured notes (the ''Senior Secured Notes'' and, together

30—Events after the reporting period (Continued)

with the Senior Notes, the ''Notes''). Proceeds of the Notes are expected to be used to finance (i) its previously announced acquisition of 88% of Tricom S.A. and Global Interlinks Ltd. (together, ''Tricom''), which Altice entered into an agreement to acquire on October 31, 2013, and (ii) its previously announced acquisition of a majority ownership in Orange Dominicana S.A. (''ODO''), which Altice entered into an agreement to acquire on November 26, 2013.

ODO provides mobile telephony and wireless broadband services to residential customers in the Dominican Republic and fixed and mobile voice and data services to business customers. Tricom provides pay television, broadband Internet and fixed-line telephony services as well as mobile telephony services in the Dominican Republic.

Restructuring of Altice Six holding structure

In anticipation of the increase in shareholding of the newly listed Numericable Group S.A., Altice Six S.A. has performed a restructuring of its subsidiaries to simplify its holding structure. Thus, with effect from November 11, 2013, Altice B2B Lux Holding S.à r.l. was merged with Ypso Holding S.à r.l..

Altice B2B Lux Holding S.à r.l., helds Altice B2B Lux S.à r.l., through which Altice Six S.A. has invested in Completel, the B2B arm of Numericable Group.

On December 18, 2013, the final step of this restructuring was consummated, with the merger of the Altice B2B Lux Holding S.à r.l. with Ypso Holding S.à r.l., thus creating a common company: Ypso Holding S.à r.l. which would directly control the French investment vehicles.

Numericable IPO

On November 7, 2013, Numericable Group, the sole cable operator in France and a leading provider of television and broadband Internet services in its network area (''Numericable'' and together with its subsidiaries, the ''Numericable Group''), announced that it had successfully completed its initial public offering on the regulated market of NYSE Euronext in Paris (Compartment A).

The Global Offering amounted to approximately €652.2 million, consisting of a capital increase of approximately €250 million and a sale of existing shares by Carlyle Cable Investment SC (''Carlyle'') and CCI (F3) S.à.r.l. (''Cinven'') amounting to approximately €402.2 million. An over-allocation option was also offered, which when fully exercised increased the Global Offering to approximately €750 million. The Employee Offering was subscribed for approximately €1 million at €19.84 per share. Trading of the Numericable Group's shares began on November 8, 2013.

Following the Global Offering and the Employee Offering and after the completion of all concurrent share transfers, and once the over-allotment option was exercised in full, Numericable Group's share capital was as follows: Altice 30%, Carlyle 26%, Cinven 18% and a public float of 24%.

Issuance of new margin loan

On November 7, 2013, Altice Six S.A. entered into a financing agreement for a total amount of EUR 300 million with ING Bank N.V as the agent and Deutsche Bank, HSBC, Credit Agricole, Goldman Sachs and Morgan Stanley as lenders. The purpose of this new debt issuance was to purchase an additional 10% holding stake in Numericable Group S.A. and thus increase Altice Six S.A's total stake up to 40% in Numericable Group S.A. thus giving it a controlling stake and allowing full integration of Numericable Group into the accounts of Altice S.A..

As a condition to financing, Altice Six has entered into a pledge agreement with the security agent and bank, following the terms of which it has pledged all the security assets (pertaining to cash and book entries) to an account held at ING Bank Luxembourg to be blocked from immediate effect, post signing of the debt agreement.

30—Events after the reporting period (Continued)

Increase in shareholding in Numericable Group

Altice Six announced on November 18, 2013 that it has entered into an agreement with certain funds affiliated with Cinven Ltd. (''Cinven'') and an entity affiliated with Carlyle Group (''Carlyle'') to acquire additional shares in Numericable Group, from Cinven and Carlyle (the ''Acquisition''). Altice will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice by certain existing shareholders) and will have the majority of votes in the board of directors. The Acquisition is subject to (i) antitrust approval and (ii) waiver granted by the Autorité des marchés financiers (AMF) to file a mandatory tender offer and is expected to be completed in the first quarter of 2014.

2013 Coditel Acquisition

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

Other Transactions

The Combined Group intends to designate Green Datacenter and Auberimmo as unrestricted subsidiaries in accordance with the terms of our debt instruments and upon such designation these entities will not be subject to the covenants under the terms of our debt instruments.

The Combined Group is in talks with the minority stakeholders in Outremer Telecom, to study the possibility of exchanging the minority interests currently held by the Management and Managers of Outremer Telecom in Altice Blue Two S.A.S against shares to be issued by the listed entity, Altice S.A.

Altice International S.à r.l.
(formerly Altice VII S.à r.l.)

(Société à responsabilité limitée)

Condensed consolidated financial statements as of and for the three and nine month periods ended September 30, 2014

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Altice International S.à r.l

Condensed consolidated statement of income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September , 2014	Nine months ended September , 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
		(in millions of euros)			
Revenues		1,372.8	928.4	506.1	355.8
Purchase and subcontracting services		(324.5)	(262.2)	(113.2)	(103.3)
Other operating expenses		(189.3)	(134.6)	(71.3)	(54.3)
Staff costs and employee benefit expenses	11	(110.4)	(101.1)	(37.6)	(35.5)
General and administrative expenses		(36.8)	(24.0)	(10.0)	(6.9)
Other sales and marketing expenses		(84.9)	(29.4)	(33.7)	(11.5)
Operating profit before depreciation, amortization, management fees, restructuring, non-recurring-costs and other expenses		**627.0**	**377.1**	**240.3**	**144.3**
Depreciation and amortization	2	(397.6)	(278.0)	(145.2)	(100.3)
Management fees		(0.6)	(0.7)	(0.1)	—
Restructuring, non-recurring costs and other (expenses)/income	9	(58.5)	(12.3)	(15.9)	3.5
Operating profit		**170.3**	**86.1**	**79.2**	**47.5**
Finance income		32.1	36.2	—	—
Finance costs		(334.3)	(184.3)	(132.0)	(102.5)
Loss before income tax expenses		**(132.0)**	**(62.0)**	**(52.8)**	**(55.0)**
Income tax expenses	12	(27.6)	(27.4)	(26.4)	(14.3)
Loss for the period		**(159.6)**	**(89.4)**	**(79.3)**	**(69.2)**
Attributable to equity holders of the parent		(156.5)	(83.3)	(77.7)	(68.6)
Attributable to non-controlling interests		(3.2)	(6.0)	(1.6)	(0.6)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Altice International S.à r.l

Condensed consolidated statement of other comprehensive income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September , 2014	Nine months ended September , 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
		(in millions of euros)			
Loss for the period		**(159.6)**	**(89.4)**	**(79.3)**	**(69.2)**
Other comprehensive income					
Exchange differences on translation of foreign operations		27.3	0.6	41.1	(0.8)
Net fair value gain on available-for-sale financial assets		(1.3)	0.8	(0.3)	0.8
Other movements		—	2.6	—	2.6
Employee benefits		0.2	0.2	0.4	—
Total comprehensive income for the period		**(133.4)**	**(85.2)**	**(38.1)**	**(66.6)**
Attributable to equity holders of the parent		*(131.2)*	*(80.1)*	*(38.1)*	*(65.9)*
Attributable to non-controlling interests		*(2.2)*	*(5.1)*	*(0.0)*	*(0.7)*

The accompanying notes form an integral part of these condensed consolidated financial statements.

Altice International S.à r.l

Condensed consolidated statement of financial position

As of September 30, 2014

	Notes	September 30, 2014	December 31, 2013
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents		141.3	61.3
Restricted cash	4	—	1,242.8
Trade and other receivables		292.9	230.9
Inventories		21.9	11.0
Current tax assets		15.1	14.6
Total current assets		**471.1**	**1,560.6**
Non-current assets			
Deferred tax assets		98.7	47.4
Financial assets		48.6	50.6
Trade and other receivables		26.9	22.8
Property, plant & equipment		1,441.7	1,134.2
Intangible assets		665.8	579.6
Goodwill	3	2,050.0	1,100.7
Total non-current assets		**4,331.6**	**2,935.4**
Total assets		**4,802.7**	**4,496.0**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	7	102.2	57.6
Deferred revenue		100.9	55.9
Trade and other payables		535.6	516.6
Other current liabilities	7	63.3	15.9
Provisions		2.4	2.1
Current tax liabilities		81.3	57.1
Total current liabilities		**885.7**	**705.2**
Non-current liabilities			
Borrowings	7	3,581.6	3,421.3
Loans from related parties	7	—	99.2
Other financial liabilities	7	185.9	271.6
Deferred revenue		11.3	10.6
Trade and other payables		17.2	29.0
Retirement benefit obligations		8.2	8.2
Provisions		36.6	29.0
Deferred tax liabilities		169.5	183.1
Total non-current liabilities		**4,010.3**	**4,052.0**
Equity			
Issued capital	5	309.2	7.4
Additional Paid In Capital	5	318.4	5.4
Other reserves	6	(374.8)	(82.9)
Accumulated losses		(347.1)	(190.6)
Total equity attributable to the shareholders of the parent		**(94.2)**	**(260.7)**
Non-controlling interests		1.0	(0.5)
Total equity		**(93.2)**	**(261.2)**
Total liabilities and equity		**4,802.7**	**4,496.0**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Altice International S.à r.l.

Condensed consolidated statement of changes in equity

For the nine months ended September 30, 2013

	number of issued shares	Share capital	Additional paid in capital	Retained losses	Other reserves	Re	
						Currency reserve	Ava fo
		€m	€m	€m	€m	€m	
Equity at January 1, 2013	**743,011,510**	7.4	—	(4.4)	285.8	(6.4)	
Transaction with shareholder		—	5.4	—	(205.0)	—	
Transaction with non-controlling interests		—	—	—	(81.0)	—	
Change in scope		—	—	—	1.3	—	
Loss of the period		—	—	(83.3)	—	—	
Other comprehensive income		—	—	—	2.3	0.0	
Equity at September 30, 2013	**743,011,510**	**7.4**	**5.4**	**(87.7)**	**3.8**	**(6.4)**	

The accompanying notes form an integral part of these condensed consolidated fina

Altice International S.à r.l.

Condensed consolidated statement of changes in equity (Continue

For the nine months ended September 30, 2014

					Reserve		
	number of issued shares	**Share capital**	**Additional paid in capital**	**Retained losses**	**Other reserves**	**Currency reserve**	**Ava fo**
		€m	**€m**	**€m**	**€m**	**€m**	
Equity at January 1, 2014	**743,011,510**	7.4	5.4	(190.6)	(76.6)	(6.7)	
Shareholder Contribution	**30,182,688,490**	301.8	313.0	—	(317.0)	—	
Change in scope		—		—	(0.1)	—	
Loss for the period		—	—	(156.5)	—	—	
Other comprehensive income		—	—	—	—	26.1	
Other movement		—	—	—	0.1	—	
Equity at September 30, 2014	**30,925,700,000**	**309.2**	**318.4**	**(347.1)**	**(393.7)**	**19.4**	

The accompanying notes form an integral part of these condensed consolidated fina

Altice International S.à r.l.

Condensed consolidated statement of cash flows

for the nine months ended September 30, 2014

	Notes	September 30, 2014	September 30, 2013
		(€ in millions)	
Loss for the period		**(159.6)**	**(89.4)**
Adjustments for:			
Depreciation and amortization		397.6	278.0
Loss / (Gain) on disposals		1.7	(4.1)
Other non-cash operating gains and losses		8.4	6.5
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**248.0**	**184.9**
Finance costs, net		302.2	158.2
Income tax expense recognised in profit and loss		27.6	27.5
Income tax paid		(38.6)	(4.8)
Changes in working capital		(36.6)	(77.0)
Net cash provided by operating activities		**502.7**	**288.8**
Payment to acquire tangible and intangible assets		(306.6)	(184.1)
Proceeds from disposal of assets		1.1	1.9
Payment to acquire available for sale financial assets		—	(18.3)
Increase in loans and other non-current financial assets			7.4
Change in restricted cash	**4**	1,243.7	(0.6)
Transactions with non-controlling interests	**2**	(8.9)	(105.0)
Net payments on acquisition of subsidiaries	**2**	(1,270.1)	(203.5)
Net cash used in investing activities		**(340.8)**	**(502.2)**
Shareholder contribution		95.3	1.8
Proceeds from debt issuance	**8**	105.7	1,021.9
Repayment of debt	**8**	(110.7)	(546.4)
Distribution to holders of hybrid instruments		—	(212.5)
Interest paid		(173.5)	(119.4)
Net cash provided by financing activities		**(83.3)**	**145.4**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.7	—
Net increase in cash and cash equivalents		**79.5**	**(67.9)**
Cash and cash equivalents at the beginning of the period		61.3	129.8
Cash and cash equivalents at the end of the period		**140.8**	**61.9**
Cash and cash equivalents		*141.3*	*61.9*
Bank overdraft		*(0.6)*	—

The accompanying notes form an integral part of these financial statements

Note 1—Nature of the business, basis of preparation and accounting policies

Nature of the business

Altice International S.à r.l. (formerly Altice VII S.à r.l.) (the ''Company'') is a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and its subsidiaries. The Company was initially established as a public limited company (société anonyme) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at September 30, 2014 its sole equity holder is Altice S.A. The ultimate controlling party is considered to be Patrick Drahi.

On January 31, 2014, Next LP contributed all its economic interests in Altice International S.à r.l. to Altice S.A. (''Altice'') in exchange for shares in Altice S.A..

Altice is listed on Euronext in Amsterdam. The consolidated financial statements of Altice are available at the registered address of Altice: 3, boulevard Royal, L 2449 Luxembourg and on its website: www.altice.net.

Altice International offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Most of Altice International's operating subsidiaries operate Docsis 3.1 enabled networks. Where possible, Altice International Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Group companies aim at sharing skills and best practices across the various operations of the Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Altice International Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice International Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories, Dominican Republic and Israel) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

Altice International's operational entities operate in the following geographies listed below. When possible, the Group tries to achieve convergence and integration between existing cable and mobile networks.

- Israel (Cable and mobile)
- Dominican Republic (Cable and mobile)
- French Overseas Territories (Cable and mobile)
- Portugal (Cable)
- Belgium and Luxembourg (Cable and mobile through MVNO)
- Others (mainly cable based operations and datacenter in Switzerland, content companies and holding activities)

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

Basis of presentation

The condensed consolidated financial statements of the Company as of and for the three and nine months ended September 30, 2014 have been prepared in accordance with International Accounting Standard (''IAS'') No. 34 ''Interim Financial Reporting''. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2013 which have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (''IFRS'').

Comparative information

The comparative information for the nine and three month periods ended September 30, 2013 has been restated to reflect the impact of the purchase price allocation of the assets of ONI S. G.P.S (''ONI'') acquired on August 8, 2013. As per the provisions of IFRS 3:49, the impact of the recognition of the identifiable tangible and intangible assets of ONI at their fair value was restated for the nine and three month period ended September 30, 2013. The total impact on depreciation and amortisation was €0.4 million (€0.3 million net of deferred tax). The loss for the period was impacted by the same amount.

In addition to the restatement described above, staff costs and employee benefits were reclassified to match the presentation adopted for the three and nine months ended September 30, 2014. Such costs amounted to €57.7million for technical and maintenance and customer service staff and €24.0 million for marketing staff costs and have been reclassified from the lines ''other operating expenses'' and ''other sales and marketing expenses'' to ''staff costs and employee benefits expenses''.

Accounting policies

The condensed consolidated financial statements have been prepared on an historical cost basis, except for (i) available-for-sale financial assets, (ii) derivative financial instruments which are measured at market value and (iii) inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the condensed consolidated financial statements are similar to those described in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2013.

There were no other significant effects on the condensed consolidated financial statements as a result of the adoption of any of the below mentioned standards or interpretations.

New standards applied for the first time in the current period

For the period ended September 30, 2014, the Group has applied the following amendments to IAS standards, made compulsory for annual periods beginning on or after January 1, 2014.

- Amendments to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting:

  Under the revised standard, the novation of a hedging instrument should not be considered as an expiration or termination giving rise to the discontinuation of hedge accounting when a hedging derivative is novated.

  This amendment has no impact on the condensed consolidated financial statements of the Company.

- Amendments to IAS 36—Recoverable Amount Disclosures:

  The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

This amendment has no impact on the condensed consolidated financial statements of the Company.

- IFRIC 21—Levies

  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Management has assessed that the implementation of IFRIC 21 has no significant impact on the condensed consolidated financial statements of the Company for the nine month period ended September 30, 2014.

- Draft position paper on IAS 19 on the subject of the existence of a deep market for corporate bonds in Israel

  On September 1, 2014, the Securities Authority of Israel published a draft position paper (the ''draft position'') in accordance with which a deep market exists in Israel for high quality Shekel denoted corporate bonds. In accordance with the said draft position, commitments in respect of post-employment employee benefits as well as commitments in respect of other long-term benefits are to be discounted using a discount rate that is derived from corporate bonds, instead of discounting them at a discount rate that is derived from government bonds, which will lead to the increasing of the discount rate and the reduction of the commitments. In accordance with the draft position, this change is to be reflected by way of a change in an estimate.

  The Company is examining the possible impact of the standard on the annual financial statements for the year 2014.

Significant accounting judgments and estimates used in the preparation of the financial statements

Judgments

In the process of applying the significant accounting policies, the Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the condensed consolidated financial statements.

Estimates and assumptions

The preparation of the condensed consolidated financial statements requires the Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (herein after referred to as ''CGU'' or ''CGUs'') to which goodwill has been allocated. The value in use calculation requires the Board of Managers to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Legal claims

In estimating the likelihood of outcome of legal claims filed against the Group and its investees, the Group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal

Note 1—Nature of the business, basis of preparation and accounting policies (Continued)

precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ significantly from these estimates.

Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

Deferred tax assets

Deferred tax assets relate primarily to tax losses carried forward and to deductible temporary differences between reported amounts and the tax basis of assets and liabilities. The assets relating to the tax losses carried forward are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax losses carried forward relies on significant judgment. The Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax losses carried forward.

Note 2—Main changes in the scope of consolidation

2.1 Dominican Republic

Tricom S.A. and Global Interlinks Limited ("Tricom" and "GLX", respectively)

On March 12, 2014, the Group, through its indirect subsidiary, Altice Dominican Republic, completed the acquisition of an approximately 97.2% stake in Tricom., a cable and mobile operator with a 4G license based in the Dominican Republic, and of GLX, the owner of a submarine cable, which it uses to sell data and voice transmission services to other operators based in the region (including Tricom). Through this acquisition, the Group expects to consolidate and expand its cable operations in the Caribbean Islands and explore synergies through the vertical integration of its operations in the region and synergies with other operations in the region.

Since March 12, 2014, Tricom and GLX contributed €82.0 million in revenue and €14.1 million in operating profit to the Group's result for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of the acquired entities amounted to €299.2 million on a cash-free, debt-free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €214.8 million, comprising mainly intangible assets for a net value of €4.4 million, property, plant and equipment for a total value of €133.2 million and trade and other receivables for a total amount of €67.3 million. Total liabilities amounted to €82.7 million, comprising €40.8 million of non-current liabilities and €41.9 million of current liabilities. Additionally, adjustments related to the conversion of the opening balance from US GAAP to IFRS standard led to an increase in fixed assets of €2.8 million, thus increasing the net value of assets transferred to €134.9 million. The residual value of €164.3 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Tricom and GLX. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Note 2—Main changes in the scope of consolidation (Continued)

Altice Hispaniola (''ODO'' or ''Orange Dominicana S.A.'')

On April 9, 2014, the Group, through its direct subsidiary Altice International S.à r.l., completed the acquisition of a 97.2% stake in ODO, the leading mobile operator in the Dominican Republic. ODO operates a high end, 4G-enabled mobile network in the Dominican Republic covering up to 86% of the territory of the Dominican Republic.

Through this acquisition, the Group expects to further consolidate and expand its operations in the Caribbean Islands. This transaction complements the acquisition of Tricom and GLX mentioned above and completes the formation of an integrated telecom group in the Dominican Republic.

Since April 9, 2014, ODO contributed €218.6 million to the Group revenue and €62.7 million to the Group operating profit for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of the acquired entity amounted to €1,034.0 million on a cash free, debt free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €437.9 million, comprising mainly intangible assets for a net value of €34.8 million, property, plant and equipment for a total value of €229.0 million and trade and other receivables for a total amount of €113.5 million. Total liabilities amounted to €103.7 million, comprising €8.7 million of non-current liabilities and €94.1 million of current liabilities.

In addition to the assets transferred and as part of the provisionally purchase price allocation, two additional assets were identified being the capitalisation of subscriber acquisition costs and the intangible asset corresponding to the value of the Orange brand. Subscriber acquisition costs were capitalised as part of the alignment of accounting principles of ODO with Altice Group policies. The net book value of such assets was ascertained to be €2.7 million as at the date of acquisition. The right for the continued use of the Orange brand was valued on a preliminary basis at €19.9 million. This value is subject to revision, following the finalisation of the purchase price allocation for ODO.

As part of the purchase agreement, the vendor agreed to finance the acquisition of a spectrum license to provide 3G services in the Dominican Republic using ODO's existing network. The price of this license was adjusted when calculating the purchase price. The total amount due for the license amounted to €20.8 million ($ 28.5 million). This investment is recorded as capital investment in the accounts of Orange Dominicana as of September 30, 2014, however, it relates to an investment that was not paid for by the Group.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of ODO. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been provisionally recognised as a result of the acquisitions (including Tricom and GLX) as follows:

Total consideration transferred	€1,333.2 million
Fair value of identifiable assets, liabilities and contingent liabilities	€ 491.7 million
Goodwill	€ 841.5 million

2.2 French Overseas Territories (''FOT'')

Mobius S.A.S. (''Mobius'')

On January 15, 2014, the Company, through its subsidiary, Altice Blue Two S.A.S., obtained control over Mobius, a telecommunications operator in the French Overseas Territories (specifically, La Reunion), by

Note 2—Main changes in the scope of consolidation (Continued)

acquiring 99.9% of the shares and voting interests in the company. This acquisition enables the Group to further expand and consolidate its footprint in the French Overseas Territories.

Since January 1, 2014, Mobius contributed €13.2 million to revenue and €1.0 million to the Group operating profit for the nine months ended September 30, 2014.

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

- Total consideration paid to the vendors for the shares of the acquired entity amounted to €18.8 million on a cash-free, debt-free basis.
- The total value of assets transferred in consideration for the values mentioned above amounted to €14.8 million, comprising mainly intangible assets for a net value of €7.1 million, property, plant and equipment for a total value of €1.2 million, financial assets for a total value of €3.2 million and trade and other receivables for a total amount of €2.9 million. Total liabilities amounted to €13.8 million, comprising €5.1 million of non-current liabilities and €8.7 million of current liabilities. The residual value of €17.8 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Mobius. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	€18.8 million
Fair value of identifiable assets and liabilities	€ 1.0 million
Goodwill	€17.8 million

Profit and loss before acquisition by the group

The profit and loss of those new subsidiaries not consolidated from January 1, 2014, for the period from January 1, 2014 to the date of their entry into the Group's accounts is given below:

	Tricom	ODO
	(in € millions)	
Revenues	38.7	108.8
Purchases and subcontracting services	(11.1)	(27.4)
Gross Profit	**27.6**	**81.4**
Other operating expenses	(4.2)	(10.3)
General and administrative expenses	(1.7)	(6.7)
Other sales and marketing expenses	(2.2)	(19.0)
Staff costs and employee benefits	(5.3)	—
Operating profit before depreciation and amortization	**14.1**	**45.5**
Depreciation and amortization	(5.1)	(15.3)
Management fees	(0.8)	(2.9)
Operating profit	**8.2**	**27.4**
Profit for the period	**5.4**	**19.3**

2.3 Acquisition of non-controlling interests—Altice Blue Two S.A.S. ("ABT")

On June 27, 2014, Altice S.A., the direct shareholder of the Company, transferred its stake in Altice Blue Two to Altice Caribbean, the direct shareholder of Altice Blue Two. Following this transaction, Altice Caribbean now holds a 99.7% stake in Altice Blue Two.

Note 3—Goodwill

Goodwill is reviewed for impairment at each Cash Generating Unit (''CGU'') level, annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested for impairment at the CGU level as of December 31. CGUs were at the time determined to coincide with subsidiaries of the Company.

For the nine months period ended September 30, 2014, the Management has decided to reorganize the way the cash generating units (CGUs) are presented, in order to be consistent with the structuring process that the Group has undergone in its different jurisdictions and that is aligning to the way management operates the different segments of the Group (see note 8). To this end, CGUs now reflect specific geographic areas in which one or several legal structures can be found (eg. Cabovisao and ONI form Portugal, Tricom/GLX and ODO, Dominican Republic). Historically, each CGU was presented as a standalone legal entity, as the Group had only one operating entity per geography. The rapid expansion of the Group and the push to achieve synergies between fixed, cable and mobile networks in its relevant operating geographies prompted Board of Managers to acquire new structures in the regions where it was already operating. Management believes that combining individual acquired entities is the most economic method of capturing synergies between new, complementary businesses in each operational region. This is underlined by the technical synergies between the different networks, the fact that the teams are now integrated and as a result of the bundle offers to the client. An illustrative example is the integration of support functions in the French Overseas Territories (between OMT and Le Cable, together ''FOT''), in Portugal with Cabovisao and ONI and the on-going restructuring of the Dominican entities, in order to have a single, functional support team in the finance, marketing and technical departments. In addition to this, contracts with service providers are negotiated by one entity for the relevant geographies thus providing better purchasing power for the CGU as a whole. Moreover, internal tracking and monthly financial and operation reviews performed by Management are based on specific geographies and not on individual companies, thus the new presentation provides an accurate vision of how Management tracks and runs its businesses internally.

The recoverable amounts of the CGUs are determined based on their value in use. The Company determined value in use for the purpose of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the EBIT margin, the terminal growth rate and the churn rate during the period.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

The Board of Managers has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable and therefore no updated impairment model analysis has been carried out nor any impairment recorded for the period ended September 30, 2014.

Note 3—Goodwill (Continued)

	December 31, 2013	Business combinations	Variations	Impairment losses	Changes in foreign currency translation	Disposals	September 30, 2014
	(in millions of euros)						
Dominican Republic	—	841.5		—	75.9	—	917.4
Israel	620.3	—		—	17.1	—	637.4
FOT	293.9	17.8		—	—	—	311.7
Belux	295.4	—		—	—	—	295.4
Switzerland	17.8	0.5		—	—	—	18.3
Portugal	1.3	—		—	—	—	1.3
Total Gross Value	**1,228.7**	**859.8**	**—**	**—**	**93.0**	**—**	**2,181.5**
Dominican Republic	—	—	—	—	—	—	—
Israel	(128.0)	—	—	—	(3.5)	—	(131.5)
FOT	—	—	—	—	—	—	—
Belux	—	—	—	—	—	—	—
Switzerland	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—
Total Cumulative impairment	**(128.0)**	**—**	**—**	**—**	**(3.5)**	**—**	**(131.5)**
Dominican Republic	—	841.5	—	—	75.9	—	917.4
Israel	492.3	—	—	—	13.6	—	505.9
FOT	293.9	17.8	—	—	—	—	311.7
Belux	295.4	—	—	—	—	—	295.4
Switzerland	17.8	0.5	—	—	—	—	18.3
Portugal	1.3	—	—	—	—	—	1.3
Total Net book value	**1,100.7**	**859.8**	**—**	**—**	**89.5**	**—**	**2,050.0**

Note 4—Restricted cash

The restricted cash presented on the statement of financial position as of December 31, 2013 has been fully used to consummate the Tricom/GLX and ODO transactions. See note 2 for more details.

Note 5—Issued capital and share premium

5.1 Issued capital

As of September 30, 2014, total issued capital of the Company amounted to €309.2 million, and was composed of 30,925,700,000 outstanding ordinary shares, with a nominal value of €0.01 each.

As part of its initial public offering, the Company's sole partner, Altice S.A. performed a restructuring of the equity structure of the Company.

Note 5—Issued capital and share premium (Continued)

As part of this restructuring, all convertible preferred equity certificates (CPECs) and other shareholder debts held by Altice S.A. were contributed in exchange for shares in the Company. Details are given below:

	September 30, 2014	December 31, 2013
	(in € millions)	
Opening balance	**7.4**	**7.4**
Conversion of convertible instruments (''CPECs'')	290.5	—
Conversion of Valemi Corp S.A. vendor note	0.7	—
Capital increase relating to Tricom S.A. closing	1.1	—
Capital increase relating to Orange Dominicana S.A. closing	8.6	—
Capital increase relating to transaction with non-controlling interests	0.9	
Closing balance	**309.2**	**7.4**

5.2 Additional Paid in Capital

Total additional paid in capital of the Group increased by €309.4 million to reach €318.4 million as of September 30, 2014 (€5.4 million as of December 31, 2013). This variation is explained below:

	September 30, 2014	December 31, 2013
	(in € millions)	
Opening balance	**5.4**	**—**
Share premium issuance	—	5.4
Conversion of shareholder debts	137.3	—
Conversion of Altice IV S.A. vendor note	13.9	—
Conversion of Valemi Corp S.A. vendor note	6.1	—
Share premium relating to Tricom S.A. closing	10.2	—
Share premium relating to the ODO closing	77.8	—
Share premium relating to the ABT contribution	59.7	—
Share premium relating to transaction with non-controlling interests	8.0	
Closing balance	**318.4**	**5.4**

A restructuring of the shareholder debts held by Next L.P. against Altice International was carried out at the beginning of 2014. As a result of this restructuring, the shareholder debts were contributed by Next L.P. to Altice S.A. in exchange for newly issued shares of Altice S.A.. All outstanding Yield Free Preferred Equity Certificates (€38.3 million), Asset Linked Preferred Equity Certificates (including accrued interests, €95.0 million) and interest free loans (€3.9 million) were then contributed to the Company at their nominal value.

Altice IV S.A. and Valemi Corp S.A., the holders of vendor notes against the Company (pertaining to the acquisition of Ma Chaine Sports S.A. and SportV S.A. in Q4 2013), contributed these assets to Altice S.A. at their nominal values of €13.9 million and €6.1 million respectively, in exchange for new shares issued by Altice S.A., who further contributed these instruments to Altice International, in exchange for new shares issued by the Company.

On March 12, 2014 and April 9, 2014, Altice S.A. subscribed to a capital issuance of the Company for amounts that included €10.2 million and €77.8 million of share premium, related to the closing of the Tricom S.A. and Orange Dominicana acquisitions respectively.

As mentioned in note 2.3, on June 27, 2014, Altice S.A. contributed its stake in Altice Blue Two to Altice Caribbean, through a series of cascading capital increases, starting with Altice International, of which €59.7 million was recognised as share premium.

Note 5—Issued capital and share premium (Continued)

On July 1, 2014, the Group acquired non-controlling interests in Green Ch and Green Data Center. These businesses are located in Switzerland and were already under the control of the Group as at acquisition date. The transaction have been financed by a cash contribution from the shareholder amounting to €8.9 million corresponding to a capital increase of 0.9 million (see note 5.1) and €8.0 million allocated to share premium.

Note 6—Reserves

	September 30, 2014	December 31, 2013
	(in millions of euros)	
CPEC reserve (see note 5.1)	—	290.5
Discounting reserve	—	25.3
Employee benefits reserve	1.0	0.8
Change of foreign exchange translation	19.4	(6.7)
Impact of changes in ownership interests	(71.7)	(71.5)
Available for sale reserve	(1.7)	(0.4)
Other reserves	(322.0)	(320.9)
Group reserves	**(374.9)**	**(82.9)**

Note 7—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	September 30, 2014	December 31, 2013
	(in millions of euros)	
Borrowings	3,581.6	3,421.3
Loans from related parties	—	99.2
Finance leases	11.2	23.4
Other financial liabilities	48.3	105.9
Financial instruments	126.4	142.3
Non-current liabilities	**3,767.5**	**3,792.1**
Borrowings:	102.2	57.4
—*Loans from financial institutions and bonds*	*39.4*	*26.8*
—*Bank overdraft*	*0.6*	—
—*Accrued interest*	*62.3*	*30.8*
Other current liabilities:	*63.3*	*15.9*
—*Other financial liabilities*	*52.6*	*4.5*
—*Finance leases*	*10.6*	*11.4*
Current liabilities	**165.5**	**73.5**
Total	**3,933.1**	**3,865.6**

7.1 Borrowings

Borrowings are composed of loans from financial institutions and bonds. As at September 30, 2014, the details of the loans from financial institutions and bonds are given in the sections that follow.

Note 7—Borrowings and other financial liabilities (Continued)

The maturities of borrowings is given below:

	September 30, 2014	< 1 year	One year or more	December 31, 2013
	(in millions of euros)			
Bonds	2,696.3	27.1	2,669.2	2,554.0
Loans from financial institutions	924.7	12.3	912.4	894.1
Total	**3,621.0**	**39.4**	**3,581.6**	**3,448.1**

7.1.1 Bonds

The Group bonds are split as follows:

Issuer	Fair value in millions of euros September 30, 2014	Coupon	Year of maturity	Carrying amount September 30, 2014	Carrying amount December 31, 2013
—Debentures	289.9	Between 3.9% and 6.9% + Consumer Price Index	2018	261.3	280.1
—Senior Secured Notes USD 460 M	389.3	7.875%	2019	350.8	305.1
—Senior Secured Notes EUR 210M	227.9	8.00%	2019	202.9	201.8
—Senior Secured Notes EUR 300M	316.5	6.5%	2022	290.9	292.8
—Senior Secured Notes USD 900M	726.9	6.5%	2022	698.4	637.3
—Senior Notes USD 425M	378.6	9.875%	2020	337.4	309.1
—Senior Notes EUR 250M	282.8	9.00%	2023	245.6	245.3
—Senior Notes USD 400M	335.7	8.125%	2024	309.0	282.5
Total value of bonds	**2,947.6**			**2,696.3**	**2,554.0**
Of which due within one year	*27.1*			*27.1*	*26.8*
Of which due after one year	2,920.5			2,669.2	2,527.2

7.1.2 Borrowings from financial institutions

- In the period ended September 30, 2014, €17.5 million was repaid to lenders of the €60.0 million RCF facility, which was drawn in January 2014 to finance the acquisition of Mobius S.A.S.. The remaining portion of €3.5 million was repaid in July 2014.
- New debt was issued by Green Datacenter for a total amount of € 8.2 million in order to finance the construction of additional datacentre capacities to support its commercial development.
- The Group repaid a total of $ 7.8 million (€5.8 million) linked to the amortization of the $1,034 million term loan issued by Altice Financing.
- The overall increase is linked to the revaluation of the debt labelled in foreign currency at the closing rate as of September 30, 2014

7.2 Loans from related parties

As part of the initial public offering of Altice S.A., a restructuring of loans from related parties was carried out, following which all existing related party loans held by Next L.P. and issued by Altice International S.à r.l. were contributed to Altice S.A. by Next L.P., in exchange for shares of Altice S.A..

As per the accounting standards, such instruments, being interest free in nature, had been recorded at their fair value in the consolidated financial statements. In 2014, these instruments were contributed at their nominal value and converted into share capital and share premium of the Company thus, previous discounting reserves recorded in the accounts of Altice International were reversed, thus leading to an adjustment of €(1.1) million to the Group's consolidated reserves. See note 6.

As of September 30, 2014, no loans from related parties were outstanding.

Note 7—Borrowings and other financial liabilities (Continued)

7.3 Other financial liabilities

Variation in other financial liabilities is explained mainly by the cancellation of Altice Blue Two put. The minority shareholders of Altice Blue Two exchanged their shares in Altice Blue Two against common shares in Altice S.A. As a result of this exchange, the put agreement in place at Altice Blue Two was cancelled (considered to be unexercised), leading to the reversal of a debt amounting to €53.2 million.

In addition to the transaction described above, the company received a short term loan from its sole partner, Altice S.A. for an amount of €46 million, which explains the increase this caption for the nine month period ended September 30, 2014.

7.4 Classification and fair value of financial assets and liabilities

The Group has financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

The financial instruments that are presented in the condensed consolidated statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

As of September 30, 2014, the classification of financial instruments is summarized below:

For the nine month period ended September 30, 2014	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
			(€ in millions)	
Recurring Fair Value Measurements				
Financial assets				
—Wananchi Group	31.9	—	—	31.9
—Partner Communications Co.	7.1	7.1	—	—
—Other financial assets at FVTPL	0.2	—	—	0.2
Financial liabilities				
—Other financial liabilities at FVTPL (derivative instruments)	126.4	—	124.4	2.0

Note 7—Borrowings and other financial liabilities (Continued)

For the year ended December 31, 2013	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
			(€ in millions)	
Recurring Fair Value Measurements				
Financial assets				
—Wananchi Group	31.9	—	—	31.9
—Partner Communication Co.	8.4	8.4	—	—
Financial liabilities				
—Other financial liabilities at FVTPL (derivative instruments)	142.3	—	142.3	—

Note 8—Segmental analysis

8.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geographical areas is inalienable to Group strategy of managing its different businesses. It has thus been decided by the Board of Managers to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel
- Belgium and Luxembourg (''Belux'')
- Portugal
- French Overseas Territories (''FOT'')
- Dominican Republic
- Others (Switzerland, others)

Activities have been split as follows:

- Fixed
- Mobile
- Others (Content/others)

Following the acquisition of ODO, Tricom and GLX, a new geographic segment, Dominican Republic, corresponding to the sole geographic zone of operation of these new entities, was added to the segmental analysis.

In addition, in the context of the anticipated acquisition and integration of the French mobile operator Société Francaise du Radiotéléphone S.A. (''SFR'') into the Altice S.A. Group, the Board of Directors of the latter has decided to amend the presentation of its operational segments, by regrouping the cable and B2B into a single line called 'Fixed', and by maintaining the mobile segment (SFR mainly has a mobile based activity). Other activities such as content, datacenters and holding company operations are classified under others. Such presentation is coherent with the presentation used by the Board of Managers of the Group.

Though this acquisition does not directly impact the Group, Altice S.A. Board of Directors expects to track the operational performance of its international segments (operating companies that are part of the Altice International perimeter) on the same basis as its French businesses (Numericable Group S.A. and SFR in the future) and thus has decided to apply the same split at Altice International as well.

Note 8—Segmental analysis (Continued)

The presentation was amended for comparative purposes for the three and nine months ended September 30, 2013. The businesses that the Group owns and operates do not show significant seasonality overall.

There are few operational transactions between the different segments defined by Management above. Intersegment revenues are considered to be non-material by Management and, hence, not in the scope of regular operational reviews. Intersegment revenues represented less than 0.5% of total revenues for the three and nine month periods ended September 30, 2014 and 2013, respectively.

All corporate entities revenues and expenses have been allocated to the segment ''Others''.

8.2 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows. The reconciliation to Profit before income tax expenses is presented below in accordance with the requirements of IFRS 8 (operating segments).

	For the nine months ended September 30, 2014						
	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
	(in € millions)						
Fixed							
Revenue	513.1	53.0	140.4	81.3	74.0	23.6	885.4
Purchase and subcontracting services	(86.5)	(7.7)	(60.2)	(16.5)	(17.3)	(11.1)	(199.2)
Gross Profit	**426.5**	**45.4**	**80.2**	**64.8**	**56.8**	**12.6**	**686.2**
Mobile							
Revenue	132.8	1.0	—	97.4	226.5	—	457.7
Purchase and subcontracting services	(42.1)	(1.2)	—	(26.2)	(49.2)	—	(118.7)
Gross Profit	**90.7**	**(0.1)**	**—**	**71.2**	**177.3**	**—**	**339.1**
Others							
Revenue	—	—	—	—	—	29.6	29.6
Purchase and subcontracting services	—	—	—	—	—	(6.7)	(6.7)
Gross Profit	**—**	**—**	**—**	**—**	**—**	**22.9**	**22.9**
Total Revenue	**645.9**	**54.0**	**140.4**	**178.7**	**300.5**	**53.2**	**1,372.8**
Total purchase and subcontracting services	**(128.7)**	**(8.8)**	**(60.2)**	**(42.7)**	**(66.4)**	**(17.7)**	**(324.5)**
Total Gross Profit	**517.2**	**45.2**	**80.2**	**136.0**	**234.1**	**35.5**	**1,048.3**
Profit/(loss) before income tax expenses	**31.8**	**0.8**	**(18.0)**	**24.8**	**76.8**	**(248.2)**	**(132.0)**

Note 8—Segmental analysis (Continued)

	For the nine months ended September 30, 2013 (restated)					
	Israel	Portugal	Belux	FOT	Others	Total
	(In € millions)					
Fixed						
Revenue	527.0	100.9	52.4	37.1	25.5	742.9
Purchase and subcontracting services	(101.6)	(36.4)	(8.5)	(8.7)	(12.5)	(167.7)
Gross Profit	**425.4**	**64.5**	**43.9**	**28.4**	**13.0**	**575.5**
Mobile						
Revenue	142.4	—	0.8	32.7	—	175.9
Purchase and subcontracting services	(82.8)		(0.7)	(10.3)		(93.8)
Gross Profit	**59.6**	**—**	**0.1**	**22.4**	**—**	**82.1**
Others						
Revenue	—	—	—	—	9.3	9.3
Purchase and subcontracting services	—	—	—	—	(0.7)	(0.7)
Gross Profit	**—**	**—**	**—**	**—**	**8.6**	**8.6**
Total Revenue	**669.4**	**100.9**	**53.2**	**69.8**	**35.1**	**928.4**
Total Purchase and subcontracting services	**(184.4)**	**(36.4)**	**(9.2)**	**(19.0)**	**(13.2)**	**(262.2)**
Total Gross Profit	**485.0**	**64.5**	**44.0**	**50.8**	**21.9**	**666.2**
Profit/(loss) before income tax expenses	**26.9**	**(19.1)**	**8.4**	**1.2**	**(79.4)**	**(62.0)**

Note 9—Restructuring, non-recurring costs and other expenses/(income)

Restructuring, non-recurring costs and other expenses/(income) incurred in the three and nine month period ended September 30, 2014 pertain mainly to one-off payments and transaction costs relating to acquisitions or other similar operations. Details are given below:

	9 months ended September 30, 2014	9 months ended September 30, 2013 (restated)	3 months ended September 30, 2014	3 months ended September 30, 2013 (restated)
	(in millions of euros)			
HOT Mobile restructuring costs (related to network sharing deal)	15.1	—	0.6	—
Restructuring costs (employee provisions, contract negotiations)	26.1	9.0	14.8	2.8
Restructuring costs	**41.1**	**9.0**	**15.3**	**2.8**
Fees related to the closing of the ODO transaction	7.0	—	0.3	—
Other deal fees/other income*	10.4	3.3	0.3	(6.0)
Deal fees and other non-recurring costs/(income)	**17.4**	**3.3**	**0.6**	**(6.0)**
Total Restructuring, non-recurring costs and other expenses/(income)	**58.5**	**12.3**	**15.9**	**(3.5)**

* Deal fees incurred in the three and nine month period ended September 30, 2013 mainly relate to fees paid for the HOT take private transaction (December 2012) and the Cabovisao minority stake buyout (April 2013). The other income recorded in the three months ended September 30, 2013 arose mainly due to the write back of some provisions.

Note 10—Related party transactions

10.1 Trading and financial transactions

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	September 30,					
	2013	2014	2013	2014	2013	2014
	(€ in millions)					
Shareholders	—	—	—	—	—	(1.0)
Executive directors	—	—	(2.4)	(2.2)	—	—
Associated companies	—	6.1	—	(5.6)	(0.6)	(0.2)
TOTAL	**—**	**6.1**	**(2.4)**	**(7.8)**	**(0.6)**	**(1.2)**

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014
	(€ in millions)					
Shareholders	—	—	0.2	—	—	—
Executive directors	—	—	—	—	—	—
Associated companies	—	0.6	0.8	5.9	—	0.3
TOTAL	**—**	**0.6**	**1.0**	**5.9**	**—**	0.3

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014	Dec 31, 2013	September 30, 2014
	(€ in millions)					
Shareholders	99.2	46.0	—	—	—	—
Executive directors	—	—	—	—	—	—
Associated companies	—	1.5	6.6	17.1	—	—
TOTAL	99.2	47.5	6.6	17.1	—	—

Note 11—Compensation of key management personnel

The compensation given to the senior management of the Group (including those managers who are also board members of Altice S.A.), for the 9 month period ended September 30, 2014, was €3.4 million and €1.3 million for the 9 month period ended September 30, 2013 (€1.7 million and €0.3 million for the three months ended September 30, 2014 and 2013 respectively).

Note 12—Income tax

The Group registered an income tax expense of €27.6 million for the nine month period ended September 30, 2014 compared to income tax expenses of €27.4 million for the nine month period ended September 30, 2013. For the nine month period ended September 30, 2014, the Group registered an income tax expense of €33.6 million, driven by increased profits in Israel and the Dominican Republic, which was offset by deferred tax credits of €7.5 million. For the comparative period ended September 30, 2013, the income tax expense was mostly composed of deferred tax expenses amounting to €21.9 million.

Note 13—Commitments and contingent liabilities

13.1.1 Provisions and contingent liabilities

13.1.1.A Israel

During the routine course of business, lawsuits have been filed against the companies that comprise the HOT group and various legal proceedings are outstanding against it.

In the opinion of the management of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of €11.8 million (NIS 55 million) has been recorded in the condensed consolidated financial statements as of September 30, 2014, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the management of the Group, the amount of the additional exposure, in an amount of approximately €537.6 million (NIS 2.5 billion) (over and above the provisions that have been recorded in these Condensed Consolidated financial statements), as of September 30, 2014, as a result of lawsuits that have been filed against companies in the HOT group on various matters, is as follows:

- An amount of approximately €258.0 million (NIS 1.2 billion) to cover claims which HOT's management and legal team estimate to have less than a 50% chance of succeeding.
- An amount of approximately €172.0 million (NIS 0.8 billion) towards claims for which no assessment is possible, or towards those class action lawsuits that were presented very close to the date of the financial statements.
- An amount of approximately €150.5 million (NIS 0.7 billion) to cover claims which HOT's management and legal team estimate to have more than a 50% chance of succeeding.

The following is an abbreviated summary of the Hot group's contingent liabilities effective as of September 30, 2014, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of September 30, 2014	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of September 30, 2014	Provisions recorded in the financial statements as of December 31, 2013	Updating of the expense (income), net in the reporting period
			(€ millions)		
Customers	522.5	162.4	2.6	4.3	(1.7)
Copyrights	1.1	0.6	3.7	6.5	(0.6)
Suppliers	14.2	—	0.9	0.4	0.4
Employees	1.3	—	0.2	0.2	0.2
The merger transaction	47.5	—	4.5	—	4.5
Total	586.6	163.0	11.8	11.4	2.8

13.1.1.B Portugal

As of September 30, 2014, the Oni Group and Cabovisao had bank guarantees given to third parties in order to secure the fulfilment of their obligations under some of their agreements for, respectively, a total amount of €5.3 million and €8.9 million.

As of September 30, 2014, Cabovisao recorded provisions for approximately €5.2 million for fiscal contingencies for withholding taxes. In addition, during first quarter 2014, the Instituto do Cinema e do Audiovisual (''ICA'') rendered an unfavourable decision regarding the Audiovisual and Cinema taxation

Note 13—Commitments and contingent liabilities (Continued)

for which an amount of €0.9 million was already recorded in the consolidated financial statements as at December 31, 2013.

13.1.1.C Dominican Republic

As of September 30, 2014, Altice Hispaniola had recorded provisions to account for litigations with commercial customers and with employees. As assessed by the legal department, the total amount of claims amounted to €69.0 million (DOP 3.8 billion) and the amount provided for, which is determined based on the probability of cash outflows, was assessed at €4.7 million (DOP 262.0 million), of which €4.0 million (DOP 240.6 million) related to commercial litigation and €0.4 million (DOP 21.4 million) related to employee litigation.

13.1.2 Commitments and contractual liabilities

Altice Hispaniola also has operating leases mainly for the rental of mobile tower sites and office property.

	< 1 year	Maturity 1 - 5 years	> 5 years	Total September 30, 2014
Operating leases	3.5	40.9	5.4	**49.8**
Total	**3.5**	**40.9**	**5.4**	**49.8**

Management has not identified any significant changes to the commitments of the other subsidiaries of the group as compared to the period ended December 31, 2013.

Note 14—Going concern

As of September 30, 2014, the Group had a net current liability position of €414.6 million (mainly due to current liabilities of €885.7 million). During the nine month period ended September 30, 2014, the Group recorded a net loss of €159.6 million (€89.4 million as of September 30, 2013), positive cash flow from operations of €503.8 million (€288.8 million for the nine months ended September 30, 2013), and negative working capital of €220.8 million. The positive cash flow from operations balance was mainly due to strong growth of the operating profit. The net loss recorded in the nine month period ended September 30, 2014 resulted mainly from finance costs related to the financial debt of the Group and revaluation of monetary items denominated in foreign currency.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (days of sales outstanding). Suppliers are generally paid from the beginning of the following month and after, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€292.9 million receivables as of September 30, 2014 compared to €535.6 million payable as of September 30, 2014). Payables due the following month are covered by revenues and operating cash (if needed). As of September 30, 2014, the Group had few short term current liabilities with amortization of debts limited to the local bonds in Israel (€13.4 million per half year), local debt in Switzerland (€1.2 million quarter) and on the Altice Financing term loan facility (€1.8 million per quarter).

As of September 30, 2014, the Company had a negative equity position of €93.2 million, of which €94.2 million attributable to the equity holders. The net equity position of the Company continued to improve (increase of €167.9 million compared to the year ended December 31, 2013 (€261.2 million), mainly driven by the conversion of loans from related parties granted by Altice S.A. into share capital and share premium of the Company. Going forward, the Company will have access to capital markets through its sole shareholder, Altice S.A., and this is expected to further improve the equity position of the Company.

In view of the current financial situation of the Company, Management is confident that the Group will continue to act as a going concern for the next twelve months, given its earnings and cash flow generating ability.

Note 14—Going concern (Continued)

In addition, the Group had cash reserves of €141.3 million as of September 30, 2014, considered sufficient to cover its operational needs. The Group also had access to revolving credit facilities (''RCF'') of up to €143.5 million to finance any liquidity needs it might have, which are undrawn as at September 30, 2014.

Note 15—Subsequent events

Additional investment in Wananchi

On October 2, 2014, Altice Africa S.à r.l., a 100% subsidiary of the Company, invested an additional $ 10.8 million into Wananchi, a cable company with operations in Kenya and other east African countries. This investment was part of a $ 130 million subordinated notes being issued by Wananchi and open to subscription by current and new shareholders. Altice Africa has pledged to fund up to $ 40 million in three tranches, with the next tranche of $ 20 million due within six months from the date of the payment of the first tranche (April 2, 2015). The notes bear cash interest at a rate of 11% or PIK interest at a rate of 13%. Before this additional investment, Altice Africa already held a 17.4% equity interest in Wananchi (valued at €31.9 million) and convertible notes for a total of €2.9 million. The Group also obtained a new board seat as part of the funding.

The new notes are also convertible at a strike price of $ 1.15/ note issued. If fully converted, the new tranche, when fully funded, will give Altice Africa an approximate 21% shareholding in Wananchi.

Disposal of assets (OMT)

Following the French Competition Authority's conditional approval, obtained on October 27, 2014, to the purchase of SFR by Numericable Group S.A. and Altice S.A., the Company and Altice have agreed to dispose of the OMT's mobile business in the Reunion Islands and Mayotte. OMT's Indian Ocean assets are included respectively in the reporting segment French Overseas Territories (FOT) in note 8—Segment analysis.

In particular, the sale will include the 2G and 3G licenses and frequencies in Reunion Island and Mayotte, the customer base and the relevant personnel.

As these assets were not considered as assets held for sale, as of the date of the statement of financial position, as per the requirements of IFRS 5, Non-current assets held for sale and discontinued operations, no significant accounting impact has been recorded in the condensed consolidated financial statements of the Group for the period ended September 30, 2014.

Offer for Portugal Telecom

On November 30, 2014, Altice S.A., the sole shareholder of the Company announced an exclusivity agreement with Oi to agree the purchase of the Portuguese assets of Portugal Telecom excluding Portugal Telecom's Rio Forte debt securities.

The fully financed, binding offer values Portugal Telecom at an enterprise value of €7.4bn on a cash and debt-free free basis which includes €500m consideration related to the future revenue generation of Portugal Telecom.

The transaction, net of financial debt, accrued post-retirement liabilities and other purchase price adjustments will be financed by new debt and existing cash from the Group.

Should a final agreement be entered in to, the transaction will require corporate approvals and will be subject to standard regulatory approvals for a transaction of this nature.

Note 16—Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Managers and authorized for issue on December 1, 2014.

To the Sole Partner of
Altice International S.à r.l.
3, boulevard Royal
L-2449 Luxembourg

REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Altice International S.à r.l. as of September 30, 2014, the related condensed consolidated statements of income and other comprehensive income for the three month and nine month periods then ended, the related condensed consolidated statements of changes in equity and cash flows for the nine month period then ended and the other explanatory notes (collectively, the ''Interim Financial Statements''). The Board of Managers is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner
December 1, 2014

Altice VII S.à r.l.
(Société à responsabilité limitée)

Annual Report 2013

L-2449 Luxembourg, 3, boulevard royal
R.C.S. Luxembourg B 143.725
Share capital EUR 7,430,115.10

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Sole Partner of
Altice VII S.à r.l.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

Following our appointment by the Sole Partner, we have audited the accompanying consolidated financial statements of Altice VII S.à r.l., which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice VII S.à r.l. as of December 31, 2013, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 14, 2014

ALTICE VII S.à r.l.

Consolidated statement of income

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Revenues	24	1,286.8	1,092.4
Purchases and subcontracting services	24	(367.8)	(302.1)
Other operating expenses	25	(185.5)	(162.5)
Staff costs and employee benefits expenses(1)		(134.7)	(145.3)
General and administrative expenses		(36.2)	(33.3)
Other sales and marketing expenses		(43.9)	(45.9)
Operating profit before depreciation, amortization and non-recurring costs(*)		**518.8**	**403.2**
Depreciation and amortization	26	(399.6)	(266.3)
Goodwill impairment		—	(121.9)
Other expenses, net	27	(15.1)	(29.8)
Management fees		(0.6)	(6.2)
Restructuring and other non-recurring costs	27	(61.2)	(20.8)
Operating profit/(loss)		**42.3**	**(41.7)**
Finance income	28	93.6	26.1
Finance costs	28	(336.9)	(200.0)
Loss before income tax expenses		**(201.0)**	**(215.8)**
Income tax (expenses)/benefit	23	(7.4)	26.0
Loss for the year		**(208.4)**	**(189.8)**
Attributable to equity holders of the parent		*(186.2)*	*(148.9)*
Attributable to non-controlling interests		*(22.2)*	*(40.9)*

(*) Operating profit before depreciation, amortization and non-recurring costs is further referred to as ''EBITDA'' in these consolidated financial statements.

(1) Staff costs and employee benefits have been reclassified for the year ended December 31, 2012 to reflect the total staff costs for all operating departments, i.e. technical and maintenance staff and marketing staff in order to match the new reporting requirements of the group. Such costs amounted to EUR 86.3 million for technical and maintenance staff and EUR 34.2 million for marketing staff and have been reclassified from the lines other operating expenses and other sales and marketing expenses respectively.

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE VII S.à r.l.

Consolidated statement of other comprehensive income

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Loss for the year		**(208.4)**	**(189.8)**
Other comprehensive income			
Exchange differences on translating foreign operations		0.3	(5.1)
Net fair value gain on available-for-sale financial assets		1.7	—
Employee benefits		0.6	—
Total comprehensive loss for the year		**(205.9)**	**(194.9)**
Attributable to equity holders of the parent		*(183.8)*	*(152.6)*
Attributable to non-controlling interests		*(22.1)*	*(42.2)*

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE VII S.à r.l.

Consolidated statement of financial position

December 31, 2013

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	11	61.3	129.7
Restricted cash	11	1,242.8	—
Trade and other receivables	10	230.9	183.1
Inventories	9	11.0	6.1
Current tax assets	23	14.6	5.5
Total Current assets		**1,560.6**	**324.5**
Non-current assets			
Deferred tax assets	23	47.4	19.3
Financial assets	7	50.6	34.4
Trade and other receivables	8	22.8	24.6
Property, Plant & Equipment	6	1,134.2	1,067.8
Intangible assets	5	579.6	458.5
Goodwill	4	1,100.7	790.9
Total non-current assets		**2,935.4**	**2,395.5**
Total assets		**4,496.0**	**2,720.0**
EQUITY AND LIABILITIES			
Current liabilities			
Debentures	17	57.6	28.1
Borrowings from financial institutions	17	—	86.5
Deferred revenue	21	55.9	34.1
Trade and other payables	20	516.6	385.2
Other current liabilities	17	15.9	7.8
Provisions	14	2.1	—
Current tax liabilities	23	57.1	10.7
Total current liabilities		**704.9**	**552.5**
Non-current liabilities			
Debentures	17	2,527.0	1,108.5
Borrowings from financial institutions	17	894.3	257.2
Loans from related parties	17	99.2	109.0
Other financial liabilities	17	271.6	174.5
Provisions	14	29.0	25.6
Deferred revenue	21	10.6	10.8
Trade and other payables	20	29.0	38.8
Retirement benefit obligations	15	8.2	9.1
Deferred tax liabilities	23	183.1	148.2
Total non-current liabilities		**4,052.0**	**1,881.8**
Equity			
Issued capital	12	7.4	7.4
Share premium	12	5.4	—
Other reserves	13	(82.9)	277.5
(Accumulated losses)/Retained earnings		(4.5)	144.5
Net loss-attributable to the equity holders		(186.2)	(148.9)
Equity attributable to equity holders of the parent		**(260.7)**	**280.5**
Non-controlling interests	16	(0.5)	5.2
Total equity		**(261.2)**	**285.7**
Total equity and liabilities		**4,496.0**	**2,720.0**

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE VII S.à r.l.

Consolidated statement of changes in equity

Year ended December 31, 2013

	Issued capital	Share Premium	Other reserves	Retained earnings	Net income	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	(in millions of euros)							
Equity at January 1, 2012	**7.4**	**—**	**232.9**	**25.8**	**118.4**	**384.5**	**349.2**	**733.6**
Allocation to retained earnings	—	—	—	118.4	(118.4)	—	—	—
Loss for the year	—	—	—	—	(148.9)	(148.9)	(40.9)	(189.8)
Employee benefits	—	—	0.1	—	—	0.1	0.4	0.5
Variation in Currency Translation Reserve	—	—	(3.7)	—	—	(3.7)	(1.3)	(5.0)
Increase or decrease of ownership interest	—	—	(16.2)	—	—	(16.2)	21.6	5.4
Dividends paid							(26.0)	(26.0)
Option warrants	—	—	(3.9)	—	—	(3.9)	—	(3.9)
Purchase of non-controlling interests	—	—	68.3	—	—	68.3	(298.4)	(230.1)
Other variations	—	—	—	0.3	—	0.3	0.8	1.1
Equity at December 31, 2012	**7.4**	**—**	**277.5**	**144.5**	**(148.9)**	**280.5**	**5.2**	**285.7**
Allocation to retained earning	—	—	—	(148.9)	148.9	—	—	—
Loss for the year	—	—	—	—	(186.2)	(186.2)	(22.1)	(208.3)
Employee benefits	—	—	0.6	—	—	0.5	0.1	0.6
Variation in CPEC	—	—	(203.9)	—	—	(203.9)	—	(203.9)
Variation on Discounting Reserve	—	—	2.6	—	—	2.6	—	2.6
Variation in Currency Translation Reserve	—	—	0.1	—	—	0.1	0.2	0.3
Decrease/(increase) in ownership interest	—	—	(132.8)	—	—	(132.8)	16.0	(116.7)
Increase in equity	—	5.4	—	—	—	5.4	—	5.4
Integration of entities under common control	—	—	(31.2)	—	—	(31.2)	—	(31.2)
Other variations	—	—	4.2	—	—	4.2	0.1	4.3
Equity at December 31, 2013	**7.4**	**5.4**	**(82.9)**	**(4.4)**	**(186.2)**	**(260.7)**	**(0.5)**	**(261.2)**

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE VII S.à r.l.

Consolidated statement of cash flows

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Net loss, including non-controlling interests		**(208.3)**	**(189.8)**
Adjustments for:			
Depreciation and amortization		399.6	388.2
Gains and losses on disposals	27	(1.0)	4.8
Other non-cash operating gains and losses		(13.0)	59.9
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**177.3**	**259.9**
Finance costs recognized in profit and loss		232.1	174.0
Income tax (benefit)/expense recognized in the statement of income	23	7.4	(26.0)
Income tax (paid)/received		(2.3)	1.6
Changes in working capital		24.6	51.8
Net cash provided by operating activities		**439.2**	**464.5**
Purchases of tangible and intangible assets	5,6	(288.8)	(347.0)
Acquisitions of financial assets		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets		1.5	0.1
Increase/(decrease) in non-current financial assets		0.8	(16.1)
(Increase)/ use of restricted cash	11	(1,234.9)	32.6
Net cash (outflow)/inflow on acquisition of subsidiaries	3.3	(253.1)	(35.1)
Transactions with non-controlling interests	28	(120.9)	(172.9)
Net cash provided used by investing activities		**(1,913.6)**	**(574.2)**
Proceeds from issue of equity instruments	12	1.8	—
Dividends paid to non-controlling-interests	28	—	(26.0)
Proceeds from issuance of debts(*)	18	2452.0	891.5
Repayment of debt	17	(657.1)	(528.3)
Distribution to CPEC holders	13	(212.5)	—
Interest paid		(178.6)	(117.8)
Net cash provided in financing activities		**1,405.6**	**219.3**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.2
Net increase in cash and cash equivalents		**(68.7)**	**109.9**
Cash and cash equivalents at beginning of year	11	129.7	19.8
Net (decrease) / increase in cash and cash equivalents		(68.7)	109.9
Cash and cash equivalents at end of year	11	**61.3**	**129.7**

The accompanying notes form an integral part of these consolidated financial statements.

1—Notes to the consolidated financial statements

1.1 General description of the Group and its activities

Altice VII (the ''Company'') is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and it subsidiaries. The Company was initially established as a public limited company (société anonyme) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2013 its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

On January 31, 2014, Next LP contributed all its economic interests in Altice VII S.à r.l. (''The Group'') to Altice S.A. (''Altice'') in exchange for shares in Altice S.A.

Altice is listed on Euronext in Amsterdam. The consolidated financial statements, which include Altice VII Group are available at the registered address of Altice: 3, boulevard Royal, L-2449 Luxembourg and on its website: www.altice.net.

Altice VII offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, Altice VII Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Altice VII group companies aim at sharing skills and best practices across the various operations of Altice VII Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice VII Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

1.2. Application of new and revised International Financial Reporting Standards (IFRSs)

1.2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements:

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has early applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the

1—Notes to the consolidated financial statements (Continued)

transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation—Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The Managers of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and have not identified any impact in the scope of consolidation linked to application of IFRS 10.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers.

IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements.

Types of Joint Arrangement	Features	Accounting under IFRS 11
Joint venture	Joint ventures have rights to the net assets of the arrangement.	Equity method of accounting—Proportionate consolidation is no longer allowed
Joint operation	Joint operators have rights to the assets and obligations for the liabilities of the arrangement.	Each joint operator recognizes its assets, liabilities, revenue and expenses relating to its interest in joint operation in accordance with the IFRSs applicable to those particular assets, liabilities, revenues and expenses

Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

Application of IFRS 11 has no impact on the consolidated financial statements of the Group for the year ended December 31, 2013.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

1—Notes to the consolidated financial statements (Continued)

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendment to IFRS 7 disclosure—Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 disclosures—Offsetting financial assets and liabilities for the first time in the current period, The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral pricing agreements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have an offsetting arrangement in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Annual improvements to IFRSs 2009-2011 cycle issued in May 2012

The Annual Improvements to IFRSs 2009-2011Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

Amendments to IAS 16 Property Plant and Equipment; and

Amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of the property, plant and equipment in IAS 16 and as inventory otherwise. This amendment does not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with

1—Notes to the consolidated financial statements (Continued)

IAS 12 income taxes. This amendment does not have a significant impact on the Group's consolidated financial statements.

Standards issued but not yet effective

In its financial statements, the Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2013. Their impact on the Group's financial statements is estimated not to be significant and/or not applicable.

IAS 36 Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets

This standard's objective is to amend the disclosure requirements in IAS 36 Impairment of Assets with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13 Fair Value Measurement in May 2011.

The group anticipates additional disclosures in relation to the application of this standard.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments: Novation of derivatives and continuation of hedge accounting

This standard's objective is to provide an exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

The group does not apply hedge accounting and therefore does not expect any impact from the application of this Standard.

2—Significant accounting policies

2.1 Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2—Significant accounting policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2—Significant accounting policies (Continued)

All companies in which the Group has a controlling interest are fully consolidated. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2.4 Functional currency

The consolidated financial statements are presented in millions of euros. Euro is the functional of Altice VII and the presentation currency of the Group.

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results.

2.5 Foreign currency translation

The presentation currency of the Group is euro. In individual companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are accounted for in the income statement. On consolidation, assets and liabilities of the Group's entities reported in their functional currencies are translated into euro, the Group's presentation currency, using the year-end exchange rates. Income and expense items are translated into euro at the annual weighted average exchange rate or at the rate of the date the transaction occurred for significant items.

Differences arising from the translation of opening net assets of the Group entities, together with differences arising from the restatement of the net results for the year of the Group entities, are recognized in other comprehensive income.

2.6 Subsidiaries and associates

2.6.1 Subsidiaries

All companies in which the Group has a controlling interest are fully consolidated. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2.6.2 Associates

Investments, over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these consolidated financial statements.

Significant influence is presumed to exist when the Group holds at least 20% of the voting power in the associates. Associates are initially recognized at cost at acquisition date. The Consolidated Financial Statements include the Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

As per the provisions of IAS 28 *Investment in associates* the interest income and expenses recorded in the consolidated financial statements of the Group on loans with associates have not been eliminated in

2—Significant accounting policies (Continued)

the consolidated statements of income and therefore are still recorded in the consolidated financial statements.

2.7 Operating profit before depreciation, amortization and non-recurring costs

The Group has included the subtotal ''Operating profit before depreciation, amortization and no-recurring costs'' on the face of the consolidated statements of income. The Group believes that this subtotal is useful to users of the Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Group's financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

This non-IFRS measure is used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel.

The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IFRS 1.

2.8 Revenue recognition

Revenue from the Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription and installations fees invoiced to residential and business clients.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group.

Revenues on bundle packages sold by the Group are split into and recognised under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

- Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered ;
- When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract ;
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period ; and

2—Significant accounting policies (Continued)

- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use (''IRU'') arrangements are recognized on a straight-line basis over the life of the contract.

Revenues from mobile services resulting from the sale of mobile services:

- Revenues from the sale of equipment includes the sale of mobile devices and ancillary equipment for those devices. The revenues from the sales are recognized where all of the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the delivery is the time at which ownership is transferred. The charge in respect of terminal equipment is made separately from the monthly charge for the consumption of services, in accordance with the amounts that is denoted in a separate invoice, which reflects the fair value of the terminal equipment, which is not subsidized by the Group. In the light of the aforesaid, the Group recognizes revenues in respect of the sale of devices on the transfer of the ownership of the devices to its customers. The revenues are recognized on the first day in accordance with its fair value as of that time and the difference between the fair value and the denoted amount of the consideration is recognized as financing income over the course of the period of the installment payments.

Income from credit arrangements

- Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of the present value of the future cash flows (against long-term receivables) and are discounted in accordance with interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

2.9 Finance costs

Finance costs primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized costs ;
- Changes in the fair value of interest rate derivative instruments that do not qualify as hedges for accounting purposes according to ''IAS 39'' ;
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

2.10 Income taxes

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the relevant equity item.

2.10.1 Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2—Significant accounting policies (Continued)

2.10.2 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- Deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving),
- Deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Consolidated Statement of Financial Position and Consolidated Income Statement of the Group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to other comprehensive income, and not earnings, if the tax relates to items that are credited or charged directly to other comprehensive income.

2.11 Goodwill and business combinations

Business combinations, not occurring under common control, are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the

2—Significant accounting policies (Continued)

conditions for recognition under IFRS 3 ''Business combinations'' are recognized at their fair value at acquisition date.

The Group recognizes goodwill as of the acquisition date and is measured as the excess of (a) over (b) as follows:

a) *The aggregate of:*

- The consideration transferred, which generally requires acquisition-date fair value;
- The amount of any non-controlling interests in the acquiree measured;
- In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) *The net of the acquisition-date balances of the identifiable assets acquired and the liabilities measured in accordance with IFRS 3.*

Any excess of the cost of acquisition over the Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

The goodwill is determined provisionally by the end of the period. The Group recognizes any adjustments to those provisional values within twelve months after the acquisition date.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

If the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the purchase price, a gain is recognized immediately.

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating income (account ''Depreciation and amortization'') and is never reversed subsequently.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

For acquisitions under common control, the Group does not perform a purchase price allocation. Any difference between the consideration paid and the book value of the net assets acquired is directly attributed to the reserves of the Group and no residual goodwill is recorded.

2.12 Other intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. In our Israeli entity, the costs of producing in-house content is also considered to be an intangible assets and recognized at the cost of production of the shows. Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses.

According to Management, intangible assets have either definite or indefinite useful lives.

2—Significant accounting policies (Continued)

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Customer relations	7 to 37 years
Licences	5 years
Customer relations with a defined contractual term	3 years
Subscriber purchase costs	based on average duration of subscriptions

Assets with indefinite useful lives are tested for impairment annually as well as where there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

2.13 Impairment of tangible and intangible assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an impairment test performed annually.

This test is performed in order to compare the recoverable amount of an asset to its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A Cash Generating Unit (''CGU'') is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the income statement. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment, may be reversed.

2.14 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

2—Significant accounting policies (Continued)

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	Duration
Buildings	25 to 50 years
Cables Network	4 to 20 years
Call center (primarly electronic equipment)	5 to 9 years
Converters and modems	7 years
Computers and ancillary equipment	3 to 6 years
Office furniture and equipment	6 to 16 years
Communication network infrastructure	6 to 16 years
Leasehold contracts	see below

Leasehold contracts are depreciated according to the straight line method during the rental period (including the option period for an extension by the Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are considered to be sufficient in order to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least annually and any changes are accounted for prospectively as a change in accounting estimate.

2.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.15.1 The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated in an accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Rental income from the leasing of customer premises equipment (set top boxes, modems and decoders) is recognized on a straight-line basis over the term of the subscription held by the client. At the end of the contract or in case of voluntary contract termination by the client, this equipment is repossessed and thus remains in the inventory of the Group.

2.15.2 The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see

2—Significant accounting policies (Continued)

note 2.16 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to management, it does not take a substantial period of time to get ready for the intended use because of the incremental deployment of the network. This standard has consequently no impact on the consolidated financial statements.

2.17 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.18 Financial assets

The Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 ''Presentation of financial statements''.

Purchases and sales of all financial assets are recognized on a trade date basis.

2.18.1 Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of

2—Significant accounting policies (Continued)

fair value cannot be made using valuation techniques, the group values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

2.18.2 Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets' carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.18.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Group has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Group currently does not hold any held to maturity financial assets.

2.18.4 Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as finance income or costs.

This category mainly includes:

- Assets held for trading which the Group intends to sell in the near future (primarily marketable securities);
- Assets voluntarily classified at inception in this category;
- Derivatives financial assets.

2.19 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

Cost of inventories is determined using the weighted average cost method.

2—Significant accounting policies (Continued)

The Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.20 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

2.21 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Group's liabilities to banking entities in accordance with the Group's credit agreement and therefore amounts that the Group cannot use at its discretion.

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different Group companies to financial institutions related to financing or other activities.

2.22 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2.23 Share based payment arrangements

The Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom on the Tel Aviv stock exchange.

2.24 Financial liabilities

Financial liabilities other than derivative instruments include:

2.24.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.24.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2—Significant accounting policies (Continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.24.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.24.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 17.4.

2.25 Other liabilities

2.25.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the financial statements:

2.25.2 Legal claims

A provision regarding legal claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2—Significant accounting policies (Continued)

2.25.3 Warranty

The Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Group and does not include warranty for damages incurred by the customer.

2.25.4 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.25.5 Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

2.26 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Group participates in, or maintains, several employee benefits. There are as follows:

2.26.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.26.2 Post-retirement benefits

In Israel, the Group operates a defined benefits plan in respect of the payment of severance pay in accordance with the Israeli Severance Pay Law. According to this law, employees are entitled to receive severance pay if they are dismissed or on their retirement. The liability in respect of the termination of employee-employer relations is measured in accordance with the actuarial value of a forecast unit of entitlement method. The actuarial calculation takes into account increases in salaries in the future and the rate at which employees leave the Group and this on the basis of an estimate of the timing of the payment. The amounts are presented on the basis of the discounting of the forecast future cash flows, in accordance with government bonds' interest rates, whose repayment dates are close to the period relating to the liability in respect of severance pay.

The Group deposits funds in respect of its severance pay liability in pension funds and insurance companies (hereafter—the plan assets). The plan assets are assets that are held by the employee benefits plan for the long-term or in qualifying insurance policies. The plan assets are not available for use by the Group's creditors, and cannot be paid directly to the Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

2—Significant accounting policies (Continued)

The Group has defined contribution plans pursuant to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.26.3 Other long-term employee benefits

The Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Group estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Group's net obligation regarding other long-term employee benefits is in respect of the future benefit amount due to employees for services rendered in current and prior periods. This amount of benefits is discounted to its present value and the fair value of the assets relating to this obligation is deducted from said amount. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Group's obligation. The obligation is calculated using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.26.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Group has made an undertaking, with no real possibility of cancellation, for the dismissal of employees before they reach the customary retirement age in accordance with a detailed formal plan. The benefits that are given to the employees who take voluntary retirement when the Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.27 Significant accounting judgments and estimates used in the preparation of the financial statements

2.27.1 Judgments

In the process of applying the significant accounting policies, the Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the consolidated financial statements.

2.27.2 Estimates and assumptions

The preparation of the consolidated financial statements requires the Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.27.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Managers to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

2—Significant accounting policies (Continued)

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Managers. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1.5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 6.3% to 11%.

2.27.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Group and its investees, the Group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.27.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.27.6 Deferred tax asset

Deferred tax assets relate primarily to tax loss carry forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carry forwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry forwards.

2.27.7 Discounting of Yield Free Preferred Equity Certificates and similar instruments (YFPEC)

The Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4.76% has been used for YFPECs and a discount rate of 6.79% for the Interest Free Loans (IFLs) issued by the Group.

3—Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice VII S.à r.l.	Luxembourg	Parent company	Parent company	—	—
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
H. Hadaros 2012 LTD	Israel	FC(*)	FC(*)	100%	100%
HOT Telecommunication Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	100%

3—Scope of consolidation (Continued)

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	100%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	100%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	50%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	100%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	100%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot EDOM LTD	Israel	FC(*)	FC(*)	100%	100%
Zira (Copyrights on the Internet) LTD	Israel	Equity method	Equity method	25%	25%
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Holdings S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	—
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	76.97%	100%
WSG S.A.	France	FC(*)	FC(*)	76.97%	99.95%
Green.ch	Switzerland	FC(*)	FC(*)	99.12%	99.12%
Valvision S.A.S.	France	—	FC(*)	—	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97,3%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	84.4%	44.39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Portugal S.A.	Portugal	FC(*)	FC(*)	100%	60%
Cabovisao S.A.	Portugal	FC(*)	FC(*)	100%	60%
Altice Finco S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Financing S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC(*)	—	100%	—
OMT Invest S.A.S	France	FC(*)	—	76.97%	—
Groupe Outremer Telecom S.A.	France	FC(*)	—	76.97%	—
Outremer Télécom S.A.S	France	FC(*)	—	76.97%	—
Outremer Télécom Océan Indien S.A.S	France	FC(*)	—	76.97%	—
Altice Blue Two S.A.S	France	FC(*)	—	76.97%	—
City Call Ltd	Mauritius	FC(*)	—	76.97%	—
Outremer Telecom Ltee	Mauritius	FC(*)	—	76.97%	—
Telecom Reunion SNC	France	FC(*)	—	76.97%	—
Telecom 2004 SNC	France	FC(*)	—	76.97%	—
OPS S.A.S	France	FC(*)	—	76.97%	—
WLL Antilles-Guyane S.A.S	France	FC(*)	—	76.97%	—
WLL Réunion SAS	France	FC(*)	—	76.97%	—
ONI S.G.P.S., S.A.	Portugal	FC(*)	—	100%	—
Winreason S.A.	Portugal	FC(*)	—	100%	—
Onitelecom-Infomunicações, S.A.,	Portugal	FC(*)	—	100%	—
Knewon S.A.	Portugal	FC(*)	—	100%	—
Onitelecom Açores S.A.	Portugal	FC(*)	—	100%	—
Onitelecom Madeira S.A.	Portugal	FC(*)	—	100%	—
Altice Content S.à r.l.	Luxembourg	FC(*)	—	100%	—
Ma Chaine Sport S.A.S.	France	FC(*)	—	100%	—
Sport Lux S.à r.l.	Luxembourg	FC(*)	—	100%	—
Sportv S.A.	Luxembourg	FC(*)	—	100%	—

3—Scope of consolidation (Continued)

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
CPA Lux S.à r.l.	Luxembourg	FC(*)	—	100%	—
Altice Bahamas S.à r.l.	Luxembourg	FC(*)	—	100%	—

(*) FC stands for "Full Consolidation"

3.1.1 Composition of the Group

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		31/12/2013	31/12/2012
Distribution of cable based telecommunication services	Israel	9	9
	Belgium	1	1
	Luxembourg	1	1
	Portugal	5	1
	France	3	2
Provider of mobile services	France	2	—
	Israel	1	1
Production and distribution of content based services	Israel	1	1
	France	1	—
	Luxembourg	1	—
Total		**25**	**16**

3.2.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/ (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Blue Two S.A.S	France	23%	—	(2.7)	—	(1.4)	—
Deficom Telecom S.à r.l.	Luxembourg	26%	26%	(17.1)	(10.6)	(9.3)	(13.5)
Green.ch	Switzerland	0.88%	0.88%	—	—	0.3	0.4
Green Datacenter AG	Switzerland	3%	3%	—	—	0.2	0.2
Cool Holding	Israel	—	—	—	(39.4)	9.3	9.1
Winreason S.A.	Portugal	—	—	—	—	0.4	—
Altice Portugal S.A.	Portugal	—	40%	(2.3)	9.1		9.1
Total				**(22.1)**	**(40.9)**	**(0.5)**	**5.2**

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2013

3.2.1.1 Acquisition of OMT

On July 5, 2013 the Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 77% of the shares and voting interests in the company. This acquisition enables the Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed €102.1 million to revenue and €13.5 million to operating profit to the Group's results for the year ended December 31, 2013.

3—Scope of consolidation (Continued)

A purchase price allocation was performed following the acquisition of OMT based on the assumptions described below.

Brand:

The ONLY brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions:

- Discount rate—11.4%
- Royalty rate—1.5%

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumption:

- EBIT margin rate: 13.5% for fixed telephone clients, 12.4% for internet clients, 19.3% for mobile clients, 26.4% for B2B clients.
- Attrition rate: 9.7% for fixed telephone clients, 29.2% for internet clients, 48.5% for mobile clients, 16.4% for B2B clients.
- Discount rate: 11.4%
- Perpetuity growth rate: 2%

3.2.1.2 Acquisition of ONI Communication

On August 8, 2013 the Group obtained control of ONI, a business to business telecommunications operator in Portugal, by acquiring 100% of the shares and voting interests in the company. This acquisition enables the Group to expand its footprint in Portugal and eventually realise synergies with the Group's other business within the same country.

Since August 8, 2013 ONI contributed €41.8 million in revenue and €4.9 million in operating loss to the Group's result for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of ONI based on the assumptions described below.

Brand:

The ONI brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions:

- Discount rate—6.5%;
- Royalty rate—2.0%.

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumptions :

- EBIT margin rate: 14.1%;
- Attrition rate: 22.9% for B2B clients;
- Discount rate: 6.5%;
- Perpetuity growth rate: 0%.

3—Scope of consolidation (Continued)

3.2.1.3 Integration of content channels

On October 4, 2013 Ma Chaine Sport S.A.S. (''MCS'') and SportV S.A. (''SportV''), two exclusive content producing companies based in France and Luxembourg respectively were transferred to the Group by Altice IV and Valemi Corp, Altice IV S.A. being considered as a related party as it shares the same controlling shareholder as the Group at time of acquisition. In the absence of any specific guidance concerning the accounting for common control transactions within IFRS, no purchase price allocation was performed. These transactions allow the group to pursue a strategy of vertical integration and also provide a more integrated solution to its customers.

Since October 4, 2013, Ma Chaine Sport and SportV contributed €6.4 million in revenue and €0.3 million in operating profit to the Group's result for the year ended December 31, 2013.

3.2.2 Change in the Group's ownership interest in 2013

3.2.2.1 Acquisition of minority interests in Cabovisao

On April 23, 2013, the Company completed the acquisition of 40% of minority stake held by Apax Partners in its Portuguese subsidiary Cabovisao S.A, through an investment in the holding company of Cabovisao S.A, Altice Portugal.

The total consideration of EUR 105.0 million was paid on April 23, 2013, of which EUR 90.0 million was paid in consideration for the shares acquired and EUR 15.0 million towards the repayment of an existing vendor note. An amount of EUR 9.1 million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred between non-controlling interests to controlling interest. The difference of EUR 80.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.2 Disposal of Valvision

On June 6, 2013, the Company disposed of its interests in Valvision S.A.S, a cable based service provider in France to Altice VII Bis S.à r.l., a sister concern under common control of the Company's sole shareholder, Next L.P.

The difference of EUR 3.3 million gain generated on this transaction (representing the difference between the net asset value of the entity prior to transfer and the consideration received) has been recognized directly in equity.

3.2.2.3 Acquisition of minority interests in Coditel

Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, is the owner of 60% of the outstanding shares of Coditel Holding Lux II and Coditel Management. On November 29, 2013, Altice Holdings S.à r.l. purchase 40% of the interest of Coditel Holding Lux II and Coditel Management held by Codilink S.à r.l. .

The total consideration of EUR 82.5 million was paid on November 29, 2013, of which EUR 30.6 million was paid in consideration for shares and EUR 51.9 million paid as repayment of subordinated debt instruments held by Codilink (the Coditel PECs). An amount of EUR (9.3) million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred from non-controlling interests to controlling interest. The difference of EUR 39.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3—Scope of consolidation (Continued)

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	OMT	ONI	MCS[(1)]	SportV[(1)]
	(in millions of euros)				
Cost of acquisition[(2)]	280.6	223.3	22.3	23.0	12.0
ASSET					
Intangible assets	154.1	106.7	45.9	1.3	0.2
Property, plant and equipment	122.9	69.5	52.6	0.9	—
Non-current financial assets	1.6	1.6	—	—	—
Inventories	6.3	4.9	1.4	—	
Trade accounts receivable and other	55.7	28.1	19.6	6.0	2.0
Tax receivable	3.0	2.6	0.4	—	—
Cash and cash equivalents	36.3	33.6	0.7	0.3	1.7
Other current assets	13.0	3.2	8.7	0.6	0.5
Total assets	**393.0**	**250.2**	**129.3**	**9.1**	**4.4**
EQUITY AND LIABILITIES					
Non-current liabilities	253.1	205.3	47.5	0.3	—
Current liabilities	185.7	115.5	60.8	6.7	2.7
Total liabilities	**438.8**	**320.8**	**108.3**	**7.0**	**2.7**
Net assets	**(45.9)**	**(70.6)**	**21.0**	**2.1**	**1.7**
Residual goodwill	**295.2**	**293.9**	**1.3**	**—**	**—**
Including impact of non-controlling interests on goodwill	*67.7*	*67.7*		—	—

(1) No goodwill is attributed to neither MCS nor SportV as these were deemed by the Board of Managers to be integrations under common control and thus any difference in the net asset value and the purchase price is recorded directly in the reserves of the group attributable to the shareholders. See note 13 for more details.

(2) When acquiring OMT, ONI and MCS and Sport, the company did not, (i) pay the vendors of OMT and ONI directly as the cash was transferred directly from the lenders to the sellers' accounts, or to their debt holders in case of refinancing of the acquired entities debts or (ii) did not pay the entire amount in cash (as was the case for MCS and SportV), thus generating vendor notes held by the vendors. The total cash out from the accounts of the company amounted to EUR 13.0 million. These vendor notes were settled in 2014.

The acquisition of a controlling stake in OMT Invest S.A.S (''OMT'') and Winreason S.A. (''ONI'') are considered to be non-cash transactions, as the consideration paid to the vendors flows directly from the lending parties to final sellers, without transitioning through the company's accounts. Thus, the cost of such transactions is deducted directly from the issuance of debt in the consolidated statement of cash flows.

3—Scope of consolidation (Continued)

The main figures of the entity, since the beginning of the year, and until the business combination, are presented as follows:

	OMT	ONI	MCS	SportV
	(in millions of euros)			
Revenues	**96.5**	**59.0**	**13.8**	**4.5**
Cost of sales	(30.1)	(31.2)	(3.4)	(1.1)
Gross Profit	**66.4**	**27.8**	**10.5**	**3.3**
Other operating expenses	(19.8)	(11.2)	(1.4)	—
General and administrative expenses	(6.1)	(5.9)	(1.1)	(0.1)
Other sales and marketing expenses	(7.3)	(1.3)	(0.2)	(0.2)
Operating profit before depreciation, amortization and non-recurring costs	**33.2**	**9.4**	**7.7**	**3.0**
Depreciation and amortization	(11.4)	(9.9)	(6.2)	(1.1)
Other (expenses)/income, net	(2.0)	(1.7)	(0.5)	—
Management fees	—	—	—	—
Reorganization and non-recurring costs	(0.4)	(0.5)	—	—
Operating profit	**19.4**	**(2.7)**	**1.0**	**1.9**
Profit / (loss) for the period (including non-controlling interests)	**10.9**	**(8.8)**	**0.8**	**1.4**

4—Goodwill

The Company identified six operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. Goodwill is allocated as follows to each of the Company's operating segments:

	December 31, 2012	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	December 31, 2013
	(in millions of euros)					
WSG	4.6	—	—	—	—	4.6
Valvision	1.4	—	—	—	(1.4)	(0.0)
Green ch	17.8	—	—	—	—	17.8
Coditel	295.5	—	—	—	—	295.5
Hot Telecom	601.8	—	—	18.4	—	620.2
OMT Invest	—	293.9	—	—	—	293.9
ONI	—	1.3	—	—	—	1.3
Total Gross Value	**921.1**	**295.2**	**—**	**18.5**	**(1.4)**	**1,233.3**
WSG	(4.6)	—	—	—	—	(4.6)
Valvision	(1.4)	—	—	—	1.4	—
Green ch	—	—	—	—	—	—
Coditel	—	—	—	—	—	—
Hot Telecom	(124.2)	—	—	(3.8)	—	(128.0)
OMT Invest	—	—	—	—	—	—
ONI	—	—	—	—	—	
Total Cumulative impairment	**(130.1)**	**—**	**—**	**(3.8)**	**1.4**	**(132.6)**
WSG	(0.0)	—	—	—	—	(0.0)
Valvision	(0.0)	—	—	—	—	(0.0)
Green ch	17.8	—	—	—	—	17.8
Coditel	295.4	—	—	—	—	295.5
Hot Telecom	477.6	—	—	14.7	—	492.2
OMT Invest	—	293.9	—	—	—	293.9
ONI	—	1.3	—	—	—	1.3
Total Net book value	**790.9**	**295.2**	**—**	**14.6**	**—**	**1,100.7**

4—Goodwill (Continued)

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
			(in millions of euros)		
WSG	4.6	—	—	—	4.6
Valvision	1.4	—	—	—	1.4
Green ch	17.8	—	—	—	17.8
Coditel Brabant	209.2	—	—	—	209.2
Coditel S.à r.l.	86.3	—	—	—	86.3
Hot Telecom	600.2	—	—	1.6	601.8
Total Gross Value	**919.5**	**—**	**—**	**1.6**	**921.1**
WSG	(4.6)	—	—	—	(4.6)
Valvision	(1.4)	—	—	—	(1.4)
Green ch	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	(1.6)	—	(121.9)	(0.7)	(124.2)
Total Cumulative impairment	**(7.6)**	**—**	**(121.9)**	**(0.7)**	**(130.2)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Green ch	17.8	—	—	—	17.8
Coditel Brabant	209.2	—	—	—	209.2
Coditel S.à r.l.	86.3	—	—	—	86.3
Hot Telecom	598.6	—	(121.9)	0.9	477.6
Total Net book value	**911.9**	**—**	**(121.9)**	**0.9**	**790.9**

The carrying amount of goodwill as at December 31, 2013 was EUR 1,100.7 million (December 31, 2012 was EUR 790.9 million).

Goodwill is reviewed at the Group of cash-generating unit (''CGU'') level for impairment annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested at the CGU level for impairment as of December 31. The CGU is at the subsidiary level of the Company. The recoverable amounts of the CGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the churn rate. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate between 1% and 2%. These rates did not exceed the average long-term growth rate for the relevant markets.

When estimating turnover for purposes of the 2013 impairment test, the Company used a growth rate between (3.6)-6% over the next 5 years. Those estimates were determined on the basis of the analysis of

4—Goodwill (Continued)

the markets where the Company is active in as well as on the basis of projections provided by external sources.

	Green. ch	Coditel	Hot Telecom
Average long term growth rate in 2012 (in %)	2.0	2.0	1.5 - 2
Average long term growth rate in 2103 (in %)	2.0	2.0	2.0

When estimating EBIT margin for purposes of the 2013 impairment test, the Company used a stable ratio of EBIT margin over the next 5 years.

Management estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the CGUs was estimated from the weighted average cost of capital (''WACC'') of companies which operate a portfolio of assets similar to those of the Company's assets.

	Green ch	Coditel	Cabovisao	Hot Telecom
CGU weighted average post-tax WACC rate used in 2012 (in %)	7.0	8.0 - 8.5	—	10 - 11
CGU weighted average pre-tax WACC rate used in 2013 (in %)	6.5	6.6	6.3	10 - 11

The results of the goodwill impairment test of 2012 and 2013 for each CGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the CGU, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

In validating the value in use determined for the CGU for the year ended December 31, 2013, key assumptions used in the discounted cash-flow model were sensitized to test the resilience of value in use and no impairments were noted in these sensitivity analysis.

	Green.ch	Coditel	Hot Telecom
Recoverable amount	124.4	466.6	1,357.1
Carrying amount	17.8	295.5	477.6
Excess of recoverable amount over carrying amount	106.6	171.1	879.5

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the weighted average cost of capital (WACC), all other assumptions being stable and the impact would be:
  - Green.ch: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment is required.
  - Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.
  - HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR 807.2 million and therefore no impairment would be required.
- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the perpetuity growth rates, all other assumptions being stable and the impact would be:
  - Green.ch: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.

4—Goodwill (Continued)

- Coditel: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the perpetuity growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

The analysis did not result in a scenario whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the CGU which is inferior to the carrying value.

5—Intangible assets

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
			(in millions of euros)				
Software	64.9	23.5	—	—	3.0	0.1	91.2
Brand name	79.8	0.3	—	49.1	0.7	—	129.9
Customer relations(1)	325.6	—	—	52.9	8.2	—	386.7
Licenses	31.9	6.2	—	14.7	0.5	3.6	56.8
R&D costs acquisitions	—	—	—	1.8	—	2.1	3.8
Subscriber purchase costs(2)	173.9	20.2	—	—	6.2	—	200.3
Intangible assets under construction	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
Total Gross Value	**795.0**	**92.5**	**(1.2)**	**154.1**	**21.1**	**0.5**	**1,061.9**
Software	(28.1)	(25.4)	—	—	(1.9)	(0.1)	(55.5)
Brand name	(2.6)	(2.2)	—	—	(0.2)	—	(5.0)
Customer relations(1)	(52.9)	(36.1)	—	—	(2.5)	—	(91.5)
Licenses	(9.9)	(7.3)	—	—	(0.1)	0.1	(17.2)
R&D costs	—	(0.7)	—	—		—	(0.7)
Subscriber purchase costs(2)	(166.3)	(21.8)	—	—	(6.0)	—	(194.1)
Intangible assets under construction	—	—	—	—	—	—	
Other intangible assets	(76.7)	(40.7)	0.7	—	(1.6)	—	(118.3)
Total Cumulative amortization and depreciation	**(336.5)**	**(134.1)**	**0.7**	**—**	**(12.3)**	**—**	**(482.3)**
Software	36.8	(1.9)	—	—	1.1	—	.36
Brand name	77.2	(1.9)	—	49.1	0.5	—	124.9
Customer relations(1)	272.7	(36.1)	—	52.9	5.8	—	295.3
Licenses	22.0	(1.1)	—	14.7	0.4	3.8	39.7
R&D costs	—	(0.7)	—	1.8	—	2.1	3.1
Subscriber purchase costs(2)	7.6	(1.6)	—	—	0.2	—	6.2
Intangible assets under construction	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets	42.2	(3.6)	—	28.0	0.9	0.5	68.0
Total Net book value	**458.5**	**(41.7)**	**(0.5)**	**154.1**	**8.7**	**0.5**	**579.6**

5—Intangible assets (Continued)

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Software	37.1	27.3	—	—	0.3	0.1	64.9
Brand name	50.0	—	—	29.6	0.2		79.8
Customer relations(1)	316.4	—	—	8.2	1.0		325.6
Licenses	19.2	13.2	(0.6)	—	—	0.1	31.9
Subscriber purchase costs(2)	152.1	21.2	—	—	0.6		173.9
Intangible assets under construction	—	0.3	—	—	—	(0.3)	—
Other intangible assets	95.3	23.1	—	0.1	0.4		118.9
Total Gross Value	**670.3**	**85.1**	**(0.6)**	**37.9**	**2.5**	**(0.1)**	**795.0**
Software	(10.8)	(17.2)	0.2	—	(0.2)	(0.1)	(28.1)
Brand name	(1.1)	(1.5)	—	—	—		(2.6)
Customer relations(1)	(21.6)	(31)	—	—	(0.3)		(52.9)
Licenses	(7.1)	(2.9)	0.2	—	—	(0.1)	(9.9)
Subscriber purchase costs(2)	(140.4)	(25.3)		—	(0.6)		(166.3)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(30.9)	(46.1)	—	—	(0.3)	0.6	(76.7)
Total Cumulative amortization and depreciation	**(211.9)**	**(124.0)**	**(0.4)**	**0.0**	**(1.4)**	**0.4**	**(336.5)**
Software	26.3	10.1	0.2	—	0.1	—	36.8
Brand name	48.9	(1.5)	—	29.6	0.2	—	77.2
Customer relations(1)	294.8	(31.0)	—	8.2	0.7	—	272.7
Licenses	12.1	10.3	(0.4)	—	—	—	22.0
Subscriber purchase costs(2)	11.7	(4.1)	—	—	—	—	7.6
Intangible assets under construction	—	0.3	—	—	—	(0.3)	—
Other intangible assets	64.4	(23.0)	—	0.1	0.1	0.6	42.2
Total Net book value	**458.3**	**(38.9)**	**(0.2)**	**37.9**	**1.1**	**0.3**	**458.5**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. These are amortized on the basis of the local churn rate.

(2) Subscriber purchase costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.

6—Property, Plant & Equipment

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
			(in millions of euros)				
Land	2.9	0.2	—	0.2	—	—	3.3
Buildings	68.6	8.7	—	5.6	1.4	2.5	86.8
Cable networks[1]	661.8	58.8	(0.2)	0.7	31.8	1.1	754.0
Call center (primarily electronic equipment)[2]	94.8	16.1	(0.4)	1.0	7.5	0.1	119.1
Converters and modems	230.5	26.3	(1.0)	2.9	14.8	2.0	275.5
Computers and ancillary equipment	39.5	3.1	(0.1)	0.8	2.0	—	45.3
Office furniture and equipment[3]	110.7	17.1	(19.2)	1.0	(0.5)	1.3	110.4
Communication network infrastructure[4]	361.7	41.5	(3.6)	89.2	9.7	25.0	523.5
Other data center equipment	2.0	0.7		—	(0.0)	0.6	3.3
Tangible assets under construction	17.0	19.9	—	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets	3.1	0.3	—	0.7	(0.0)	(4.1)	—
Other tangible assets	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
Total Gross Value	**1,602.1**	**196.7**	**(24.6)**	**123.0**	**67.2**	**(2.5)**	**1,961.9**
Buildings	(12.9)	(9.0)	—	—	(0.7)	—	(22.6)
Cable networks[1]	(136.4)	(112.1)	0.2	—	(18.5)	—	(266.8)
Call center (primarily electronic equipment)[2]	(26.7)	(25.6)	—	—	(5.5)	—	(57.8)
Converters and modems	(50.5)	(50.3)	0.6	—	(9.3)	0.2	(109.3)
Computers and ancillary equipment	(27.6)	(5.4)	0.1	—	(1.8)	—	(34.7)
Office furniture and equipment[3]	(37.0)	(14.1)	15.2	—	0.1	—	(35.8)
Communication network infrastructure[4]	(235.0)	(46.2)	3.6	—	(5.9)	(0.5)	(284.0)
Other data center equipment	(1.4)	(0.4)	—	—	—		(1.8)
Tangible assets under construction	(0.3)	—	—	—	—	0.3	(0.1)
Prepayments on tangible assets		—	—	—	—		—
Other tangible assets	(6.4)	(8.0)	—	—	(0.5)	0.1	(14.8)
Total Cumulative amortization and depreciation	**(534.3)**	**(271.1)**	**19.7**	**—**	**(42.1)**	**0.1**	**(827.7)**
Land	2.9	0.2	—	0.2	—	—	3.3
Buildings	55.7	(0.3)	—	5.6	0.7	2.5	64.2
Cable networks[1]	525.4	(53.3)	—	0.7	13.3	1.1	487.2
Call center (primarily electronic equipment)[2]	68.1	(9.5)	(0.4)	1.0	2.0	0.1	61.3
Converters and modems	180.0	(24.0)	(0.4)	2.9	5.5	2.2	166.2
Computers and ancillary equipment	11.9	(2.3)	—	0.8	0.2	—	10.6
Office furniture and equipment[3]	73.7	3.0	(4.0)	1.0	(0.4)	1.3	74.6
Communication network infrastructure[4]	126.7	(4.7)	—	89.2	3.8	24.5	239.5
Other data center equipment	0.6	0.3	—	—	—	0.6	1.5
Tangible assets under construction	16.6	19.9	—	19.9	—	(31.3)	25.1
Prepayments on tangible assets	3.1	0.3	—	0.7	—	(4.1)	0.0
Other tangible assets	3.1	(4.0)	(0.1)	1.0	—	0.7	(0.7)
Total Net book value	**1,067.8**	**(74.4)**	**(4.9)**	**123.0**	**25.1**	**(2.4)**	**1,134.2**

6—Property, Plant & Equipment (Continued)

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Land	2.6	—	—	0.3	—	—	2.9
Buildings	55.5	12.3	—	0.5	0.3	—	68.6
Cable networks[1]	480.3	58.3	(0.9)	110.4	3.0	10.7	661.8
Call center (primarily electronic equipment)[2]	68.3	25.8			0.7	—	94.8
Converters and modems	161.8	70.4	(3.2)		1.5	—	230.5
Computers and ancillary equipment	29.1	6.4		0.1	0.2	3.7	39.5
Office furniture and equipment[3]	97.7	12.2	(0.5)	0.7	0.2	0.4	110.7
Communication network infrastructure[4]	301.9	58	(2.3)	3.1	1		361.7
Other data center equipment	3.0	—	(2.8)	—	—	1.8	2.0
Tangible assets under construction	7.2	19.8	(1.8)	8.4	—	(16.6)	17.0
Prepayments on tangible assets	0.1	3.0	—	—	—	—	3.1
Other tangible assets	6.2	3.2	—	0.1	—	—	9.5
Total Gross Value	**1,213.7**	**269.4**	**(11.5)**	**123.6**	**6.9**	**0.0**	**1,602.1**
Buildings	(8.7)	(4.0)	—	—	(0.2)	—	(12.9)
Cable networks[1]	(24.7)	(110.6)	0.8	—	(1.9)	—	(136.4)
Call center (primarily electronic equipment)[2]	(5.8)	(19.6)	(0.8)	—	(0.5)	—	(26.7)
Converters and modems	(11)	(44.9)	6.3	—	(0.9)	—	(50.5)
Computers and ancillary equipment	(20.4)	(5.0)	(2.0)	—	(0.2)	—	(27.6)
Office furniture and equipment[3]	(23.7)	(15.2)	1.9	—	—	—	(37.0)
Communication network infrastructure[4]	(212.3)	(28.2)	6.0	—	(0.5)	—	(235.0)
Other data center equipment	(1.1)	(0.3)	—	—	—	—	(1.4)
Tangible assets under construction	(0.1)	(0.3)	—	—	—	—	(0.3)
Prepayments on tangible assets	—	—	—	—	—	—	
Other tangible assets	(4.1)	(2.9)	0.6	—	—	—	(6.4)
Total Cumulative amortization and depreciation	**(311.9)**	**(231.0)**	**12.8**	**—**	**(4.2)**	**—**	**(534.3)**
Land	2.6	—	—	0.3	—	—	2.9
Buildings	46.8	8.3	—	0.5	0.1	—	55.7
Cable networks[1]	455.6	(52.3)	(0.1)	110.4	1.1	10.7	525.4
Call center (primarily electronic equipment)[2]	62.6	6.2	(0.8)	—	0.2	—	68.1
Converters and modems	150.8	25.5	3.1	—	0.6	—	180.0
Computers and ancillary equipment	8.7	1.4	(2.0)	0.1	—	3.7	11.9
Office furniture and equipment[3]	74	(3.0)	1.4	0.7	0.2	0.4	73.7
Communication network infrastructure[4]	89.6	29.8	3.7	3.1	0.5	—	126.7
Other data center equipment	1.9	(0.3)	(2.8)	—	—	1.8	0.6
Tangible assets under construction	7.1	19.5	(1.8)	8.4	—	(16.6)	16.6
Prepayments on tangible assets	0.1	3.0	—	—	—	—	3.1
Other tangible assets	2.0	0.3	0.6	0.1	—	—	3.1
Total Net book value	**901.8**	**38.4**	**1.3**	**123.6**	**2.7**	**0.0**	**1,067.8**

(1) Cable network: the Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

6—Property, Plant & Equipment (Continued)

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

The increase in the intangible and tangible assets of the group can mainly be attributed to the acquisition of Outremer Telecom and ONI Telecom during the course of 2013. These increases were slightly offset by the disposal of the Company's interests in Valvision.

7—Financial assets

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Investments held as available for sale[(1)]	40.3	6.1
Loans and receivables[(2)]	3.0	18.7
Other financial assets	5.5	—
Restricted cash[(3)]	1.8	9.6
Total	**50.6**	**34.4**

(1) Investment in available for sale financial asset:s are composed of:

Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Managers considers the investment in Wananchi to be available for sale investment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Managers considers that the nominal value of its investment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Managers is of the opinion that it has no significant influence on the Board of Wananchi.

(2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to €3.0 million ($4 million equivalent). The decrease compared to December 31, 2012 is explained by the partial conversion of the notes from Wananchi to equity.

(3) Restricted cash (see Note 2.21)

As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green.ch held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Esprito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

8—Non current Trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Prepaid expenses	0.6	0.8
Other receivables[(1)]	22.2	23.7
Total	**22.8**	**24.6**

(1) The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its value, as discounted using an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables.

9—Inventories

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Work in progress	0.1	0.1
Finished/semi-finished goods	12.4	7.1
Total Gross Value	**12.5**	**7.2**
Work in progress	—	(0.1)
Finished/semi-finished goods	(1.5)	(1.0)
Total Depreciation	**(1.5)**	**(1.1)**
Work in progress	0.1	—
Finished/semi-finished goods	10.9	6.2
Total Net book value	**11.0**	**6.1**

Inventories are almost exclusively comprised finished goods corresponding to customer premises equipment (modems, decoders, mobile handsets etc.), which is used in the daily business activity of the Group. Management considers that inventory will be fully renewed in the next twelve months.

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2012	Business Combinations	Variation	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)		
Work in progress (goods)	(0.1)	—	0.1	—	—
Finished/semi-finished goods	(1.0)	—	(0.5)	—	(1.5)
Total Cumulative amortization and depreciation	**(1.1)**	**—**	**(0.4)**	**—**	**(1.5)**

9—Inventories (Continued)

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)				
Work in progress (goods)	—	(0.1)	—	—	(0.1)
Finished/semi-finished goods	(1.9)	—	0.9	—	(1.0)
Total Cumulative amortization and depreciation	**(1.9)**	**(0.1)**	**0.9**	**—**	**(1.1)**

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 0.4 million (31 December 2012: EUR 0.1 million).

The cost of inventories recognised as an expense includes EUR 0.4 million (2012: EUR 0.1 million) in respect of write-downs of inventory to net realisable value. This write down mainly concerns the write off of mobile handsets and accessories at OMT to reflect their net recoverable value.

10—Trade and other receivables

10.1 Trade receivables

	December 31, 2012	Business Combinations	Net increase/ (decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
	(in millions of euros)					
Trade receivables	175.6	50.0	(6.8)	—	5.5	224.3
Allowance for doubtful debts	(24.8)	—	(10.1)	7.0	(2.4)	(30.3)
Trade receivable, net	**150.8**	**50.0**	**(16.9)**	**6.9**	**3.1**	**194.0**

	December 31, 2011	Business Combinations	Net increase/ (decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)					
Trade receivables	129.1	5.9	40.4	—	0.1	175.6
Allowance for doubtful debts	(26.4)	—	(3.0)	4.4	0.2	(24.8)
Trade receivable, net	**102.7**	**5.9**	**37.4**	**4.4**	**0.3**	**150.8**

The increase in trade receivables in the year ended December 31, 2013, as compared to the year ended December 31, 2012 is mainly explained by the acquisition of OMT, ONI, MCS and SportV during the course of the year.

10—Trade and other receivables (Continued)

10.2 Age of trade receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Not yet due	137.1	116.7
30 - 90 days	22.1	14.0
91 - 121 days	34.8	20.2
Total	**194.0**	**150.8**

10.3 Other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party	0.1	3.8
Bank guarantee(1)	—	14.0
Prepaid expenses(2)	20.9	6.3
Other current receivables	15.9	8.2
Total	**36.9**	**32.3**

(1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 22 for details on guarantees given by HOT and HOT mobile.

(2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

The Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, the in-country fixed line communications field and the mobile communication field, respectively. The Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

11—Cash and cash equivalents and current restricted cash

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Term deposits	1.4	5.2
Bank overdraft	(0.3)	—
Bank balances	60.1	124.5
Cash and cash equivalents presented in the consolidated statement of cash flows	**61.3**	**129.7**
Restricted cash(1)	1,242.7	—
Restricted cash	**1,242.7**	**—**

(1) Current restricted cash refers to cash held in escrow accounts on behalf of Altice Finco and Altice Financing S.A., related to the acquisition of Orange Dominicana and Tricom. The Board of Managers expects the transactions to close in the first quarter of 2014, thus ensuring utilization of the cash in less than twelve months following December 31, 2013. As of the date of signing of these accounts, the Tricom acquisition had been successfully closed (See note 35).

12—Issued capital and share premium

On December 31, 2013, the share capital amounts to EUR 7.4 million and is divided into 743,011,510 fully paid shares with a nominal value of EUR 0.01.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Share capital	7.4	7.4
Share premium	5.4	—
Total	**12.8**	**7.4**

In June 2013, all the classes of shares were converted into one single class of shares with a nominal value of EUR 0.01 per share and equal voting rights. A capital increase amounting to EUR 4,500 took place on May 30, 2013 together with a share premium of EUR 1.8 million.

Share premium was also issued through the capitalization of a debt instrument for an amount of EUR 3.6 million.

Different classes of shares are summarized below:

Class of corporate units	December 31, 2013 Number
Common shares	743,011,510

Class of corporate units	December 31, 2012 Number
Class A	14,832,900
Class B	71,747,100
Class C	98,886,400
Class D	64,226,800
Class E	98,886,400
Class F	98,886,400
Class G	1,058,610
Class 1A	1,113,600
Class 1B	5,386,000
Class 1C	202,108,900
Class 1D	4,603,900
Class 1E	19,337,000
Class 1F	25,657,900
Class 1O	44,600
Class 1G	79,600
Class M	31,000,000
Class H	742,868
Class 1H	7,132
Ordinary	3,955,400

	December 31, 2013	December 31, 2012
	Number of shares	
Opening balance	**742,561,510**	**741,811,510**
Issuance	450,000	750,000
Redemption	0	0
Closing balance	**743,011,510**	**742,561,510**

13—Other reserves

	December 31, 2013	December 31, 2012
	(in millions of euros)	
CPEC reserve	(2.2)	201.7
Discounting reserve	25.3	22.7
Employee Benefits Reserve	0.8	0.3
Currency Translation Reserve	(6.7)	(6.7)
Impact of changes in ownership interests	(71.5)	61.3
Integration of entities under common control	(31.2)	—
Other reserves	2.6	(1.6)
Group reserves	**(82.9)**	**277.7**

13.1 CPEC Reserves

CPECs (Convertible preferred equity certificates) issued by the group and subscribed by the direct shareholder Next L.P., whose maturity comprises between 2058 and 2061, increased from EUR 219.1 million in 2012 to EUR 290.5 that million in 2013, due to new issuances and subscriptions. In substance, CPECs are subordinated financial instruments have been considered as equity instruments as the issuer can avoid settling these in cash and the CPECs instruments does not bear interest.

Name	Maturity date	Interest rate	Convertible	Principal amount as at December 31, 2012	Principal amount as at December 31, 2013
CPECs A	14/05/2058	—	Yes (at the option of the issuer)	0.84	—
CPECs B	01/12/2058	—	Yes (at the option of the issuer)	3.61	—
CPECs B	14/05/2058	—	Yes (at the option of the issuer)	0.46	—
CPECs B	14/05/2058	—	Yes (at the option of the issuer)	15.42	—
CPECs C	03/12/2058	—	Yes (at the option of the issuer)	23.48	—
CPECs C	03/12/2058	—	Yes (at the option of the issuer)	22.67	—
CPECs C	14/05/2058	—	Yes (at the option of the issuer)	132.30	—
CPECs D	03/12/2058	—	Yes (at the option of the issuer)	3.45	—
CPECs E	01/12/2058	—	Yes (at the option of the issuer)	16.18	—
CPECs G	18/03/2058	—	Yes (at the option of the issuer)	0.06	—
CPECs H	29/06/2058	—	Yes (at the option of the issuer)	0.45	—
CPECs H	16/11/2060	—	Yes (at the option of the issuer)	0.01	—
CPECs H	01/12/2060	—	Yes (at the option of the issuer)	0.15	—
CPECs I	29/02/2061	—	Yes (at the option of the issuer)	0.03	—
Master CPECs	06/06/2062	—	Yes (at the option of the issuer)	—	290.5
Total				***219.1***	**290.5**

13.2 Discounting Reserves

The Master Yield Free Preferred Equity Certificates (''YFPEC'') have been valued using a discount rate of 4.76% given their preferred interest rate which therefore values these certificates at €4.8 million as of December 31, 2013. This value is recorded as a loan from related parties in the accounts of Altice VII.

The nominal amount of outstanding YFPECs issued by Altice VII as of December 31, 2013 is given below. The initial discounting effect is recorded in the Group's reserves and includes the impact of deferred taxes arising as a result of the discounting for EUR 22.7 million as of December 31, 2013.

13—Other reserves (Continued)

Details of YFPECS (before impact of discounting) are presented as follows:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2012	Principal amount as at the end 2013
				in millions of euros	
YFPECs C	14/05/2058	—	No	22.07	—
YFPECs C	03/12/2058	—	No	4.51	—
YFPECs C	15/06/2060	—	No	0.10	—
YFPECs C	26/08/2011	—	No	0.11	—
YFPECs C	28/11/2011	—	No	2.51	—
YFPECs C	03/12/2058	—	No	4.00	—
YFPECs E	01/12/2058	—	No	1.88	—
YFPECs K	31/12/2061	—	No	1.16	—
Master YFPECs	06/06/2062	—	No	—	38.3
Total				***36.34***	**38.3**

Details of the interest free loan registered as equity are given below.

IFL	26/04/2061	—		—	**2.6**

13.3 Employee benefits reserve

This reserve contains variations related to employee benefit plans in place at different group entities that apply IAS 19R. More information is provided in note 15.

13.4 Currency translation reserve

Exchange rate differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

13.5 Impact of changes in ownership structure

This reserves records the impact of the changes in ownership interests held by the Group in its different subsidiaries. As described in note 3.2., the Group acquired non-controlling interests held in Altice Portugal, Cabovisao and Coditel from non-controlling interests, leading to a net decrease of EUR 120.7 million in the Group's reserves, offset by a EUR 3.3 million gain realized on the sale of Valvision. In addition to these transfers of non-controlling interests, an adjustment of EUR 14.2 million, relating to the share of non-controlling interests was recorded in the reserves.

13.6 Integration of entities under common control

As described in note 3.2.1.3, the entry of Ma Chaine Sport S.A.S. and SportV S.A. in the scope of the Group's consolidation had an impact on the reserves equal to the difference between the acquisition price and the net asset position of the companies acquired. The total consideration paid for 100% of the shares MCS amounted to EUR 23.0 million, of which EUR 10.0 million was paid in cash with the remainder generating a vendor note of EUR 13.0 million. The net equity acquired amounted to EUR 2.1 million, thus generating an adjustment of the reserves accounts of EUR 20.9 million.

The total consideration paid for 100% of the shares of SportV was EUR 12.0 million, of which EUR 5.0 million was paid in cash with the rest generating a vendor note. The net equity acquired amounted to EUR 1.7 million, thus generating an adjustment of the reserves accounts of EUR 10.3 million.

13—Other reserves (Continued)

13.7 Legal reserve

According to the Luxemburg legal provisions, 5% of net profit must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserve equal 10% or more of the share capital of the Group.

14—Provisions

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Litigations[1]	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses	1.8	4.7	0.5	(0.7)	(1.0)	5.3
TOTAL	**25.6**	**8.2**	**5.5**	**(7.7)**	**(0.4)**	**31.2**

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Litigations[1]	38.8	—	1.9	(24.0)	(0.9)	15.8
Other risks	1.7	5.0	1.4	(0.1)	(0.1)	8.0
Provisions for other expenses	—	—	1.8	—	—	1.8
TOTAL	**40.5**	**5.0**	**5.1**	**(24.1)**	**(1.0)**	**25.6**

(1) Provisions for litigations : For the year ended December 31, 2013, HOT made payments to Tali, AGICOA and ESHKOLOT copyright owners. Total payments amounted to EUR 5.4 million. HOT also recorded additional provisions for litigation based on a class action lawsuit for a total of EUR 2.9 million.

Provisions for litigations are mainly relating to, (i) claims made by associations representing the owners of certain copyrights in Israel, (ii) class action suits filed by certain consumers in Israel and (iii) lawsuits pertaining to the take-private operation performed in December 2012.

More information on these provisions is provided in note 32.. Management considers that all potential risks of cash-outs on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2013.

15—Employee benefits

Breakdown of the employee benefits by entity:

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
Coditel Brabant		0.5	0.7
Hot Telecom	15.1	3.8	6.5
Green.ch	15.1	1.8	1.9
OMT Invest	15.1	2.2	—
Total		**8.2**	**9.1**

15—Employee benefits (Continued)

15.1 Description of employee benefits by entity

15.1.1 HOT Telecom

(a) Defined Benefit Plans

Employee benefit liabilities

HOT Telecom has several employee benefit plans:

- *Short-term employee benefits*

  Short-term employee benefits are benefits that are forecast to be cleared in full within 12 months of the end of the annual reporting period in which the employees provide the related services. These benefits include salaries, paid annual leave, paid sick leave, recuperation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

- *Post-employment benefits*

  The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

  Since 2011, the Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

  Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

  In addition, the Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. The liability for termination of employment is measured in accordance with an actuarial evaluation of the projected unit credit. The actuarial calculation takes into account the future salary costs and the rate at which employees leave the Group, which is done on the basis of an evaluation of the timing of the payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the obligation relating to severance pay.

  In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (''the plan assets''). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

  The employee benefit liabilities, which are presented in the statement of financial position, represents the present value of the defined benefit liabilities less the fair value of the plan assets.

  Re-measurements of the net liability are reflected under other comprehensive income as they arise.

  Actuarial gains and losses are reflected in other comprehensive income.

- *Other long-term employee benefits*

  The Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value. The discount rate is determined

15—Employee benefits (Continued)

by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Group's obligation.

Re-measurements of the net liabilities are reflected in profit or loss in the period in which they arise.

- *Termination benefits*:

  Employee termination benefits are recognized as an expense at the earlier of such time at which the Group has committed to terminate employees before the normal retirement date and it is unable to cancel the proposal or where the Group recognized costs in respect of a structural change that includes the payment of termination benefits.

The portion of the severance pay payments that is not covered by deposits, is treated by the Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	3.5	4.7
Interest expenses in respect of the benefit liabilities	0.8	1.0
Expected yield in the plan assets	(0.6)	(0.8)
Net actuarial gain which has been recognized in the year	0.1	0.6
Total expenses in respect of employee benefit	**3.8**	**5.5**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(19.3)	(26.8)
Fair value of the plan assets	15.5	20.3
Total net assets/(liabilities)	**(3.8)**	**(6.5)**

15—Employee benefits (Continued)

(d) Changes in the present value of the liabilities in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	**27.6**	**25.4**
Interest expenses	0.8	1.0
Current service cost	3.6	4.6
Benefits paid	(10.6)	(3.2)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss (profit)	0.0	0.6
Closing balance	**19.3**	**26.8**

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**20.9**	**20.7**
Expected yield	0.6	0.8
Deposits by the employer into the plan	3.8	4.1
Benefits paid	(8.3)	(3.7)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss	0.6	—
Closing balance	**15.4**	**20.3**

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.61	3.54
Expected yield on the plan assets	3.74	3.84
Expected yield of salary increases	2 - 5	2 - 4

15.1.2 Green.ch

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

15—Employee benefits (Continued)

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.4	—
Net actuarial gain which has been recognized in the year	(0.3)	—
Total expenses in respect of employee benefit	**0.2**	**—**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(7.5)	—
Fair value of the plan assets	5.7	—
Total net assets/(liabilities)	**(1.8)**	**—**

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	**6.6**	**—**
Interest expenses	0.1	—
Current service cost	0.4	—
Participant contribution	0.3	—
Benefits received	0.4	—
Net actuarial loss (profit)	(0.4)	—
Closing balance	**7.5**	**—**

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**4.6**	**—**
Expected yield	0.1	—
Deposits by the employer into the plan	0.3	—
Participant contribution	0.3	
Benefits received	0.4	—
Net actuarial loss	(0.1)	—
Closing balance	**5.7**	**—**

15—Employee benefits (Continued)

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	2.5	—
Expected yield on the plan assets	—	—
Expected yield of salary increases	1.0	—

15.1.3 OMT Invest

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.1	—
Interest expenses in respect of the benefit liabilities	—	—
Expected yield in the plan assets	—	—
Net actuarial loss which has been recognized in the year	0.1	—
Total expenses in respect of employee benefit	**0.2**	**—**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	2.2	—
Fair value of the plan assets	—	—
Total net assets/(liabilities)	**2.2**	**—**

15—Employee benefits (Continued)

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013(*)	December 31, 2012
	(in millions of euros)	
Opening balance	**2.1**	**—**
Interest expenses	0.0	—
Current service cost	0.2	—
Participant contribution	—	
Benefits paid	(0.0)	—
Net actuarial loss (profit)	(0.1)	—
Closing balance	**2.2**	**—**

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	—	—
Expected yield	—	—
Deposits by the employer into the plan	—	—
Participant contribution		
Net actuarial loss	—	—
Closing balance	**—**	**—**

() The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.15	—
Expected yield on the plan assets	—	—
Expected yield of salary increases	1.5 - 2.0	—

16—Variations in non-controlling interests

	December 31, 2013	December 31, 2012
Balance at beginning of year	**5.2**	**349.2**
Share in loss for the year	(22.1)	(40.9)
Acquisition of non-controlling interests on Hot Telecom Ltd	—	(298.4)
Dividends paid to non-controlling interests	—	(26.0)
Acquisition of non-controlling interests in Altice Portugal S.A.	(9.1)	21.6
Acquisition of non-controlling interests in OMT Invest S.A.S	1.3	—
Acquisition of non-controlling interests in Winreason S.A.	0.4	—
Acquisition of non-controlling interests in Coditel Holding Lux II S.à r.l.	23.6	—
Effect of foreign exchange translation	0.2	(1.3)
Other variations	—	1.0
Balance at end of year	**(0.5)**	**5.2**

17—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Bonds	2,527.0	1,108.5
Related party bonds(5)	99.2	109.0
Borrowings from financial institutions(1)	894.3	257.2
Finance leases(2)	23.4	27.1
Other financial liabilities	105.9	84.9
Financial instruments	142.3	62.5
Non-current liabilities(3)	**3,792.1**	**1,649.5**
Bonds	26.4	25.4
Borrowings from financial institutions	—	86.5
Finance leases(2)	11.4	7.8
Other financial liabilities	4.5	—
Accrued interest	31.2	2.7
Current liabilities(4)	**73.5**	**122.4**
Total	**3,865.6**	**1,771.9**

(1) Borrowings from financial institutions mainly comprised of (i) EUR 764.8 million corresponding to the Altice Financing term loan facility, (ii) the Coditel Mezzanine facility for EUR 104.0 million and (iii) Green data center debt for a total of EUR 23.7 million

(2) Liabilities related to finance leases were included in the line item 'other financial liabilities' for the year ended December 31, 2012 and have been reclassified for comparative purposes for the year ended December 31, 2013.

(3) Non-current liabilities shown here correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'long term loans from related parties' and 'other financial liabilities' as presented in the consolidated statement of financial position.

(4) Current liabilities shown above correspond to the total of the line items, 'borrowings from banking corporations and debentures','other current liabilities'and 'related party bonds', as presented in the consolidated statement of financial position.

(5) As part of the proposed initial public offering of the newly incorporated Altice S.A., it was decided to redeem the related party preferred equity certificates issued by Altice VII. The redemption proceeds will be contributed by Altice S.A. to Altice VII against shares in Altice VII and related premium.

17—Borrowings and other financial liabilities (Continued)

17.1 Bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Hot Telecom						
—Debentures	310.1	Between 3.9% and 6.9% + Consumer Price Index	2018	280.1	282.5	269.2
Altice Financing						
—Senior Secured Notes USD 460 M	346.1	7.875%	2019	305.1	333.9	348.4
—Senior Secured Notes EUR 210M	219.1	8.00%	2019	201.8	210.5	210.5
—New Senior Secured Notes EUR 300M(1)	300.0	6.5%	2022	292.8	300.0	—
—New Senior Secured Notes USD 900M(1)	652.7	6.5%	2022	637.3	652.7	
Altice Finco						
—Senior Notes USD 425M	309.6	9.875%	2020	309.1	309.1	322.7
—Senior Notes EUR 250M	272.2	9.00%	2023	245.3	250.0	—
—New Senior Notes USD 400M(1)	351.6	8.125%	2024	282.5	290.1	—
Nominal value of bonds	**2,761.3**			**2,554.0**	**2,628.8**	**1,150.8**
Of which due within one year	26.8			26.8	26.8	—
Of which due after one year	**2,734.6**			**2,527.0**	**2,602.0**	**1,150.8**

(1) New notes issued by Altice Finco S.A. and Altice Financing S.A. are held in escrow and are not used as of December 31, 2013 (See note 11).

During the year ended December 31, 2013, debentures issued by the Company included:

The Hot Telecom Debentures:

The Series A' debentures-EUR 167 million, linked to the Consumer Prices Index for Tel Aviv, bear yearly interest at a rate of 3,9%. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures-EUR 137 million bear yearly interest at a fixed rate of 6,9%. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Altice Financing Senior Secured Notes:

Altice Financing S.A. has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- $ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.
- €210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.
- $ 900.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana

17—Borrowings and other financial liabilities (Continued)

acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

- €300.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

Altice Finco Senior Notes:

Altice Finco S.A. has issued Senior Notes in December 2012, June 2013 and December 2013 to finance various acquisitions:

- $ 425.0 million senior notes issued in December 2012, bearing a semi-annual coupon of 9.875% and maturing on December 15, 2020.
- €250.0 million senior notes, issued in June 2013, bearing a semi-annual coupon of 9.0% and maturing on June 15, 2023.
- $ 400.0 million senior notes issued in December 2013, bearing a semi-annual coupon of 8.125% and maturing in 2024. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange.

17.2 Covenants

17.2.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv Stock Exchange by the Group's subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

- A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- No distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2013, Hot Telecom was in compliance with all of the required financial covenants.

17.2.2 Altice Blue One

As of December 31, 2012, Altice Blue One was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt agreements, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

Altice Blue One debt has refinanced its external debt on July 2, 2013 and Altice Blue One is no longer subject to any debt covenants.

17.2.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A. On June 2, 2013, the senior facilities (A and B) were refinanced and repaid by anticipation, thus releasing Coditel Holding S.A. from any covenant requirements on the senior debt facility.

As of December 31, 2013, Coditel Holding S.A. was in compliance with all of the required financial covenants on the Coditel Mezzanine debt.

17—Borrowings and other financial liabilities (Continued)

17.2.4 Altice Finco and Altice Financing

Altice Finco and Altice Financing, the Senior and Senior Secured Notes issuers are subject to covenants that only come into effect every time new debts are issued with the following requirements:

- Secured net debt to EBITDA ratio: < 3:1
- Unsecured net debt to EBITDA ratio: <4:1

The Group is allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined under the indenture. In addition, the Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the net debt of the Group.

In case the Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. No other penalties are applicable in case of a breach of covenant. The Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Group may face (for a total EUR equivalent amount of EUR 118.0 million).

17.3 Borrowings from financial institutions

In addition to the bonds described above, the Group has issued the following debts:

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of €100.0 million, bearing cash interest at 8.5% and a PIK interest at 5.25% which is capitalized annually. This debt matures in 2016.
- A covenant lite term loan issued by Altice Financing S.A for a total amount of $ 1,034 million (€795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.

17.4 Related party bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Related party bonds						
Altice VII						
—Alpecs	94.3	Variable	2057 to 2061	94.3	94.3	104.6
—Yfpecs	4.8	4.76%	2058 to 2061	4.8	4.8	4.4
—IFL	0.2	6.79%	2061	0.2	0.2	—
Nominal value of bonds	**99.2**			**99.2**	**99.2**	**109.0**
Of which due within one year	—			—	—	
Of which due after one year	**99.2**			**99.2**	**99.2**	**109.0**

Subordinated financial instruments have been issued by Altice VII and Coditel Holding.

(a) Altice VII

Subordinated financial instruments have been issued by Altice VII consists of:

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

17—Borrowings and other financial liabilities (Continued)

Conversely, according to our appreciation, and upon application of IAS 32/39, following instruments have to be classified as debt instruments:

ALPECs instruments (about EUR 94.3 Million as at the end of 2013; 2012 amount: EUR 104.6 million)

YFPECs instruments (about EUR 4.8 Million as at the end of 2013; 2012 amount: EUR 4.4 million)

IFL instruments (about EUR 0.2 million at the end of 2013; 2012 amount: EUR 0.2 million)

The YFPECs have been valued using a discount rate of 4.76% given its preferred interest rate which therefore values the liabilities at EUR 4.8 million as at December 31, 2013.

17.5 Other financial liabilities

Other financial liabilities mainly consist of:

(i) Preferred equity certificates (PECs): These instruments bear a yield and shall have a maturity of 49 years.

On November 29, 2013, Altice Holding S.à r.l. acquired the PECs held by Codilink S.à r.l. (40% of the total amount). Following this transaction, all remaining PECs issued by Coditel Holding Lux II have been subscribed by Deficom Telecom, of which 26.2% is detained by Deficom Group S.A

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument in euro	Interest rate	Convertible	Amount as at the end of 2012	Amount as at the end of 2013
			(in millions)	(in euro)			(in millions of euros) including interests	
PECs C . . .	30/06/2011	30/06/2060	16.90	1	12.98%	No	51.4	14.9
PECs C . . .	02/12/2011	02/12/2060	3.86	1	12.98%	No	10.5	2.8
Total			***20.76***				***61.9***	***17.7***

(ii) Debt related to Altice Caribbean put: Altice Caribbean, the sole shareholder of Altice Blue Two S.A.S, has the option to repurchase the minority stake in Altice Blue Two S.A.S, valued at EUR 52.7 million for the year ended December 31, 2013.

(iii) EUR 20.2 million in vendor notes owed by Altice VII S.à r.l. to the previous shareholders of MCS S.A.S. and SportV S.A., payable in 2014. Of the total purchase price of EUR 23.0 million for MCS and EUR 12.0 million for SportV S.A. cash payments were made for an amount of EUR 14.9 million in the year ended December 31, 2013. These vendor notes were settled after year end.

17.5 Maturity of financial liabilities

	December 31, 2013	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	2,554.0	26.8	253.7	2,273.3
Related party bonds	99.2	—	—	99.2
Borrowings from financial institutions	893.4	—	—	893.4
Finance leases	34.8	11.4	23.4	—
Accrued interest	31.2	31.2	—	—
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	—	142.3	—
Nominal value of borrowings	**3,865.2**	**71.4**	**478.7**	**3,315.9**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	1,133.9	25.4	77.3	1,031.2
Related party bonds	109.0	—	—	109.0
Borrowings from financial institutions	343.7	86.5	27.5	229.7
Finance leases	34.9	12.3	15.0	7.6
Accrued interest	3.0	3.0	—	—
Other financial liabilities	84.9	—	7.8	77.1
Financial instruments	62.5	—	—	62.5
Nominal value of borrowings	**1,771.9**	**116.3**	**116.0**	**1,539.6**

17.6 Currency of borrowings

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	2,554.0	739.4	1,534.0	280.6	—
Related party bonds	99.2	99.2			
Borrowings from financial institutions	893.4	870.0	—	—	23.4
Finance leases	34.8	5.8	—	26.5	2.5
Accrued interest	31.2	25.8	5.4	—	—
Other financial liabilities	110.4	107.1	—	3.0	0.2
Financial instruments	142.3	142.3	—	—	—
TOTAL	**3,865.2**	**1,989.6**	**1,539.4**	**310.1**	**26.4**

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	1,133.9	—	839.3	294.6	—
Related party bonds	109	109	—	—	—
Borrowings from financial institutions	343.7	319.7	—	—	24
Finance leases	34.9	6.2	—	26.1	2.6
Accrued interest	3	1.2	1.6	—	0.2
Other financial liabilities	84.9	82.0	—	2.7	0.2
Financial instruments	62.5	—	62.5	—	—
TOTAL	**1,771.9**	**544.2**	**903.4**	**297.3**	**27**

17.7 Nature of interest rate

	December 31, 2013	Fixed interest rate	Floating interest rate
		(in millions of euros)	
Bonds	2,554.0	2,554.0	—
Related party bonds	99.2	5.0	94.2
Borrowings from financial institutions	892.4	129.1	764.3
Finance leases	34.8	34.8	—
Accrued interest	31.2	15.4	15.8
Other financial liabilities	110.4	103.3	7.1
Financial instruments	142.3	—	142.3
TOTAL	**3,865.2**	**2,841.6**	**1,023.7**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1,133.9	969.7	164.2
Related party bonds	109.0	109.0	—
Borrowings from financial institutions	343.7	229.9	113.8
Finance leases	34.9	2.6	32.3
Accrued interest	3.0	3.0	—
Other financial liabilities	84.9	82.0	2.9
Financial instruments	62.5	62.5	—
TOTAL	**1,771.9**	**1,484.8**	**287.1**

17.8 Derivatives

As of December 31 2013, the Group had entered into the following swap transactions:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%
- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%
- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%
- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%
- A coupon only cross-currency swap transaction covering part of the USD 1,034 million Term loan notional (USD 540.5 million), in which Altice pays Euros and receives US Dollars, amounting to EUR 392 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate of between 0.22% and 0.26% and a fixed spread of between 4.5% and 4.8%

As of December 31, 2013, the Group has entered into the following forward transactions:

- A forward transaction covering USD 500 million of the total USD nominal due at maturity of the Altice Finco USD Senior Notes and Altice Financing USD Senior Secured Notes (USD 885 million) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.28-4.33 ILS/USD.
- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan at maturity, in which Altice pays Israeli Shekels and Euros to receive US Dollars. As part of the

17—Borrowings and other financial liabilities (Continued)

transaction, Altice will pay ILS 1,076 million and receive USD 293 million at a hedged rate of 3.678 ILS/USD and will pay EUR 415 million and receive USD 541 million at a hedged rate of 1.301.

- A coupon only forward transaction covering USD 200 million of the USD 400 million Senior Notes issued by Altice Finco (of which USD 25 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering USD 225 million of the USD 450 million Senior Secured Notes issued by Altice Financing (of which USD 10 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering EUR 200 million of the EUR 200 million Senior Secured Notes issued by Altice Financing (of which EUR 10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.036 ILS/EUR.

17.9 Non-cash transactions

Non-cash transactions consist of transactions where the Group has made payments to sellers of acquired entities or lenders (in case of debt repayments), with the cash being transferred directly to the third party.

The details of non-cash transactions are given below:

	December 31, 2013
	(in millions of euros)
Transaction costs related to acquisitions	(35.8)
Transaction with non-controlling interests	(120.9)
Net payments on acquisition of subsidiaries	(240.1)
Repayment of external debts	(641.7)
TOTAL	**(1,038.5)**

18—Obligations under finance leases

18.1 Leasing arrangements

The Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. Entities with major lease contracts are, (i) HOT and HOT Mobile, (ii) Outremer Telecom and (iii) Auberimmo.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

18—Obligations under finance leases (Continued)

18.1.1. Leasing arrangements

	Minimum lease payments	
	31 December 2013	31 December 2012
Less than one year	12.6	12.3
Between one and two years	7.3	7.2
Between two and three years	5.0	4.9
Between three and five years	2.8	2.9
More than five years	7.6	7.6
Less: future finance expenses	(2.9)	(2.6)
Present value of minimum lease payments	**35.3**	**34.9**

	31 December 2013	31 December 2012
Included in the consolidated financial statements as:		
Current borrowings (note 17)	23.4	27.1
Non-current borrowings (note 17)	11.4	7.8
Total	**34.8**	**34.9**

Current leasing obligations for HOT are listed below:

The HOT group (HOT Telecom and HOT Mobile) leases equipment under finance leasing agreements. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2013 the net carrying value of the leased facilities and equipment is EUR 38.1 million (NIS 182 million) (2012 – EUR 41.7 million/NIS 205 million).

HOT Mobile has finance leasing in an amount of EUR 2.9 million in accordance with its rental contract with the company ''Airport City'' Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2013, there is no balance recorded in the accounting records in respect of leasehold improvements (as of December 31, 2012, the net carrying value of leasehold improvements was EUR 3.0 million).

The Group has recorded finance leasing in respect of the Bezeq agreement. As of December 31, 2013, the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of EUR 0.4 million (NIS 2 million), as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2012 – EUR 0.4 million/NIS 2 million).

Other leasing contracts exist at Auberimmo, a datacenter owned by the Group and operating in France. The facility was purchased under a finance lease agreement for an initial amount of EUR 5.6 million. A second tranche was issued to carry out renovations and leasehold improvements, amounting to a total of EUR 3.0 million.

19—Financial risk factors

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks (including equity price risk and settlement risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Managers establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

19—Financial risk factors (Continued)

The Group is not subject to any externally imposed capital requirements.

19.1 Credit risk

The Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of Groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Group does not have significant concentration of credit risk, as a result of the Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

19.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Managers, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

19.3 Market risks

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

19.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Group has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Financial debt at fixed rates	2,841.6	1,484.8
Financial debt at variable rates	1,023.7	287.1
TOTAL	**3,865.2**	**1,771.9**

	Weighted average effective interest rate	< 1 year	1 - 5 years	5+ years	Total	Carrying amount
31 December 2013						
Non-interest bearing	—	—	—	4.9	4.9	4.9
Variable interest rate instruments(1)	5.9%	58.7	989.89	481.1	1,529.7	1,023.7
Fixed interest rate instruments	7.7%	272.62	1,942.42	1,712.64	3,927.68	2,841.6

19—Financial risk factors (Continued)

	Weighted average effective interest rate	< 1 year	1 - 5 years	5+ years	Total	Carrying amount
31 December 2012						
Non-interest bearing	—	—	—	4.4	4.4	4.4
Variable interest rate instruments	5.1%	—	5.6	326.3	842.2	287.1
Fixed interest rate instruments	7.4%	—	—	839.4	839.4	1,484.8

(1) The carrying amount of variable interest rate instruments excludes the following items included in note 17.6: 'Accrued interest, Other financial liabilities and financial instruments'.

19.3.2 Israeli CPI risk

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 187.0 million (NIS 895 million) as of December 31, 2013.

19.3.3 Foreign currency management

1. Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures and swaps.

	December 31, 2013		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate	12.8	0.2	12.9
Equity			
Increase of 10% in exchange rate	5.6	2.1	7.6
Decrease of 10% in exchange rate	(5.6)	(2.1)	(7.6)

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.9)	(0.1)	(13.1)
Decrease of 10% in exchange rate	12.9	0.1	13.1
Equity			
Increase of 10% in exchange rate	23.3	3.0	26.3
Decrease of 10% in exchange rate	(23.3)	(3.0)	(26.3)

Exchange differences recorded in the income statement represented a profit of EUR 66.4 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to assess the impact of

19—Financial risk factors (Continued)

a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

2. Foreign currency hedging

It is the policy of the Group to enter into hedging foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table details the hedging contracts outstanding at the end of the financial year :

	31/12/13	31/12/13	31/12/13	31/12/13
Outstanding swap contracts	**Average exchange rate**	**Foreign currency**	**Notional Value**	**Fair Value of assets(1)**
Outstanding swap contracts (ILS coupons only)	4.34	3,201.8	620.6	(25.0)
Outstanding swap contracts (EUR coupons only)	0.79	415.5	392.0	(12.9)
Outstanding forward contracts (ILS coupons only)	4.31	2,154.3	426.7	(22.7)
Outstanding forward contracts (ILS nominal only)	5.07	2,125.0	362.6	(81.7)

(1) Fair value of swap and forward contracts as of December 31, 2012 amounted to EUR 62.5 million

19.3.4 Price risk

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2013, the carrying amount of these investments was EUR 9.4 million (6.1 million as of December 31, 2012).

19.4 Gearing computation

For the year ended December 31, 2013, the Altice VII Group had a negative net equity position of EUR 261.2 million, thus resulting in a negative gearing ratio.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net Debt	**3,865.6**	**1,771.5**
Cash and cash equivalents	(61.3)	(129.7)
Total equity	(261.2)	285.7
Gearing	**(1,456)%**	**575%**

19—Financial risk factors (Continued)

19.5 Fair value of financial assets and liabilities

19.5.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at 31/12/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
Foreign currency forward contracts (see notes17.8)	(104.9)	(52.6)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
Interest rate swaps (see note 17.8)	(37.9)	(9.8)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
AFS					N/A	N/A
—Wananchi[(1)]	31.9	—	Level 3	Internal approach using business plans	N/A	N/A
—Partner and Co.	8.4	6.1	Level 1	Quoted price in an active market	N/A	N/A

(1) In April 2012, the Group made an investment in the East-African cable operator Wananchi, to gain a foothold in the strategic and fast developing African cable and telecom market. To date the Group has invested a total of EUR 34.9 million ($48.4million, of which EUR 31.9 million in equity and EUR 3.0 as a convertible note, as of the year ended December 31, 2013) in this venture, alongside other industry peers, and has acquired a total stake of 17.5% in Wananchi. Given the specific geo-economic context of the zone that Wananchi operates in, the high growth rate, infrastructure development needs and volatilities associated with the region, the Board of Managers considers that the carrying amount of its investment reflects the fair value of the investment as of December 31, 2013.

19.5.2 Reconciliation of Level 3 fair value measurements

	Available for sale (unlisted shares)	Others	Total
31 December 2013			
Opening balance	0.0	—	0.0
Total gains or losses:			
—in profit or loss	0.0	—	0.0
—in other comprehensive income		—	
Purchases[(*)]	31.9		31.9
Issues	—	—	—
Disposals/settlements	—	—	—
Transfers in level 3	—	—	—
Transfers out of level 3	—	—	—
Closing balance	**31.9**	**—**	**31.9**

There were no available for sale instruments classified as level 3 for the year ended December 31, 2012.

(*) As at December 31, 2012 and during the year 2013, the Group invested into convertible bonds issued by Wanachi. Such bonds have been converted during the year in exchange for shares of Wananchi.

20—Trade and other payables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade payables	392.2	314.2
Corporate and social security contributions	29.8	24.5
Other payables	94.3	46.3
Amounts due to related parties	0.1	0.2
Deposit and guarantee received	0.4	—
Total current payables	**516.6**	**385.2**
Trade payables-acquisition of assets	13.0	5.9
Other payables	16.0	32.9
Total non-current payables	**29.0**	**38.8**

The increase in trade payables can mainly be attributed to the acquisitions of Outremer, ONI and integration of MCS and SportV in the scope of consolidation of the Group in 2013.

The increase in income tax payables can be attributed to an improvement in the profit before tax at HOT and a concomitant increase in the income tax rate in Israel from 25.0% to 26.5% as compared to FY2012.

21—Deferred revenues

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current deferred revenue	55.9	34.1
Non-current deferred revenue	10.6	10.8
Total deferred revenues	**66.5**	**44.9**

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers.

The increase in deferred revenues for the year ended December 31, 2013 was mainly due to an increase in price of certain products for the year ended December 31, 2013 and the subsequent billing and revenue collection of these subscriptions before the year end.

22—Classification and fair value of financial assets and liabilities

On December 31, 2013 and 2012, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2013			
			Fair Value	
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
	(in millions of euros)			
Current assets				
Cash and cash equivalents	61.3	61.3	—	—
Restricted cash	1,242.7	1,242.7	—	—
Trade receivables	194.0	194.0	—	—
Other receivables	37.1	37.1	—	—
Non-current assets			—	—
Restricted cash	1.8	1.8	—	—
Loans and receivables	3.0	3.0		
Available for Sale	40.3	—	—	40.3
Long term trade receivables	5.5	5.5	—	—
Other long-term trade receivables	22.8	22.8	—	—
	1,608.5	**1,568.3**	**0.0**	**40.3**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	57.6	57.6	—
Loans from related parties	—	—	—
Trade payables	383.4	383.4	—
Others payables	246.0	246.0	—
Other current liabilities	15.9	15.9	—
Non-current liabilities			—
Loans from banking corporations and debentures	3,520.5	3,520.5	—
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	—
	4,534.6	**4,392.3**	**142.3**

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
Current assets				
Cash and cash equivalents	129.7	129.7	—	—
Trade receivables	150.8	150.8	—	—
Other receivables	37.9	37.9	—	—
Non-current assets				
Restricted cash	9.6	9.6	—	—
Investments in financial assets available for sale	—	—	—	—
Available for Sale	6.1	—	—	6.1
Long term trade receivables	18.7	18.7	—	—
Other long-term trade receivables	24.6	24.6	—	—
	377.4	**371.3**	**—**	**6.1**

22—Classification and fair value of financial assets and liabilities (Continued)

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	113.2	113.2	—
Trade payables	311.3	311.3	—
Others payables	118.8	118.8	—
Short-term loans from related parties	2.7	2.7	—
Non-current liabilities			
Loans from banking corporations and debentures	1,365.7	1,365.7	—
Long-term loans from related parties	109.0	109.0	—
Other financial liabilities	174.5	112.0	62.5
Other non-current liabilities	49.5	49.5	—
	2,244.7	**2,182.2**	**—**

23—Taxes on income

23.1 Income tax (expense)/benefit

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current income tax	(38.0)	4.2
Deferred taxes on deductible temporary differences	30.6	21.8
TOTAL	**(7.4)**	**26.0**

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current tax assets	14.6	5.5
Current tax liabilities	(57.1)	(10.7)
TOTAL	**(42.5)**	**(5.2)**

23.2 Deferred tax assets and liabilities

	December 31, 2012	Reclassifications	Business combination	From equity	From profit and loss	December 31, 2013
			(in millions of euros)			
Other	0.4	0.2	—	—	—	0/4
IAS 19R Employee Benefits	—	(0.2)	—	0.7	0.3	0.8
IAS 36, Depreciable fixed assets	(0.6)	0.6	—	—	—	—
IAS 38, Intangible assets	—	—	1.3	—	0.1	1.4
IAS 39, Financial Instruments	19.0	—	—	(1.5)	26.2	43.7
Compensation DTA/DTL	—	(6.6)	—	—	—	(6.6)
Other	0.4	0.4	—	4.9	2.1	7.7
Total deferred taxes assets	**19.3**	**(6.1)**	**1.3**	**4.1**	**28.7**	**47.4**

23—Taxes on income (Continued)

	December 31, 2012	Reclassification	Business combination	From equity	From profit and loss	December 31, 2013
			(in millions of euros)			
Customer relationships	51.3	(.3)	15.1	—	(4.1)	62.0
Brand	16.7	.3	13.7	—	—	30.8
Other Intangible assets	21.3	14.1	2.0	2.3	17.6	57.3
Reevaluation of Tangible assets	30.1	(8.8)	.2	.0	(4.1)	17.4
IAS 23, Borrowing Costs	3.1	—	—	—	—	3.1
IAS 36, Depreciable fixed assets	(8.8)	(4.9)	—	(.4)	32.0	17.8
Present value of YFPECS financial instrument	9.3	—	—	—	.4	9.7
Present value of IFL financial instrument	—	—	—	1.1	—	1.1
Capitalisation of transaction costs	—	—	—	—	7.8	7.8
Temporary differences	22.3	(22.3)	—	—	—	—
Other	3.1	22.5	—	6.6	(49.4)	(17.2)
Compensation DTA/DTL	—	(6.6)	—	—	—	(6.6)
Total deferred taxes liabilities	**148.4**	**(6.0)**	**31.0**	**9.6**	**.2**	**183.3**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
		(in millions of euros)			
Other	0.2	—	—	0.2	0.4
IAS 16, Property, Plant and Equipment	0.1	—	—	0.3	0.4
IAS 36, Depreciable fixed assets	—	—	(0.6)	—	(0.6)
IAS 38, Intangible assets	—	—	—	—	—
IAS 39, Financial Instruments	—	—	—	19.0	19.0
Total deferred taxes assets	**0.3**	**—**	**(0.6)**	**19.5**	**19.3**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
		(in millions of euros)			
Customer relationships	52.0	3.6	—	(2.8)	51.3
Brand	9.3	7.4	—	—	16.7
Other Intangible assets	23.9	—	(4.7)	2.1	21.3
Reevaluation of Tangible assets	11.0	23.2	—	(4.1)	30.1
IAS 23, Borrowing Costs	3.6	—	—	(0.4)	3.1
IAS 36, Depreciable fixed assets	(11.1)	—	(1.4)	3.6	(8.8)
Present value of YFPECS financial instrument	9.0	—	—	0.2	9.3
Temporary differences	22.8	—	—	(0.5)	22.3
Other	3.1	—	0.1	(0.1)	3.1
Total deferred taxes liabilities	**123.7**	**32.7**	**(6.0)**	**(2.0)**	**148.4**

23—Taxes on income (Continued)

23.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net income	**(208.3)**	**(189.8)**
Share of net income-associates	**—**	**—**
Share of net income-equity holders	**(208.3)**	**(189.8)**
Tax charge [(−) expenses/(+) income]	(7.4)	(26.0)
Earnings/(Loss) before tax	**(200.9)**	**(215.8)**
Theoretical tax rate	29.22%	28.80%
Income tax calculated on theorical tax	58.7	62.1
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(6.5)	(5.8)
Permanent differences	(9.5)	(57.0)
Restatements without tax impact	(2.9)	18.7
Utilization of previously non capitalized tax credit	13.9	20.0
Carry-back	0.0	0.1
Tax loss carry forwards of the periods non activated	(61.2)	(13.2)
Effect of unused tax losses not recognized as Deferred tax asset	—	1.0
Effective Tax	**(7.4)**	**25.9**
Effective tax rate	4%	(12%)

Permanent differences present in different Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	(0.6)	**13.6**
Tax adjustments	—	—	—	0.4	1.0	—	**1.4**
Regularization of deferred tax from prior periods	—	—	—	(8.3)	—	—	**(8.3)**
Regularization of local tax from prior periods	—	—	—	3.5	—	—	**3.5**
Earnout adjustment	—	—	(13.4)	—	—	(0.1)	**(13.5)**
Tax provisions	—	—	(6.8)	—	—	—	**(6.8)**
Others	—	0.3	—	—	—	0.3	**0.6**
Total	**(1.5)**	**(3.6)**	**2.4**	**(4.9)**	**(1.5)**	**(0.4)**	**(9.5)**

23.4 Tax assessments

23.4.1 Hot Telecom

On December 22, 2013, an agreement was signed between Cool Holdings Ltd and all of its subsidiary companies (except for HOT Mobile Ltd.) (hereinafter in this section—the companies) and the Israeli Income Tax Authority for the closure of disputes that had arisen in the assessment discussions for the years 2006 - 2011 and in continuation of the tax assessments that had been received in December 2009 and during the course of 2010 for the 2006 - 2008 tax years. Pursuant to the compromise agreements the companies will be required to pay an additional amount of tax in respect of the said tax years, primarily in respect of timing differences in respect of the depreciation of the infrastructure and the cables network and the amortization of intangible assets. The implementation of the compromise agreements will result in the Company having chargeable income in 2012 and 2013 as well.

23—Taxes on income (Continued)

HOT Telecom's management has recorded the provision relating to the assessments in its financial statements in the past.

The impact of such assessment agreement in HOT's financial statements, including in respect of the updating of the HOT's deferred tax balances, is a net income of EUR 5.0 million.

Most of the companies have been issued with final tax assessments up to and including the 2011 tax year. HOT Mobile has been issued with tax assessments up to and including the 2009 tax year, which are deemed to be final.

23.4.2 Cabovisao

For the years 2012 and 2013, Cabovisao is subject to corporate income tax (''IRC—Imposto sobre o Rendimento das Pessoas Colectivas'') at a rate of 25%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax (''Derrama''‘'); and (ii) by a 3% and 5% state tax (''Derrama Estadual'') applicable on taxable income between 1,5 million Euros and EUR 10 million (EUR 7.5 million as from January 1, 2013, following a change in Portuguese tax legislation occurred in December 2012) and on taxable income in excess of EUR 10 million (EUR 7.5 million as from January 1, 2013), respectively, in accordance with the article 87- A of the Portuguese Corporate Income Tax code, resulting in a maximum aggregate tax rate of approximately 31.5%.

In accordance with article 88° of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

As at December 31, 2013, the Company's tax returns, for the fiscal periods of 2006 until 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2013, the Company already received a tax notification, adjusting the Company's tax losses obtained in the fiscal year ended 2006, in the amount of approximately EUR 16.5 million. However, as of December 31, 2013, any carrying forward tax losses obtained in the fiscal year ended 2006 already expired, and therefore cannot be used to reduce future taxable profits.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of EUR 17.2 million, as well as an additional tax payment in the amount of EUR 4.1 million for withholding tax and stamp tax. The Company paid EUR 2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Managers understands that the final outcome of this matter will be favorable to the Company.
- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately EUR 5.2 million (excluding related late payment interests). Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6.8 million. As of December 31, 2013, the administrative and tax court of Almada didn't pronounce itself on that claim. The Board of Managers understands that the final outcome of this matter will be favorable to the Company.

23.4.3 Other entities

The Board of Managers has not identified any other material tax assessments in other Group entities.

23—Taxes on income (Continued)

23.5 Unrecognized deferred tax assets

As at December 31, 2013, unrecognized deferred tax assets amount to EUR 253.0 million and are mainly split as follows:

	December 31, 2013	December 31, 2012
	(in million Euros)	
Cool Holding and HOT Telecom	(13.9)	—
HOT Mobile	(118.9)	(10.8)
Altice Financing	(3.9)	—
Cabovisao	(56.0)	(51.3)
Altice Finco	(1.8)	—
Altice Holdings	(36.9)	—
Altice Caribbean	(1.5)	—
Altice Blue Two	(6.4)	—
ONI	(11.8)	—
Others	(2.0)	—
Total	**(253.0)**	**(62.2)**

24—Segment analysis

24.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel,
- Belgium and Luxembourg (Western Europe),
- Portugal (Western Europe),
- French Overseas Territories (Antilles and Indian Ocean),
- Others (Switzerland, Africa, France etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- B2B and Others (Content/etc.).

Following the signature of agreements to acquire Tricom and Orange Dominicana in the Dominican Republic in October and November 2013 respectively, a new segment, ''Dominican Republic'', will be defined. Given the nature of the activities of the two firms, there will be no changes to the activities segment.

24.1.1 Operational KPIs

It has also been decided by Management that operating subsidiaries shall report operational KPIs every week together with financial KPIs every month, using a standard reporting format.

24—Segment analysis (Continued)

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

24.1.2 Financial KPIs

Each local operational company will also report on a monthly basis the following financial KPIs by segment:

Revenues (Cable/Mobile/B2B and Others),

Cost of Sales (Cable/Mobile/B2B and Others),

Capex (Cable/Mobile/B2B and Others).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).

Mobile Capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licences to operate. Once Capex are engaged and operational, there are limited Capex requirement.

Management believes that operations in Switzerland are currently not substantial enough to require a separate reporting segment, and will be reported under 'B2B and Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity.

24.2 Regional specificities

24.2.1 Israel

Israel is currently an important contributor to the Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterized by a high broadband and cable penetration and a very technology-savy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. Management is factoring expectations for price pressure and increasing competition in its strategic plan.

Triple play penetration is low and represents a valuable growth driver.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which Management need to consider when setting up integration plans and operational synergies. The prevailing political environment in the region can also have adverse impacts on the

24—Segment analysis (Continued)

development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

24.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration. Customers are willing to pay more for premium services and hence price pressure appears limited.

These regions are marked by the presence of many well established local cable operators with no overlap thou. Customer retention is a key factor in maintaining strong profit margins.

Given the density and presence of mobile operators, the mobile strategy has been driven by Mobile Virtual Network operations, through the deployment of quadruple play packages.

24.2.3 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery, makes it difficult to achieve revenue growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and migrate the customer base from double play to triple play offers.

24.2.4 French Overseas Territories

The French Overseas Territories present growth opportunities with relatively limited competition and room to attract more subscribers on our cable infrastructure. Additional growth potential exists notably through the deployment of multiple-play services and efficiency gains in distribution network, , as multiple-play packages penetration remains low. Price pressure is low in these regions and customers are willing to pay more for value added services.

Additional opportunities have been identified and pursued in the e-banking sector.

24—Segment analysis (Continued)

24.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

	December 31, 2013					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
			(in millions of euros)			
Cable						
Revenue	891,9	61.8	694.2	27.1	108.7	—
Costs of sales	(179,5)	(10.6)	(129.6)	(5.0)	(34.1)	—
Gross Profit	**712,3**	**51.0**	**564.6**	**22.1**	**74.6**	**—**
Mobile						
Revenue	256.2	1.2	187.6	67.3	—	—
Costs of sales	(129.9)	(0.9)	(107.8)	(21.2)	—	—
Gross Profit	**126.4**	**0.3**	**79.8**	**46.1**	**—**	**—**
B2B and others						
Revenue	138,6	8.9	—	32.5	41.8	55,3
Costs of sales	(58.4)	(1.0)	—	(10.9)	(24.3)	(22.1)
Gross Profit	**80.2**	**7.8**	**—**	**21.6**	**17.5**	**33.2**
Total						
Total Revenue	**1,286.7**	**72.0**	**881.8**	**126.9**	**150.5**	**55.3**
Total Costs of sales	**(367.8)**	(12.9)	(237.4)	(36.9)	(58.4)	(22.1)
Total Gross Profit	**918.9**	**59.1**	**644.4**	**89.8**	**92.1**	**33.2**
Operating expenses	**(400.2)**	(12.9)	(281.7)	(40.5)	(43.0)	(22.0)
Depreciation and amortisation	**(399.6)**	(18.1)	(274.9)	(26.6)	(65.1)	(14.8)
Other operating income & expenses	**(76.8)**	(4.2)	(57.4)	(9.5)	(10.7)	5.0
Operating income	**42.3**	23.8	30.4	13.3	(26.8)	1.5

24—Segment analysis (Continued)

	December 31, 2012					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
Cable						
Revenue	873.3	70.3	677.9	24.4	98.2	2.5
Costs of sales	(212.9)	(10.3)	(159.0)	(4.1)	(39.1)	(0.5)
Gross Profit	**660.4**	**60.0**	**518.9**	**20.4**	**59.1**	**2.0**
Mobile						
Revenue	172.7	0.2	172.5	—	—	—
Costs of sales	(69.9)	(0.1)	(69.8)	—	—	—
Gross Profit	**102.8**	**0.1**	**102.7**	**—**	**—**	**—**
B2B andothers						
Revenue	46.4	0.8	—	—	—	45.6
Costs of sales	(19.3)	(0.6)	—	—	—	(18.7)
Gross Profit	**27.1**	**0.2**	**—**	**—**	**—**	**26.9**
Total						
Total Revenue	**1.092.4**	**71.3**	**850.4**	**24.4**	**98.2**	**48.1**
Total Costs of sales	**(302.1)**	**(11.0)**	**(228.8)**	**(4.1)**	**(39.1)**	**(19.2)**
Total Gross Profit	**790.3**	**60.3**	**621.7**	**20.4**	**59.1**	**28.9**

25—Operating expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Technical and maintenance costs	(149.0)	(141.9)
Customer services	(32.9)	(18.3)
Taxes	(3.6)	(2.4)
Total	**(185.4)**	**(162.5)**

26—Depreciation, amortization and goodwill impairment

It consists in (i) amortization of intangible assets for a total of EUR 133.4 million (2012: EUR 245.7 million including EUR 121.9 million of goodwill impairment), (ii) depreciation of tangible assets for a total of EUR 251.4 (2012: EUR: 219.6 million) and (iii) other additions and reversals for a total of EUR 14.8 million (mainly representing additional depreciation on inventories and receivables) (2012: EUR 77.10 million, representing a net reversal for the year).

27—Other operating incomes and expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Other incomes and expenses	(17,0)	(24.9)
Other revenues	0.9	—
Disposal of tangible assets	1.0	(4.8)
Other expenses, net	**(15.1)**	**(29.8)**
Non-recurring costs(1)	(58.3)	(22.4)
Restructuring costs(2)	(2.9)	(6.7)
Restructuring and other non-recurring costs	**(61.2)**	**(20.8)**
Total	**(76.3)**	**(50.5)**

(1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone's network during the transition phase. In addition, Altice financing incurred costs related to consultants' fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.

(2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

28—Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments(1)	0.1	0.5
Foreign exchange gains	91.0	24.7
Gain arising from fair value of subordinated financial instruments(1)	2.5	0.9
Finance income	**93.6**	**26.1**
Interest charges on borrowings and overdrafts(2)	(199.2)	(118.5)
Loss arising on fair value of financial instruments	(99.4)	(62.8)
Foreign exchange losses	(24.5)	(2.8)
Net book-value of disposal/financial assets	(13.6)	(16.7)
Finance costs	**(336.8)**	**(200.0)**
Total	**(243.2)**	**(174.1)**

(1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.

(2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013).

29—Transactions with non-controlling interests

On April 23, 2013, the company repurchased the 40% minority interests held by Apax in its Portuguese subsidiary, Cabovisao for a total consideration of EUR 105.0 million, of which EUR 90.0 million was paid as consideration for equity acquired and EUR 15.0 million used in the repayment of a shareholder loan. The total amount of equity acquired was valued at EUR 13.1 million and the impact on the net equity of the Group was EUR 77.0 million following the consummation of the deal.

On November 29, 2013, the company repurchased the 40% minority interests held by Apax though its holding company Codilink S.à r.l. in Coditel Holding Lux and Coditel Management. The total

29—Transactions with non-controlling interests (Continued)

consideration paid was EUR 82.5 million, of which EUR 30.6 million was paid to acquire shares in Coditel Holding Lux II and EUR 51.9 paid to reimburse subordinated debt instruments (CPECs) held by the minority shareholder. The amount of equity acquired by the Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Group net equity following the consummation of the deal.

30—Average workforce

	December 31, 2013	December 31, 2012
Managers	352	268
Technicians	857	660
Employees	3,011	4,719
	4,220	**5,647**

31—Transaction with related parties

31.1 Trading and financial transaction

Transactions with related parties mainly related to transactions with Numericable Group, Next L.P. or Altice Six S.A.. Such transactions are limited to (i) re-invoicing of certain operational services granted by Numericable Group to certain subsidiaries of Altice VII, or (ii) shareholder preferred equity certificates or loan issued by Altice VII and held by Next L.P.

Transaction with related parties that directly impact the reserves of the Group are summarized in note 13.

Other related parties include consulting firms specialized in the management and operations of telecom companies and executive managers of Altice VII. The fees paid to the consulting companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII. Transactions with executive managers include loans provided to them by the Company.

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders	0.2	0.1	12.1	0.2	—	0.6
Executive managers	—		—	—	—	—
Remuneration and benefits in kind	—		2.5	—	—	—
Associate companies	—	0.1	—	0.7	—	6.2
TOTAL	**0.2**	**0.2**	**14.6**	**0.9**	**—**	**6.8**

31—Transaction with related parties (Continued)

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
			(In millions of euros)			
Equity holders	—	—	—	0.2	—	—
Executive managers	2.7	—	—	—	—	—
Associate companies	—	—	—	0.8	—	—
TOTAL	**2.7**	**0.0**	**—**	**1.0**	**—**	**—**

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
			(In millions of euros)			
Equity holders	109.0	99.2	1.6	—	0.6	—
Executive managers	—	—	—	—	—	—
Associate companies	—	—	—	6.6	—	—
TOTAL	**109.0**	**99.2**	**1.6**	**6.6**	**0.6**	**—**

31.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice S.A. for the financial year 2013, is EUR 2.3 million compared to EUR 1.7 million for the financial year 2012.

The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2013	December 31, 2012
Short-term benefits	2.3	1.7
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
Termination benefits	—	—
TOTAL	**2.3**	**1.7**

32—Contractual obligations and commercial commitments

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

	December 31, 2013					
Unrecognised contractual commitments	**< 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Five years or more**	**Total**
Good and service purchase commitments	103.4	70.0	36.0	1.4	21.9	232.7
Investment commitments	38.9	1.2	.6	—	—	40.7
Guarantees given to suppliers/customers	5.8	2.7	2.3	2.3	1.2	14.3
Guarantees given to government agencies	14.1	7.5	.5	4.0	22.3	48.3
Other commitments	(2.1)	51.5	—	—	—	49.4
Total	**160.1**	**132.9**	**39.3**	**7.7**	**45.4**	**385.3**

32.1 Hot Telecom Commitments

32.1.1 Commitments

A. *Contingent liabilities*

1. Within the framework of the merger of the cable companies on December 31, 2006, HOT Telecom (or ''HOT'') assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that the company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

In addition, HOT has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter—Lawsuits).

In the opinion of the managements of the Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2013 in an amount of EUR 11.1 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

In the opinion of the management of the Group companies the additional exposure in an amount of approximately EUR 565 million (over and above the provisions that have been recorded in these financial statements), as of December 31, 2013 in respect of lawsuits that have been filed against companies in the Group on various issues is as follows:

a) An amount of approximately EUR 377 Million in respect of claims, the chances of which, in the assessment of the company's management, in reliance on opinions from its legal advisors, do not exceed 50%.

b) An amount of approximately EUR 105 Million in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.

c) An amount of approximately EUR 84 Million in respect of claims, where the chances of there being accepted in the assessment of the HOT's management, in reliance on the opinion of its legal advisers, exceed 50%.

32—Contractual obligations and commercial commitments (Continued)

The following table is an abbreviated summary of the Group's contingent liabilities, which are outstanding as of December 31, 2013, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2013	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2013	Provision recorded in the financial statements as of December 31, 2012	Updating of the expense (income) in the reporting period
			EUR in Million		
Customers[1]	490.0	82.0	4.2	2.1	2.1
Copyright	—	—	6.3	11.3	0.4
Suppliers[2]	22.6	11.3	0.4	0.6	—
Employees	1.0	—	0.2	0.2	—
The merger transaction	50.2	—	—	—	—
Total	**563.8**	**93.3**	**11.1**	**14.2**	**2.5**

(1) The amount includes EUR 10.5 Million in respect of claims after the balance sheet date.

(2) The amount includes EUR 9.4 Million in respect of claims after the balance sheet date.

B. Commitments

1. Royalties to the Ministry of Communications and other payments to the government

a) HOT Telecom used to be committed to pay annual royalties in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT Telecom and HOT Mobile have each been charged to pay stood at 1.75% in 2012 and decreased to 0% from 2013 onwards.

b) In July 2001, the cables companies, including HOT Telecom, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant

32—Contractual obligations and commercial commitments (Continued)

portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to HOT as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies) − 1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of EUR 6.1 million and EUR 5.4 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2013 and 2012 amounted to EUR 9.4 million and EUR 8.8 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section—''The draft law'') was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, if it is passed.

3. A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2012 and 2013 HOT complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed HOT that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to receive broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that HOT will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989, Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

32—Contractual obligations and commercial commitments (Continued)

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing.

The total of the expenses recorded in HOT's accounting records for the network services payable to the Bezeq company in the years 2013 and 2012 amounted to EUR 9.8 million and EUR 10 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. Commitments to lease assets

The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2013, exclusive of the option period, are as follows:

	EUR Million December 31, 2013	EUR Million December 31, 2012
2014	37.3	37.8
2015	30.2	30.0
2016	19.7	24.4
2017	10.1	17.5
2018 and thereafter	7.3	61.7
	104.6	**171.3**

6. On July 19, 2011, HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arise as a result of increased uses and applications that require a considerable band width.

32—Contractual obligations and commercial commitments (Continued)

7. On May 27, 2010, a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

8. As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011, the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

9. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

10. On June 16, 2011, HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which HOT Mobile is required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile

32—Contractual obligations and commercial commitments (Continued)

has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement.

11. In 2013 and at the beginning of 2014, a number of additions to the agreement were signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with Hot acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

12. On October 27, 2011, an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter—Comverse), in accordance with which Comverse will supply HOT with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter—The system) and Comverse will also supply HOT with hardware, software and services, including the operation and maintenance of the system The agreement is for a period of five years. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addendum to this agreement, in accordance with which Comverse is committed to allocate seven additional employees to be available for the project (instead of the manpower that HOT had to make available for the project), for a payment of 500,000 US Dollars.

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter—HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter—The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. On November 11, 2013, HOT's Audit Committee approved HOT's commitment under a sub-leasing agreement with the Middle East Company Ltd. (hereinafter—the lessor) for the sub-leasing of a plot of land in the Jaffa Port, which HOT is leasing (hereinafter—the leased property), retroactively, as from July 2013.

The leased property will be used by the tenant, which is a company that produces broadcasts for a foreign news company, which is 85% owned by Mr. Patrick Drahi, the ultimate controlling interest in HOT.

The lease fees that will be paid to HOT in respect of the leased property have been set in accordance with the rental fees that HOT pays in respect of the property and under the same payment terms (back to back), with the addition of a monthly amount in respect of: (1) the tenant's relative share of the municipal taxes, electricity, water, security and cleaning expenses (back to back terms to those paid by HOT) and (2) adaptations to the leased property that HOT has executed at its own expense.

It is determined in the rental agreement that in any case in which the agreement ends before the end of the rental period, the tenant shall pay HOT the balance of the payments in respect of the adaptations that HOT made in the leased property, as discounted using a real annual interest rate that has been set in the agreement.

32—Contractual obligations and commercial commitments (Continued)

15. On November 8, 2013, HOT Mobile signed on agreements with Partner Communications Ltd. (hereinafter—Partner), which are subject to the receipt of all of the approvals that are required, as detailed below: HOT Mobile and Partner will set up a limited partnership, which will hold, develop and operate a single advanced cellular communications network, for both of the companies, each of which will hold half of the rights in it. In accordance with the agreement, each of the parties will continue to hold and to operate its core of the network separately and provide cellular communications services, including the marketing and the selling of such services, to its customers alone.

The agreement arranges the management of the joint network and its development, the manner of the management of the partnership, including a mechanism for the appointment of a board of directors, the resolution of disagreements, the bearing of the costs of upgrading the network and so on.

The agreement will be in force for a period up to December 31, 2028, and thereafter, the agreement will be extended automatically for additional periods of 5 years each, unless either of the parties gives notice of its desire to terminate the agreement by giving notice in advance of 24 months before each automatic renewal. Despite the aforesaid, as from the end of a period of 8 years from the entry of the agreement into force, it may be cancelled by either of the parties, in accordance with their own judgment and by giving two years notice in advance from that time. The agreement also sets a mechanism for the separating of the parties in the event of the termination of the agreement.

In consideration for the agreement, HOT Mobile will pay a non-recurring amount, which is to be paid by the beginning of 2017, and thereafter, each party will bear half of the capital investments that are required to set up and to upgrade the joint network and the bearing of the operating expenses for the joint network will be in accordance with a mechanism that is set in the agreement and which is based, inter alia, on the volume of the data traffic that each party consumes from the joint network.

As an interim stage and until the receipt of the approvals that are required under the law, Partner will extend to HOT Mobile the right to use its cellular communications network for the purposes of the provision of brad national cover to its customers. The services under the agreement will apply after the completion of the preparations and in accordance with any agreement or regulation.

In the light of the commitment with Partner in connection with the in-country roaming services, HOT Mobile and Pelephone Telecommunications Ltd. (with which HOT Mobile had entered into an exclusive agreement in the past for in-country roaming services up to December 31, 2014) reached agreement regarding the cancellation of the exclusivity clause.

16. In the reporting period, the management of HOT Mobile Ltd. (hereinafter—HOT Mobile), made a decision regarding the vacation of its offices at Airport City, in respect of which there is a long-term rental contract with Airport City, for the period up to and including 2019. As a result of this decision, HOT has recognized losses of EUR 7.1 million in the reporting period, which have been recorded under other expenses, reflecting the rental expenses, taxes and amortization of leasehold improvements, which in HOT Mobile's assessment are irrecoverable, and which meet the definition of an onerous contract.

17. Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

C. Guarantees and liens

1. As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

   a) A floating charge on HOT's assets.

32—Contractual obligations and commercial commitments (Continued)

b) A fixed charge on the shares in the subsidiary companies.

c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis HOT, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.

2. As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the assets and the rights belonging to debtors of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group.

3. As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

b) Guarantees in an amount of EUR 7.1 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

5. HOT has given a number of bank guarantees to various bodies in an overall amount of EUR 6.7 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The Group has extended guarantees in a cumulative amount of 22 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Group has extended a guarantee in an amount of EUR 51.5 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

c) The Group has extended a guarantee in an amount of 36 million Dollars as collateral for HOT Mobile's commitments to Bank Crédit Agricole in connection with transactions with suppliers of equipment.

d) The Group has extended a guarantee in an amount of EUR 2.3 million as collateral for the commitments of HOT Telecom to various bodies.

7. On May 23, 2013, HOT signed on a credit agreement with Bank Discount Le'Israel Ltd., the First International Bank Le'Israel Ltd. and HSBC Bank PLC (hereinafter—the banks and the credit agreement, respectively).

The amounts of the credit are divided into a number of facilities: A working capital facility, which may be exploited by the drawing down of loans in an amount of up to EUR 41.9 million and a credit facility for guarantees in an amount of up to EUR 22 million.

The collateral that exists under the financing agreement that HOT signed with Altice Financing S.A., which is a related party of HOT, will serve as collateral, together with the creation of new, additional liens on HOT's holdings in subsidiary companies and partnerships, except for HOT Mobile. As of the balance sheet date, HOT has taken up a guarantee in an amount of EUR 17.6 million from these facilities, however it has not taken up credit for working capital from these facilities.

32—Contractual obligations and commercial commitments (Continued)

32.2 Cabovisao commitments

32.2.1 Contingent assets

During the year ended December 31, 2013 and the analysis of the Decree-Law n º 123/2009 of 21 May, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2013, Cabovisao had outstanding claims against several municipalities, totaling EUR 2.6 million. To present date, the Company received EUR 0.4 million from sixteen municipalities, and executed receivable plan of EUR 1.7 million for the next three years.

32.2.2 Contingent liabilities

a) Bank guarantees

	December 31, 2013
	In millions of euros
Tax Authority	9.6
City Council	0.9
Third Parties	0.1
Total	10.6

b) Commitments with third parties to add services to be provided in future years:

On December 31, 2013, the commitments with third parties to tangible assets and services to be provided in future years with an amount to approximately EUR 2.7 million Euros and EUR 65.7 million respectively.

c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

d) Other contingent liabilities:

As a result of the Cabovisao's decision to do not pay any taxes charged by municipalities (since September 2010), the municipality of Almada initiated a litigation process, regarding the municipality taxes charged for the period between 2006 and 2009, in the amount of EUR 595.000.. Until the present date, there are no subsequent deliberations. The Board of Managers understands that the final outcome will be favorable to Cabovisao, based on the legal counsels' opinion.

In addition, there are several legal proceedings, initiated by third parties, in particular claims by several suppliers, related to the supply of services and equipment, in the amount of approximately EUR 174.000. Until the present date, Cabovisao has not recognized any provision, since it is Board of Managers understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

32—Contractual obligations and commercial commitments (Continued)

32.3 Coditel Holding commitments

As of December 31, 2013, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged in the framework of the Coditel facility. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

32.4 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal S.A., Altice Carribean S. à r.l., Cool Holdings LTD S.A., H.Hadaros 2012 LTD., HOT Telecommunications System LTD, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A., Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice financing term loan. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Altice financing has access to two super senior secured revolving credit facilities amounting to a total of USD 80 million and EUR 60 million respectively. In addition to these facilities, it also has access to a guarantee facility of EUR 75 million. As of December 31, 2013 the revolving credit facilities remain undrawn. EUR 8.4 million were drawn down on the guarantee facility, and recorded in the accounts of Cabovisao. All pledges applicable for the senior secured notes and the term loan are also applicable to these facilities.

33—Statutory Auditors' fees

In 2013, an amount of EUR 3.5 million was paid to various networks affiliates of the Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 1.7 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

34—Going concern

During the financial year ended December 31, 2013, the company had a net current asset position of EUR 855.7 million (mainly due to current restricted cash of EUR 1,242.7 million), a net loss of EUR 208.3 million (down from a net loss of EUR 189.8 million in FY12), positive cash flow from operations of EUR 439.2 million and negative working capital of EUR 198.3 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.3 million is mainly driven by trade receivables and payables. The net loss recorded in FY13 was mainly driven by increased non-recurring expenses as compared to FY12 (+EUR 40.4 million) and increased financial expense, directly related to the issuance of new debt to finance acquisitions and buy back of minority stakes. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013.

Despite the net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2013 (EUR 439.2 million). Operating income before D&A amounted to EUR 518.8 million, an increase of 28.7% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

34—Going concern (Continued)

The Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.3 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the Group had access to a revolving credit facility (''RCF'') of up to USD 80.0 million and EUR 63.8 million (EUR 124 million equivalent), as well as access to a guarantee facility of up to EUR 75 million (of which EUR 8.4 million were drawn in FY2013 in order to unblock restricted cash at Cabovisao).

The Group had a negative net equity position of EUR 261.2 million as of December 31, 2013, resulting from accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders. It is management's view that these acquisitions have a strategic founding and will allow the Group to better integrate, absorb and utilize the cash generated by the concerned entities.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise is complemented by a mid-year reforecast based on real first semester numbers.

Management also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows management and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and ensure that the budgeted targets are met.

In the view of the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of Altice VII Sà r.l., it was decided to convert all existing subordinated debt instruments issued by Altice VII and subscribed by Next L.P.., into share capital, before the contribution of Altice VII to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII were converted into equity at their nominal value, totalling EUR 133.3 million.

35—Events after the reporting period

Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the ''Mobius Acquisition''). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the ''Mobius Technology'' brand and double and triple play services based on xDSL technology to residential customers under the ''IZI'' brand. The consummation of the Mobius Acquisition is expected to occur on January 15, 2014. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the ''Mobius Managers'') have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. However, Altice Blue Two and the Mobius Managers are in advanced discussions to amend the existing investment agreement in order to provide that the Mobius Managers' reinvestment will be made directly in Altice S.A., through the subscription by the Mobius Managers, at the Offer Price, of Ordinary Shares of Altice S.A..

The transaction was completed on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition.

Conversion of Altice VII subordinated debts

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs and ALPECs issued by Altice VII were converted at their nominal value of EUR 133.2 million, which was directly attributed to the net equity of the company.

35—Events after the reporting period (Continued)

Initial public offering

On January 31, 2014, Altice S.A., a newly incorporated Luxembourg based entity and the new direct controlling shareholder of the Company, listed its shares in an initial public offering on Euronext Amsterdam.

Change in minority interests of Altice Blue Two

In January 2014, the Company entered into discussion with the management of Outremer Telecom (''OMT Managers''), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, to exchange their existing shares in Altice Blue Two S.A.S against shares in the newly floated mother company of Altice VII, Altice S.A.

As per the agreement, the OMT Managers will contribute all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

The OMT managers will receive Altice S.A. common shares at the listing price at IPO (EUR 28.25), except in case of the second earn out, for which the determining price will be the share price at closing on the day on which any proceeds from the pending lawsuits are perceived by Altice Blue Two.

Acquisition of the Tricom Group

On March 12, 2014 the Group obtained control of Tricom S.A. and Global Interlink Ltd. (together, ''Tricom''), a leading telecommunications operator in the Dominican Republic, providing (i) cable and xDSL-based multiple-play services and stand-alone pay television, broadband Internet and fixed-line telephony services and (ii) 3G and 4G mobile telephony services relying on its mobile network. This acquisition enables the Group to expand its footprint in the Carribean and more especially in the Dominican Republic. Control was obtained upon approval from Indotel, the Dominican Republic antitrust authority. As of the date of the transfer of the shares, the Group acquired 96% of the total equity in Tricom S.A. and 92% of the outstanding interests in Global Interlinks.

For the year ended December 31, 2013, Tricom would have contributed EUR 158.3 million to revenue and EUR 19.9 million to operating profit to the Group's results, if it had been purchased on January 1, 2013 (these figures are based on unaudited US GAAP figures).

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of Tricom amounted to €291.3 million, using the proceeds raised in December 2013.

The total value of assets transferred in consideration for the values mentioned above amounted to EUR 145.7 million, comprising mainly of intangible assets for a net value of EUR 21.0 million, property, plant and equipment for a total value of EUR 133.8 million and trade receivables for a total amount of EUR 16.5 million. Total liabilities amounted to €97.9 million, comprising of EUR 45.1 of non-current liabilities and EUR 52.8 million of current liabilities. The residual value of EUR 145.6 million was recognised provisionally as goodwill (these figures are based on unaudited US GAAP figures).

The values of the assets and liabilities assumed have been determined on a provisional basis until the Group finalizes its assessment of the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	EUR 291.3 million
Fair value of identifiable assets and liabilities	EUR (145.7) million
Goodwill	EUR 145.6 million

ALTICE VII S.à r.l.

Société à responsabilité limitée

2012 Annual Report

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Partners of
Altice VII S.à r.l.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

Report on the consolidated financial statements

Following our appointment by the Board of Managers, we have audited the accompanying consolidated financial statements of Altice VII S.à r.l., which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice VII S.à r.l. as of December 31, 2012, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

November 12, 2013

Consolidated statement of income
Year ended December 31, 2012

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
		(in millions of euros)	
Revenues	23	1 092,4	784,2
Purchases and subcontracting services	23	(302,1)	(175,4)
Other operating expenses	24	(248,9)	(195,4)
Staff costs and employee benefits expenses		(24,8)	(24,8)
General and administrative expenses	25	(33,3)	(26,4)
Other sales and marketing expenses		(80,1)	(64,4)
Operating profit before depreciation and amortization(*)		**403,2**	**297,8**
Depreciation and amortization		(266,3)	(176,4)
Goodwill impairment		(121,9)	—
Other expenses, net	26	(29,8)	(5,6)
Management fees		(6,2)	(3,1)
Restructuring and other non-recurring costs	26	(20,8)	(7,6)
Operating (loss)/profit		**(41,7)**	**105,1**
Gain arising on step acquisitions	26	—	134,8
Share of profit of associates		—	11,7
Finance income	27	30,5	16,6
Finance costs	27	(204,7)	(111,6)
(Loss)/profit before income tax expenses		**(215,8)**	**156,6**
Income tax benefit/(expenses)	22	26	(32,5)
(Loss)/profit for the year		**(189,8)**	**123,9**
Attributable to equity holders of the parent		*(148,9)*	*118,4*
Attributable to non-controlling interests		*(40,9)*	*5,5*

(*) Operating profit before depreciation and amortization is further referred to as ''EBITDA'' in these consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

ALTICE VII S.À R.L.

Consolidated statement of other comprehensive income
Year ended December 31, 2012

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
		(in millions of euros)	
(Loss)/profit for the year		**(189,8)**	**123,9**
Other comprehensive income			
Exchange differences on translating foreign operations		(5,1)	0,4
Net fair value gain on available-for-sale financial assets		—	0,3
Total comprehensive (loss)/income for the year		**(194,9)**	**124,6**
Attributable to equity holders of the parent		*(152,6)*	*117,2*
Attributable to non-controlling interests		*(42,2)*	*7,4*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position
Year ended December 31, 2012

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	11	129,7	19,8
Trade receivables	10	150,8	102,7
Other receivables	10	32,4	17
Inventories	9	6,1	6,1
Current tax assets	10	5,5	5,1
Total Current assets		**324,5**	**150,8**
Non-current assets			
Restricted cash	7	9,6	41,4
Deferred tax assets	22	19,3	0,3
Investments in financial assets available for sale	7	6,1	8,5
Long term trade receivables	7	18,7	2,4
Other long-term trade receivables	8	24,6	28,4
Property, Plant & Equipment	6	1 067,8	901,7
Other Intangible assets	5	458,5	458,3
Goodwill	4	790,9	911,9
Total non-current assets		**2,395,5**	**2,352,9**
Total assets		**2,720,0**	**2,503,7**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings from banking corporations and debentures	17	113,2	241,8
Trade payables	19	311,3	208,2
Others payables	19	108,1	98,4
Current loans from related parties	17	2,7	2,9
Current tax liabilities		10,7	7,2
Total current liabilities		**546**	**558,5**
Non-current liabilities			
Borrowings from banking corporations and debentures	17	1,373,5	835,2
Non-current loans from related parties	17	109,0	127,1
Other financial liabilities	17	173,5	32,1
Provisions	15	25,6	40,5
Other non-current liabilities	20	49,5	46,1
Retirement benefit obligations	15	9,1	6,9
Deferred tax liabilities	22	148,2	123,7
Total non-current liabilities		**1,888,3**	**1,211,6**
Equity			
Issued capital	12	7,4	7,4
Other reserves	14	277,5	232,9
Retained earnings		144,5	25,8
Net (loss)/income—attributable to the equity holders		(148,9)	118,4
Equity attributable to equity holders of the parent		**280,5**	**384,5**
Non-controlling interests		**5,2**	**349,2**
Total equity		**285,7**	**733,6**
Total equity and liabilities		**2,720,0**	**2,503,7**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
Year ended December 31, 2012

	Issued capital	Other reserves	Retained earnings	Net income	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
				(in millions of euros)			
Equity at January 1, 2011	**7,8**	**254,9**	**(13,7)**	**40,2**	**289,2**	**0,4**	**123,9**
Allocation to retained earnings			40,2	(40,2)			
Profit for the year				118,4	118,4	5,5	123,9
Variation in CPEC		(22,7)			(22,7)		(22,7)
Employee benefits		0,1			0,1	0,3	0,4
Increase in share capital	(0,4)				(0,4)		(0,4)
Variation in Currency Translation Reserve		(1,4)			(1,4)	1,8	0,4
Increase or decrease of ownership interest		4,5			4,5	(2,5)	2
Acquisition of an associates		(3,7)			(3,7)	343,5	339,8
Other variations		1,2	(0,8)		0,4	0,2	(0,7)
Equity at December 31, 2011	**7,4**	**232,9**	**25,8**	**118,4**	**384,5**	**349,2**	**733,6**
Allocation to retained earnings			118,4	(118,4)			
Loss for the year				(148,9)	(148,9)	(40,9)	(189,8)
Employee benefits		0,1			0,1	0,4	0,4
Variation in Currency Translation Reserve		(3,7)			(3,7)	(1,3)	(5,1)
Increase or decrease of ownership interest		(16,2)			(16,2)	21,6	5,4
Dividends paid						(26,0)	(26,0)
Option warrants		(3,9)			(3,9)		(3,9)
Purchase of minority interest		68,3			68,3	(298,4)	(230,1)
Other variations		—	0,3		0,3	0,8	1,1
Equity at December 31, 2012	**7,4**	**277,5**	**144,5**	**(148,9)**	**280,5**	**5,2**	**285,7**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
Year ended December 31, 2012

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
Net (loss)/income, including non-controlling interests		**(189,8)**	**123,9**
Adjustments for:			
Share of profit of associates		—	(11,7)
Depreciation and amortization		388,2	176,4
Gains and losses on disposals		4,8	6,0
Other non-cash operating gains and losses		56,7	(168,5)
Net cash provided by operating activities after changes in working capital, finance costs and income tax		**259,9**	**126,1**
Finance costs recognized in profit and loss		174,0	89,3
Income tax (benefit)/expense recognized in profit and loss		(22,8)	32,5
Income tax received/(paid)		1,6	(1,8)
Changes in working capital		51,8	60,2
Net cash provided by operating activities		**464,5**	**306,4**
Purchases of tangible and intangible assets		(347,0)	(189,8)
Acquisitions of Financial Assets		(35,8)	—
Proceeds from disposal of tangible, intangible and financial assets		0,1	0,4
(Decrease)/increase in loans and other non-current financial assets		(16,1)	1,2
Use of restricted cash		32,6	(40,8)
Net cash (outflow)/inflow on acquisition of subsidiaries	3.3	(35,1)	(347,3)
Transactions with non-controlling interests	27	(172,9)	—
Net cash provided used by investing activities		**(574,2)**	**(576,3)**
Proceeds from issue of equity instruments	12	—	(0,4)
Dividends paid to non-controlling-interests	27	(26,0)	—
Proceeds from issue of debts	17	891,5	823,0
Repayment of debt	17	(528,3)	(481,2)
Interest paid		(117,8)	(69,0)
Net cash provided in financing activities		**219,3**	**272,4**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0,2	(0,9)
Net increase in cash and cash equivalents		**109,9**	**1,6**
Cash and cash equivalents at beginning of year	11	19,8	18,2
Net increase in cash and cash equivalents		109,9	1,6
Cash and cash equivalents at end of year	11	**129,7**	**19,8**

The accompanying notes form an integral part of these consolidated financial statements.

1—Notes to the consolidated financial statements

1.1 General description of the Group and its activities

Altice VII (the ''Company'') is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and it subsidiaries. The Company was initially established as a public limited company (société anonyme) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

The Group offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, the Group intends to deploy the same technologies and equipments across its footprints to deploy economies of scale and common knowledge. In addition, the Group companies aim at sharing skills and best practices across the various operations of the Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (''VoD'') and near-video-on-demand (''NVoD''), digital video recorders (''DVR''), high definition (''HD'') television services and, in certain areas, exclusive content, purchased or produced. The Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Group also offers broadband Internet access services and fixed-line telephony in all of its broadband communications markets. It also owns and operates mobile infrastructures in certain geographies (Israel and the French Overseas Territories), and offers mobile services through an MVNO (Mobile virtual network operator) arrangement in Belgium.

2—Principles governing the preparation of the Consolidated Financial Statement

2.1 Basis of preparation of the consolidated financial statements:

The consolidated financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss, available for sale financial assets. The principal accounting policies are set out below.

2.1.1 Compliance with accounting standards

The 2012 consolidated financial statements of Altice VII Group, therein ''the Group'', have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

2.1.2 Standards issued but not yet effective

In its financial statements, the Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2012. Their impact on the Group's financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

IFRIC 20 ''Overdraft expenses''.

IFRS 1 amended ''First application of IFRS'' concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

European Union on December 29, 2012. Application of this standard is mandatory from January 1, 2013.

2.2 Significant accounting judgments and estimates used in the preparation of the financial statements

2.2.1 Judgments

In the process of applying the significant accounting policies, the Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the consolidated financial statements.

2.2.2 Estimates and assumptions

The preparation of the financial statements requires the Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.2.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the managers to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at December 31, 2012 was EUR 790,9 million (December 31, 2011: EUR 911,9 million). Details of the impairments are set out in Note 2.8.

2.2.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Group and its investees, the Group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.2.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.2.6 Deferred tax asset

Deferred tax assets are recognized for deductible temporary differences and carried forward tax losses as and when management estimates that it is probable that future taxable profits will be available to utilize those temporary differences and tax losses.

2.2.7 Discounting of YFPEC

The Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4,76% has been used.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.3 Basis of consolidation

2.3.1 Subsidiaries

All companies in which the Group has a controlling interest are fully consolidated. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2.3.2 Associates

Investments, over which the Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these consolidated financial statements.

Significant influence is presumed to exist when the Group holds at least 20% of the voting power in the associates. Associates are initially recognized at cost at acquisition date. The consolidated financial statements include the Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

2.3.3 Dates

The consolidated financial statements of the Group have been prepared as of the same date and for identical periods on an going concern basis. The accounting policies in the financial statements of the subsidiaries have been implemented in a uniform manner throughout the Group.

2.4 Functional currency

The Consolidated Financial Statements are presented in millions of euros. Euro is the functional currency of Altice VII, the parent company, and the presentation currency of the Group as well.

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results.

2.5 Foreign currency translation

The functional currency of the Group is euro. In individual companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are accounted for in the income statement. On consolidation, assets and liabilities of Group entities reported in their functional currencies are translated into euro, the Group's presentation currency, using the year-end exchange rates. Income and expense items are translated into euro at the annual weighted average exchange rate or at the rate of the date the transaction occurred for significant items.

Differences arising from the retranslation of opening net assets of Group entities, together with differences arising from the restatement of the net results for the year of Group entities, are recognized in other comprehensive income.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.6 Goodwill and business combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 ''Business Combinations'' are recognized at their fair value at acquisition date.

The Group recognizes goodwill as of the acquisition date and is measured as the excess of (a) over (b) as follows :

(a) The aggregate of:

The consideration transferred, which generally requires acquisition-date fair value;

The amount of any non-controlling interests in the acquiree;

In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

(b) The net of the acquisition-date balances of the identifiable assets acquired and the liabilities measured in accordance with IFRS 3.

Any excess of the cost of acquisition over the Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

The goodwill is determined provisionally by the end of the period. The Group recognizes any adjustments to those provisional values within twelve months after the acquisition date.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

If the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the purchase price, a gain is recognized immediately.

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating profit (account ''Depreciation and amortization'') and shall not be reversed subsequently.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

2.7 Other intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. In our Israeli entity, the costs of producing in-house content is also considered to be an intangible assets and recognized at the cost of production of the shows. . Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses.

According to management, intangible assets have either definite or indefinite useful lives.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Customer relations	7 to 37 years
Licences	5 years
Customer relations with a defined contractual term	3 years
Content costs	3 years
Subscriber purchase costs	based on average duration of subscriptions

Assets with indefinite useful lives are tested for impairment annually as well as there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

2.8 Impairment of tangible and intangible assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an impairment test performed each fiscal year.

This test is performed in order to compare the recoverable amount of an asset to its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A Cash Generating Unit (''CGU'') is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the income statement. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment, may be reversed.

2.9 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs and less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	Duration
Buildings	25 to 50 years
Cables Network	4 to 20 years
Call center (primarily electronic equipment)	5 to 9 years
Converters and modems	7 years
Computers and ancillary equipment	3 to 6 years
Office furniture and equipment	6 to 16 years
Communication network infrastructure	6 to 16 years
Leasehold contracts	see below

Leasehold contracts are depreciated according to the straight line method during the rental period (including the option period for an extension by the Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are considered to be sufficient in order to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least each annually and any changes are accounted for prospectively as a change in accounting estimate.

2.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.10.1 The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated in an accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Rental income from the leasing of customer premises equipment (set up boxes, modems and decoders) is recognized on a straight-line basis over the term of the subscription held by the client. At the end of the contract or in case of voluntary contract termination by the client, this equipment is repossessed and thus remains in the inventory of the Group.

2.10.2 The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

which case they are capitalized in accordance with the Group's general policy on borrowing costs (see note 2.12 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to management, it does not take a substantial period of time to get ready for the intended use because of the incremental deployment of the network. This standard has consequently no impact on the consolidated financial statements.

2.12 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.13 Financial assets

The Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 (''*Presentation of Financial Statements*'').

Purchases and sales of all financial assets are recognized on a trade date basis.

2.13.1 Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of fair value cannot be made using valuation techniques, the Group values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

2.13.2 Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets' carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.13.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Group has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Group currently does not hold any held to maturity financial assets.

2.13.4 Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as finance income and costs.

This category mainly includes:

Assets held for trading which the Group intends to sell in the near future (primarily marketable securities);

Assets voluntarily classified at inception in this category;

Derivatives financial assets.

2.14 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Cost of inventories is determined using the weighted average cost method.

The Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.15 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

2.16 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Group's liabilities to banking entities in accordance with the Group's credit agreement.

2.17 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2.18 Share based payment arrangements

The Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Group's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom in the Tel Aviv stock exchange.

2.19 Financial liabilities

Financial liabilities other than derivative instruments include:

2.19.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. The accrued interests are included in ''Current portion of financial liabilities'' in the statement of financial position.

2.19.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.19.3 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.19.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Company also issued some CPECs (Convertible Preferred Equity Certificates).

2.20 Other liabilities

2.20.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the consolidated financial statements:

2.20.1.1 Legal claims

A provision regarding legal claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.20.1.2 Warranty

The Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Group and does not include warranty for damages incurred by the customer.

2.20.1.3 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.20.1.4 Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.20.2 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Group participates in, or maintains, several employee benefits. These are as follows:

2.20.2.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.20.2.2 Post-retirement benefits

In Israel, the Group operates a defined benefits plan in respect of the payment of severance pay in accordance with the Israeli Severance Pay Law. According to this Law, employees are entitled to receive severance pay if they are dismissed or on their retirement. The liability in respect of the termination of employee-employer relations is measured in accordance with the actuarial value of a forecast unit of entitlement method. The actuarial calculation takes into account increases in salaries in the future and the rate at which employees leave the Group and this on the basis of an estimate of the timing of the payment. The amounts are presented on the basis of the discounting of the forecast future cash flows, in accordance with government bonds' interest rates, whose repayment dates are close to the period relating to the liability in respect of severance pay.

The Group deposits funds in respect of its severance pay liability, in a routine manner, in pension funds and insurance companies (hereafter—the plan assets). The plan assets are assets that are held by the employee benefits plan for the long-term or in qualifying insurance policies. The plan assets are not available for use by the Group's creditors, and cannot be paid directly to the Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

The Group has defined contribution plans pursuant to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.20.2.3 Other long-term employee benefits

The Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Group estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Group's net obligation regarding other long-term employee benefits is in respect of the future benefit amount due to employees for services rendered in current and prior periods. This amount of benefits is discounted to its present value and the fair value of the assets relating to this obligation is deducted from said amount. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Group's obligation. The obligation is calculated using the projected unit credit method. The projected unit credit method sees each period of service as giving rise to an additional unit of benefits and entitlements and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.20.2.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Group has made an undertaking, with no real possibility of cancellation, for the dismissal of employees before they reach the customary retirement age in accordance with a detailed formal plan. The benefits that are given to the employees who take voluntary retirement when the Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.21 Income taxes

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the other comprehensive income items.

2.21.1 Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2.21.2 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

Deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving),

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

Deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax loss or profit.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the Group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the Group proved to differ significantly from those expected, the Group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Statement of Financial Position and Income Statement of the Group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax loss or profit.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to other comprehensive income, and not earnings, if the tax relates to items that are credited or charged directly to other comprehensive income.

2.22 Revenue recognition

Revenue from the Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription and installations fees invoiced to residential and business clients.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group.

Revenues on bundle packages sold by the Group are split into and recognized under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.

When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract.

Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period.

The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use (''IRU'') arrangements are recognized on a straight-line basis over the life of the contract.

2.23 Operating profit before depreciation and amortization

The Group has included the subtotal ''Operating profit before depreciation and amortization'' on the face of the consolidated statement of income (please refer to the Consolidated Statement of Income). The Group believes that this subtotal is useful to users of the Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Group's financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

This non-IFRS measure is used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel.

The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results. Similarly, the Group's subtotal do not take into account impact of management fees paid to related parties, in order to better reflect economic underlying of the business operated.

2.24 Finance costs

Finance costs primarily comprise:

interest charges and other expenses paid for financing operations recognized at amortized costs,

changes in the fair value of interest rate derivative instruments that do not qualify as hedges for accounting purposes according to ''IAS 39'',

interest income relating to cash and cash equivalents,

gains on extinguishment of debt.

3—Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Country	Method of consolidation December 31, 2012	Method of consolidation December 31, 2011	Proportion of ownership interest and voting power held by the group December 31, 2012	Proportion of ownership interest and voting power held by the group December 31, 2011
Altice VII S.à r.l.	Luxembourg	Parent company	Parent company	—	—
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	64,70%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	64,70%
Hot Properties LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	64,70%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	32,35%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	64,70%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Red LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Gold LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	64,70%
Hot EDOM LTD	Israel	FC(*)	—	100%	—
Zira (Copyrights on the Internet) LTD	Israel	Equity method	—	25%	—
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	100%	100%
WSG S.A.	France	FC(*)	FC(*)	99,95%	99,95%
Green ch.	Switzerland	FC(*)	FC(*)	99,12%	99,12%
Valvision S.A.S.	France	FC(*)	FC(*)	100%	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	44,39%	44,39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	—	100%	—
Altice Portugal S.A.	Portugal	FC(*)	—	60%	—
Cabovisao S.A.	Portugal	FC(*)	—	60%	—
Altice Finco S.A.	Luxembourg	FC(*)	—	100%	—
Altice Financing S.A.	Luxembourg	FC(*)	—	100%	—

(*) FC stands for ''Full Consolidation''

3—Scope of consolidation (Continued)

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2012

Altice Portugal S.A. acquired 100% of Cabovisao as at February 29, 2012, from Cogeco Cable Luxembourg Holding S.A.. The consideration amounted to EUR 45 million, of which 40% was subsequently sold to APAX in April 2013.

Goodwill allocation has been completed based on the accounts as at February 28, 2012.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

Brands

The Cabovisao brand has been valued through the royalty relief method over an indefinite useful life and based upon following key parameters:

Discount rate amounts to 7%;

Royalty rate used amounts to 3%, consistent with the rates used for Coditel, Numericable and Everido;

Clients.

The portfolio of clients has been valued through the excess earnings approach, and basing upon following the key parameters:

Ebit margin rate: 21,59%;

Attrition rate: 20,81%;

Discount rate: 7%;

Acquired clients' growth rate: 0%.

3.2.2 Main companies' formation in 2012

The following companies were created during the period: Altice Caribbean S.à r.l., Altice Finco S.A., Altice Financing S.A. and Altice Portugal S.A.

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

3—Scope of consolidation (Continued)

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	Cabovisao
	(in millions of euros)	
Cost of acquisition	45,0	45,0
ASSET		
Intangible assets	37,8	37,8
Property, plant and equipment	123,0	123,0
Non-current financial assets	0,9	0,9
Inventories	—	—
Trade accounts receivable and other	6,5	6,5
Tax receivable	0,2	0,2
Cash and cash equivalents	9,0	9,0
Other current assets	1,6	1,6
Total assets	**178,9**	**178,9**
EQUITY AND LIABILITIES		
Non-current liabilities	37,7	37,7
Current liabilities	33,2	33,2
Total liabilities	**70,9**	**70,9**
Net assets	**108,0**	**108,0**
Residual badwill	**(63,0)**	**(63,0)**
Including impact of non-controlling interests on badwill	*(25,2)*	*(25,2)*

The impact of badwill has been recorded under the 'Depreciation and amortization' line item in the consolidated statement of income.

The main figures of the entity, since the beginning of the year, and until the business combination, are presented as follows:

	Cabovisao
	(in millions of euros)
Revenues	**19,8**
Cost of sales	(8,8)
Gross Profit	**11,0**
Other operating expenses	(4,5)
General and administrative expenses	(1,4)
Other sales and marketing expenses	(2,4)
Operating profit before depreciation and amortization	**2,6**
Depreciation and amortization	(0,8)
Other expenses, net	(0,3)
Operating profit	**1,5**
Profit for the period (including non-controlling interests)	**1,4**

4—Goodwill

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
			(in millions of euros)		
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	600,2	—	—	1,6	601,8
Total Gross Value	**919,4**	**—**	**—**	**1,6**	**921**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	(1,6)	—	(121,9)	(0,7)	(124,2)
Total Cumulative impairment	**(7,5)**	**—**	**(121,9)**	**−0,7**	**(130,1)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	598,6	—	(121,9)	0,9	477,6
Total Net book value	**911,9**	**—**	**(121,9)**	**0,9**	**790,9**

4—Goodwill (Continued)

	December 31, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2011
			(in millions of euros)		
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	629,8	—	(29,6)	600,2
Total Gross Value	**23,7**	**925,3**	**—**	**(29,6)**	**919,4**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	—	(1,6)	—	0,1	(1,6)
Total Cumulative impairment	**(5,9)**	**(1,6)**	**—**	**0,1**	**(7,5)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	628,1	—	(29,5)	598,6
Total Net book value	**17,8**	**923,7**	**—**	**(29,5)**	**911,9**

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

Israel

Belgium and Luxembourg

French overseas Territories

Switzerland

Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

WSG

Valvision

Everido

Coditel Brabant

Coditel S.à r.l.

Hot Telecom

4—Goodwill (Continued)

Goodwill is tested at the cash-generating units (''CGU'') level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Managers. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1,5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 7% to 7,5%, except in Israel where it ranges from 10-11%.The Board of Managers estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Managers has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Group concluded that the recoverable amount of the Israeli in-country fixed line is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately EUR 121,9 million which was recorded as part of section ''depreciation and amortization''.

5—Other intangible assets

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Software	37,1	27,3	—	—	0,3	37,7	64,6
Brand name	50,0		—	29,6	0,2	5,3	79,8
Customer relations[(1)]	316,4		—	8,2	1,0	46,1	325,6
Licenses	19,2	13,2	(0,6)	—	—	(1,1)	32,0
Subscriber purchase costs[(2)]	152,1	21,2	—	—	0,6	25,7	173,9
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,0
Other intangible assets	95,3	23,1	—	0,1	0,4	7,7	118,8
Total Gross Value	**670,3**	**85,1**	**(0,6)**	**37,9**	**2,6**	**121,1**	**794,9**
Software	(10,8)	(17,2)	0,2	—	(0,2)	(37,7)	(27,9)
Brand name	(1,1)	(1,5)	(0,6)	—	—	(5,3)	(2,7)
Customer relations[(1)]	(21,6)	(35,4)	—	—	(0,3)	(46,2)	(53,0)
Licenses	(7,1)	(2,9)	0,2	—	—	1,2	(9,9)
Subscriber purchase costs[(2)]	(140,4)	(25,3)		—	(0,6)	(25,7)	(166,3)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(30,9)	(46,1)	—	—	(0,3)	(7,7)	(76,7)
Total Cumulative amortization and depreciation	**(211,9)**	**(128,4)**	**(0,2)**	**0,0**	**(1,4)**	**(121,4)**	**(336,5)**
							36,7
Software	26,3	10,1	0,2	—	0,1	—	77,2
Brand name	48,9	(1,5)	(0,6)	29,6	0,2	—	272,7
Customer relations[(1)]	294,8	(31,0)	—	8,2	0,7	—	22,1
Licenses	12,1	10,3	(0,4)	—	—	—	
Subscriber purchase costs[(2)]	11,7	(4,1)	—	—	—	—	7,6
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,1
Other intangible assets	64,4	(12,8)	—	0,1	0,1	0,7	52,5
Total Net book value	**458,3**	**(43,3)**	**—**	**37,9**	**1,2**	**0,5**	**468,8**

5—Other intangible assets (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Software	6,0	19,8	(0,1)	13,7	(2,3)	—	37,1
Brand name	16,4	0,1	—	34,6	(1,0)	—	50,0
Customer relations(1)	38,9	—	—	290,5	(13,0)	—	316,4
Licenses	8,9	9,2	—	1,3	(0,1)	—	19,2
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	145,4	7,3	—	7,7	(8,4)	—	152,1
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	7,3	23,0	—	67,2	(2,3)	0,1	95,3
Total Gross Value	**223,2**	**59,4**	**(0,1)**	**414,9**	**(27,1)**	**(0,1)**	**670,3**
Software	(2,5)	(9,9)	0,1	—	1,6	—	(10,8)
Brand name	—	(0,7)	(0,6)	—	0,2	—	(1,1)
Customer relations(1)	(2,3)	(17,9)	(3,4)	—	1,9	—	(21,6)
Licenses	(6,1)	(1,1)	—	—	0,1	—	(7,1)
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	(118,4)	(28,6)	—	—	6,6	—	(140,4)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(3,8)	(10,9)	(14,5)	—	(0,3)	—	(30,9)
Total Cumulative amortization and depreciation	**(133,1)**	**(69,1)**	**(18,4)**	**—**	**10,2**	**—**	**(211,9)**
Software	3,5	9,8	—	13,7	(0,7)	—	26,3
Brand name	16,4	(0,6)	(0,6)	34,6	(0,8)	—	48,9
Customer relations(1)	36,6	(17,9)	(3,4)	290,5	(11,1)	—	294,8
Licenses	2,7	8,1	—	1,3	—	—	12,1
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs(2)	27,1	(21,3)	—	7,7	(1,8)	—	11,7
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	3,5	10,6	(14,5)	67,2	(2,6)	0,1	64,4
Total Net book value	**90,1**	**(11,2)**	**(18,5)**	**414,9**	**(16,9)**	**(0,1)**	**458,3**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

(2) Subscriber purchase costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination (see Note 3.3).

6—Property, Plant & Equipment

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
	(in millions of euros)						
Land	2,6	—	—	0,3	—	—	2,9
Buildings	55,5	12,3	12,3	0,5	0,3	14,1	68,6
Cable networks(1)	480,3	58,3	58,3	110,4	3	514,1	661,8
Call center (primarily electronic equipment)(2)	68,3	25,8	25,8		0,7	148,6	94,9
Converters and modems	161,8	70,4	70,4		1,5	249,2	230,5
Computers and ancillary equipment	29,1	6,4	6,4	0,1	0,2	32	35,8
Office furniture and equipment(3)	97,7	12,2	12,2	0,7	0,2	162,3	113,9
Communication network infrastructure(4)	301,9	58	58	3,1	1	0,4	362,1
Other data center equipment	3	(1,6)	(1,6)	—	—	1,8	3,3
Tangible assets under construction	7,2	19,8	19,8	8,4	—	(16,6)	17,0
Prepayments on tangible assets	0,1	3,0	3,0	—	—	—	3,1
Other tangible assets	6,2	3,2	3,2	0,1	—	12,9	9,6
Total Gross Value	**1 213,7**	**267,9**	**(8,8)**	**123.6**	**6,9**	**1118,8**	**1 603,4**
Buildings	(8,7)	(4)	—	—	(0,1)	(14,1)	(12,8)
Cable networks(1)	(24,7)	(110,6)	0,8	—	(1,8)	(503,3)	(136,3)
Call center (primarily electronic equipment)(2)	(5,8)	(19,6)	(0,8)	—	(0,5)	(148,5)	(26,7)
Converters and modems	(11)	(44,9)	6,3	—	(0,9)	(249,3)	(50,6)
Computers and ancillary equipment	(20,4)	(5)	(2,0)	—	(0,2)	(32)	(27,6)
Office furniture and equipment(3)	(23,7)	(15,2)	1,9	—	—	(158,8)	(37,0)
Communication network infrastructure(4)	(212,3)	(28,2)	6,0	—	(0,5)	(0,1)	(235,1)
Other data center equipment	(1,1)	(0,3)	—	—	—	—	(1,5)
Tangible assets under construction	(0,1)	(0,3)	—	—	—	0,1	(0,3)
Prepayments on tangible assets	—	—	—	—	—	—	
Other tangible assets	(4,1)	(2,9)	(0,6)	—	—	(12,9)	(7,7)
Total Cumulative amortization and depreciation	**(311,9)**	**(231,1)**	**11,5**	**—**	**(4,1)**	**(1 118,9)**	**(535,6)**

6—Property, Plant & Equipment (Continued)

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Land	2,6	—	—	0,3	—	—	2,9
Buildings	46,8	8,2	—	0,5	0,2	—	55,8
Cable networks[(1)]	455,6	(52,2)	(0,1)	110,4	1,2	10,7	525,6
Call center (primarily electronic equipment)[(2)]	62,6	6,3	(0,8)	—	0,2	—	68,2
Converters and modems	150,8	25,5	3,0	—	0,6	—	179,9
Computers and ancillary equipment	8,7	1,4	(2,0)	0,1	—	—	8,2
Office furniture and equipment[(3)]	74	(2,9)	1,3	0,7	0,1	3,7	76,8
Communication network infrastructure[(4)]	89,6	29,7	3,6	3,1	0,5	0,4	127
Leasehold contracts	0	—	—	—	—	—	—
Other data center equipment	1,9	(1,9)	—	—	—	1,8	1,8
Tangible assets under construction	7,1	19,5	(1,8)	8,4	—	(16,4)	16,7
Prepayments on tangible assets	0,1	3,0	—	—	—	—	3,1
Other tangible assets	2,0	0,3	(0,6)	0,1	—	—	1,9
Total Net book value	**901,7**	**36,8**	**(2,6)**	**123,6**	**2,8**	**0,2**	**1 067,8**

6—Property, Plant & Equipment (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Land	2,5	—	—	0,1	—	—	2,6
Buildings	17,9	13	—	14,6	(1,7)	11,7	55,5
Cable networks[1]	13	31,3	—	481,9	(45,9)	—	480,3
Call centers (primarily electronic equipment)[2]	—	14,1	—	64,9	(9,9)	—	68,3
Converters and modems	0,7	30,1	−2	151,7	(18,6)	—	161,8
Computers and ancillary equipment	22,4	4,8	—	4,6	(2,6)	—	29,1
Office furniture and equipment[3]	29,4	15,2	−1	43,6	0,4	10	97,7
Communication network infrastructure[4]	288,3	24,9	—	—	(11,4)	—	301,9
Other data center equipment	2,2	0,7	—	—	0,1	—	3
Tangible assets under construction	21,8	6,4	—	—	0,3	(21,3)	7,2
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	3,6	0,5	—	2,8	(0,7)	—	6,2
Total Gross Value	**402,3**	**141,1**	**(3,1)**	**763,3**	**(89,9)**	**—**	**1 213,7**
Buildings	(6,1)	(3,4)	—	—	0,9	—	(8,7)
Cable networks[1]	(1,4)	(46,6)	—	—	23,3	—	(24,7)
Call center (primarily electronic equipment)[2]	—	(12,7)	—	—	6,9	—	(5,8)
Converters and modems	(0,2)	(24,2)	1,8	—	11,6	—	(11)
Computers and ancillary equipment	(20,3)	(2,5)	—	—	2,3	—	(20,4)
Office furniture and equipment[3]	(15,8)	(8,6)	0,9	—	(0,1)	—	(23,7)
Communication network infrastructure[4]	(205,9)	(14,7)	—	—	8,3	—	(212,3)
Other data center equipment	(0,8)	(0,2)	—	—	—	—	(1,1)
Tangible assets under construction	—	(0,1)	—	—	—	—	(0,1)
Prepayments on tangible assets	—	—	—	—	—	—	—
Other tangible assets	(2,1)	(2,5)	—	—	0,5	—	(4,1)
Total Cumulative amortization and depreciation	**(252,7)**	**(115,5)**	**2,7**	**—**	**53,5**	**—**	**(311,9)**

6—Property, Plant & Equipment (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Land	2,5	—	—	0,1	—	—	2,6
Buildings	11,8	9,5	—	14,6	(0,8)	11,7	46,8
Cable networks[1]	11,6	(15,2)	—	481,9	(22,6)	—	455,6
Call center (primarily electronic equipment)[2]	—	1,4	—	64,2	(3)	—	62,6
Converters and modems	0,5	5,9	(0,2)	151,7	(7,1)	—	150,8
Computers and ancillary equipment	2,1	2,3	—	4,6	(0,3)	—	8,7
Office furniture and equipment[3]	13,5	6,6	(0,1)	43,6	0,3	10	74
Communication network infrastructure[4]	82,4	10,2	—	—	(3,1)	—	89,6
Leasehold contracts	—	—	—	—	—	—	—
Other data center equipment	1,4	0,4	—	—	—	—	1,9
Tangible assets under construction	21,8	6,3	—	—	0,3	(21,3)	7,1
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	1,5	(2,1)	—	2,8	80,2)	—	2
Total Net book value	**149,7**	**25,6**	**(0,4)**	**763,3**	**(36,4)**	**—**	**901,7**

(1) Cable network: the Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

Most of the tangible assets increases as of December 31, 2012 is related to the Cabovisao business combination (see Note 3.3).

The additions in capital expenditures come mainly from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 69,4 million for the year ended December 31, 2012, as compared to EUR 29,3 million for the year ended December 31, 2011. The increase in converters and modems related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 84 million for the year ended December 31, 2012, as compared to EUR 51.6 million for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

7—Financial assets

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Investments held as available for sale(1)	6,1	8,5
Loan term trade receivables(3)	18,7	2,4
Restricted cash(2)	9,6	41,4
Total Gross Value	**34,4**	**52,3**
Assets available for sale(1)	—	—
Loan term trade receivables(3)	—	—
Restricted cash(2)	—	—
Total Cumulative amortization and depreciation	**—**	**—**
Investments held as available for sale(1)	6,1	8,5
Loan term trade receivables(3)	18,7	2,4
Restricted cash(2)	9,6	41,4
Total Net book value	**34,4**	**52,3**

(1) Investment in available for sale financial asset:

A subsidiary company, operating through Hot Net Internet Services Ltd. (formerly Hot Properties) and Finance Ltd. (hereinafter—Hot Net) holds 1 454 663 regular shares in Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.18).

As of December 31, 2012 the cash is restricted for the purpose of collateralizing HOT's liabilities to banking entities. The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits.

(3) On July 3, 2012, Altice Africa S.à r.l., as investor, entered into a convertible note purchase agreement with Wananchi Group (Holdings), Ltd (hereafter ''WGH'') for a principal amount of up to EUR 16 million. The promissory notes ((hereafter ''the notes'') plus any interest accrued shall be converted and capitalized into fully paid ordinary shares of WGH before the maturity date on December 31, 2012. In December 2012, it was decided to extend the maturities of the promissory notes till January 31, 2013. Hence the notes were treated as a loan to a related party and accrued interest (15% per annum, retroactive to the date of issue) was recognized on these notes in the accounts.

8—Other long-term trade receivables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Income taxes	—	—
Prepaid expenses	0,8	5,9
Other current receivables[1]	23,7	22,5
Total Gross Value	**24,6**	**28,4**
Income taxes	—	—
Prepaid expenses	—	—
Other current receivables[1]	—	—
Total Cumulative amortization and depreciation	**—**	**—**
Income taxes	—	—
Prepaid expenses	0,8	5,9
Other current receivables[1]	23,7	22,5
Total Net book value	**24,6**	**28,4**

(1) The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its value, as discounted using an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables.

9—Inventories

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Work in progress	0,1	0,1
Finished/semi-finished goods	7,1	7,9
Total Gross Value	**7,2**	**8,0**
Work in progress	(0,1)	—
Finished/semi-finished goods	(1,0)	(1,9)
Total Cumulative amortization and depreciation	**(1,1)**	**(1,9)**
Work in progress	—	0,1
Finished/semi-finished goods	6,2	6,1
Total Net book value	**6,1**	**6,1**

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)				
Work in progress (goods)	—	(0,1)	—	—	(0,1)
Finished/semi-finished goods	(1,9)	—	0,9	—	(1,0)
Total Cumulative amortization and depreciation	**(1,9)**	**(0,1)**	**—**	**—**	**(1,1)**

9—Inventories (Continued)

	December 31, 2010	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)				
Finished/semi-finished goods	(0,6)	(1,3)	—	—	(1,9)
Total Cumulative amortization and depreciation	**(0,6)**	**(1,3)**	**—**	**—**	**(1,9)**

10—Trade and other receivables

10.1 Trade receivables

	December 31, 2011	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)					
Trade receivables	129,1	5,9	40,4	—	0,1	175,6
Allowance for doubtful debts	(26,4)	—	(3,0)	4,4	0,2	(24,8)
Trade receivable, net	**102,7**	**5,9**	**37,4**	**4,4**	**0,3**	**150,8**

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)					
Trade receivables	60,8	62,2	8,1	—	(2,0)	129,1
Allowance for doubtful debts	(9,9)	(14,7)	(4,0)	1,5	0,8	(26,4)
Trade receivable, net	**50,9**	**47,5**	**4,1**	**1,5**	**(1,2)**	**102,7**

The increase in trade receivables in the year ended December 31, 2012 is explained by the switch in invoicing method in Israel from invoicing before the service was provided, to invoicing post utilization of the service, as decided by the Israeli Ministry of Telecom.

10.2 Age of receivables that are past due but not impaired

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Not yet payable	116,7	78,3
30-90 days	14,0	10,1
91-121 days	20,2	14,3
Total	**150,8**	**102,7**

10—Trade and other receivables (Continued)

10.3 Other receivables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Loans to related party	3,8	1,8
Bank guarantee	14,0	—
Tax and social security receivables	5,5	5,1
Income tax	0,3	—
Prepaid expenses	6,1	4,3
Other current receivables	8,1	10,9
Total	**37,9**	**22,1**

The Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, the in-country fixed line communications field and the mobile communication field, respectively. The Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

The increase in other receivables in the year ended December 31, 2012 is mainly explained by an increase in bank guarantees provided by HOT Mobile to the national regulator in Israel, for a total amount of EUR 14 million (NIS 69 million), related to the expansion of its mobile network.

11—Cash and cash equivalents

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Time deposits	5,2	0,1
Bank balances	124,5	19,7
Cash equivalents	**129,7**	**19,8**
Bank overdrafts	—	—
Bank overdrafts	**—**	**—**
Cash and cash equivalents presented in the consolidated statement of cash flows	**129,7**	**19,8**

12—Issued capital

On December 31, 2012, the share capital amounts to EUR 7,4 million and is divided into 742 561 510 fully paid shares with a nominal value of EUR 0,01.

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Share capital	7,4	7,4
Total	**7,4**	**7,4**

The details of the different classes of shares are provided in the table below. The Group has defined three share classes; Shares designated with the letters A through H are referred to as specific shares. Shares designated 1A through 1H are referred to as class 1 shares and when grouped together with their corresponding letters (i.e. Class A shares with class 1A shares), form a share category referred to as the

12—Issued capital (Continued)

specific share class ('*classe specifique*'). In addition to this class, the other two classes of shares are: Ordinary shares ('*part sociale ordinaire*') and Class M shares ('*classe M'*) shares. All these shares put together make up the total shares of the Group.

Each specific share class is linked to the investment in the assets of companies acquired by the Group and hence intrinsically linked to the financial performance of these entities (tracking shares). Each specific class allows its holder to obtain a share of the net profit of the Group in a proportion determined by the Board of Managers.

In addition to the profit sharing defined above, the economic benefit arising from investment in any of the specific share classes is determined as follows:

At the end of the financial year, the Group reports a net income from its activities and based on this net income could attribute it to the different specific classes, as if the investment to which they are related were the only asset held by the Group. Any profits arising from this distribution could be credited to a specific account. Thus, a separate account must be maintained for each specific share class.

Dividends may be issued from these accounts only to the holders of the shares linked to each account.

Holders of ordinary and class M shares are eligible to receive a share of profits, if any such profits remain after distribution to the holders of the specific share classes. None of the class of shares are subordinated to each other.

Each share class allows the holder one right to vote in general assembly meetings, provided that there is one single representative holder of the share class. If shares in a class are held by more than one person, the voting right is suspended till the holder designates a single legal representative.

Different classes of shares are summarized below:

	December 31, 2012
Class of corporate units	**Number**
Class A	14 832 900
Class B	71 747 100
Class C	98 886 400
Class D	64 226 800
Class E	98 886 400
Class F	98 886 400
Class G	1 058 610
Class 1A	1 113 600
Class 1B	5 386 000
Class 1C	202 108 900
Class 1D	4 603 900
Class 1E	19 337 000
Class 1F	25 657 900
Class 1O	44 600
Class 1G	79 600
Class M	31 000 000
Class H	742 868
Class 1H	7 132
Ordinary	3 955 400

12—Issued capital (Continued)

December 31, 2011	
Class of corporate units	**Number**
Class A	14 832 900
Class B	71 747 100
Class C	98 886 400
Class D	64 226 800
Class E	98 886 400
Class F	98 886 400
Class G	1 058 610
Class M	31 000 000
Class 1A	1 113 600
Class 1B	5 386 000
Class 1D	4 603 900
Class 1E	19 337 000
Class 1F	25 657 900
Class 1O	44 600
Class 1G	79 600
Ordinary	3 955 400

	December 31, 2012	December 31, 2011
	Number of shares	
Opening balance	**741 811 510**	**783 283 510**
Issuance	750 000	124 200
Redemption	0	(41 596 200)
Closing balance	**742 561 510**	**741 811 510**

In 2012, the extraordinary general meeting of the equity holders decided to conduct three capital increases for a total amount of EUR 0,01 million through the issuance of 742 868 class H units and 7 132 class 1H units.

13—Earnings per share (EPS)

Non diluted EPS for 2012 has been computed dividing 2012's net income by weighted average number of shares as of December 31, 2012.

Diluted EPS for 2012 has been computed based on the assumption that the CPECs (Convertible Preferred Equity Certificates) would be converted at a 1 to 1 ratio.

	December 31, 2012	December 31, 2011
Net income (in millions of euros)	(189,80)	123,90
Non diluted weighted average number of shares	742 417 674	742 417 674
Basic earnings per share	**(0,26)**	**0,17**
Diluted weighted average number of shares	967 944 738	967 944 738
Diluted earnings per share	**(0,20)**	**0,13**

In June 2013, all the different classes of tracking shares were merged into one single class of ordinary shares. No dividends were paid to any of the equity holders during any period since the inception of the Group. The Board of Managers has determined that the disclosure of EPS metrics for each class of share in issuance during 2011 and 2012 is not qualitatively relevant to the users of the financial statements and has hence elected to disclose EPS on the basis of the merged single class of ordinary shares.

14—Reserves

	December 31, 2012	December 31, 2011
	(in millions of euros)	
CPEC'S reclassed in equity	219,1	219,1
Distribution to CPEC's holders	(17,4)	(17,4)
YFPEC'S	22,7	21,6
Employee benefits	0,3	0,2
Currency Translation Reserve	(6,7)	(3,0)
Impact of changes in ownership interests	61,3	13,1
Other	(1,6)	(0,7)
Group reserves	**277,5**	**232,9**

According to the Luxemburg legal provisions, 5% of net profits must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserves equal 10% or more of the share capital of the Group. An allocation to the legal reserve has been performed for the year ended December 31, 2012 for an amount of EUR 277 thousands and is not distributable to the equity holders of the Company.

CPEC, which maturity comprises between 2058 and 2061, increases from EUR 219 million in 2011 to EUR 219,1 million in 2012, due to subscriptions of EUR 0,1 million. In substance, CPECs subordinated financial instruments (about EUR 219,1 million as at the end of 2011) are equity instruments as:

CPECs give issuer the opportunity to avoid delivering cash.

CPECs do not bear interests.

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

The change in impact from changes in ownership structure are explained by the buyout of minority interests in HOT in December 2012, following the take private of HOT (see note 27).

14—Reserves (Continued)

Details of YFPECS (before impact of discounting) and CPECS are presented as follows:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2011	Principal amount as at the end 2012
				in millions of euros	
YFPECs C	14/05/2058	—	No	22,07	22,07
YFPECs C	03/12/2058	—	No	4,51	4,51
YFPECs C	15/06/2060	—	No	0,10	0,10
YFPECs C	26/08/2011	—	No	0,11	0,11
YFPECs C	28/11/2011	—	No	2,51	2,51
YFPECs C	03/12/2058	—	No	4,00	4,00
YFPECs E	01/12/2058	—	No	1,88	1,88
YFPECs F	17/06/2059	—	No	—	—
YFPECs K	31/12/2061	—	No	—	1,16
Total				***35,18***	***36,34***
CPECs A	14/05/2058	—	Yes (to the benefit of the issuer)	0,84	0,84
CPECs B	01/12/2058	—	Yes (to the benefit of the issuer)	3,61	3,61
CPECs B	14/05/2058	—	Yes (to the benefit of the issuer)	0,46	0,46
CPECs B	14/05/2058	—	Yes (to the benefit of the issuer)	15,42	15,42
CPECs C	03/12/2058	—	Yes (to the benefit of the issuer)	23,48	23,48
CPECs C	03/12/2058	—	Yes (to the benefit of the issuer)	22,67	22,67
CPECs C	14/05/2058	—	Yes (to the benefit of the issuer)	132,30	132,30
CPECs D	03/12/2058	—	Yes (to the benefit of the issuer)	3,45	3,45
CPECs E	01/12/2058	—	Yes (to the benefit of the issuer)	16,18	16,18
CPECs F	01/12/2058	—	Yes (to the benefit of the issuer)	—	—
CPECs G	18/03/2058	—	Yes (to the benefit of the issuer)	0,06	0,06
CPECs H	29/06/2058	—	Yes (to the benefit of the issuer)	—	0,45
CPECs H	16/11/2060	—	Yes (to the benefit of the issuer)	—	0,01
CPECs H	01/12/2060	—	Yes (to the benefit of the issuer)	—	0,15
CPECs I	29/02/2061	—	Yes (to the benefit of the issuer)	—	0,03
Total				***219,0***	***219,1***

Information on the parameters used to calculate the employee benefits is presented in note 16.

Exchange rate differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

15—Provisions

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Provision for retirement benefits	6,9	—	2,0	(0,8)	1,0	9,1
Litigations[(1)]	38,8	—	1,9	(24,0)	(0,9)	15,8
Other risks[(2)]	1,7	5,0	1,4	(0,1)	(0,1)	8,0
Provisions for other expenses	—	—	1,8	—	—	1,8
TOTAL	**47,4**	**5,1**	**7,1**	**(24,9)**	**0,1**	**34,7**

	December 31, 2010	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
			(in millions of euros)			
Provision for retirement benefits	1,2	5,4	0,4	(2,5)	2,4	6,9
Litigations[(1)]	0,7	67,4	0,7	(26,6)	(3,4)	38,8
Other risks[(2)]	0,8	0,9	—	—	—	1,7
Provisions for other expenses	0,2	—	—	(0,2)	—	—
TOTAL	**2,9**	**73,7**	**1,1**	**(29,3)**	**(0,9)**	**47,4**

(1) Provisions for litigations and other risks decreased in FY12 compared to the previous period, mainly driven by a re-evaluation of the risk of pay-out on the various royalty and retransmission fees related lawsuits faced by HOT Telecom in Israel. The reversals on the three major litigations, namely TALI, AKUM and AGICOA, amounted to EUR 3, 13,5 and 3,5 million respectively. The total reversal on provision for litigation was EUR 20 million.

In 2012, HOT Telecom also recorded an additional provision of EUR 1,9 million to cover a contested withholding tax ruling.

(2) No major movements were recorded on provisions for risks in the French Caribbean entities. The increase in provisions for risk in FY12 was mainly attributed to the acquisition of Cabovisao in February 2012. Cabovisao had a provision of EUR 5 million on its statement of financial position to account for potential fines and penalties to be paid resulting from negative outcome on various tax rulings sought by Cabovisao.

16—Employee benefits

Breakdown of the employee benefits by entity:

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
Coditel Brabant		0,7	0,9
Hot Telecom	16.1	6,5	4,7
Solutions 25		2	1,4
Total		**9,1**	**6,9**

16—Employee benefits (Continued)

16.1 Hot Telecom

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Current service cost	4,7	3,9
Interest expenses in respect of the benefit liabilities	1,0	1,0
Expected yield in the plan assets	(0,8)	(0,8)
Net actuarial loss (gain) which has been recognized in the year	0,6	2,4
Total expenses in respect of employee benefit	**5,5**	**6,5**

(c) The plan assets (liabilities)

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	26,8	25,4
Fair value of the plan assets	(20,3)	(20,7)
Total net assets/(liabilities)	**6,5**	**4,7**

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Opening balance	**25,4**	**23,8**
Interest expenses	1,0	1,0
Current service cost	4,7	3,9
Benefits paid	(3,2)	(4,1)
Transfer of employees to section 14	(1,6)	—
Net actuarial loss (profit)	0,6	0,8
Closing balance	**26,8**	**25,4**

16—Employee benefits (Continued)

(e) The plan assets

The plan assets

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

The movement in the fair value of the plan assets

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Opening balance	**20,7**	**20,1**
Expected yield	0,8	0,8
Deposits by the employer into the plan	4,1	3,9
Benefits paid	(3,7)	(2,4)
Transfer of employees to section 14	(1,6)	—
Net actuarial loss	—	(1,6)
Closing balance	**20,3**	**20,7**

(f) The principal assumptions:

	December 31, 2012	December 31, 2011
	(in %)	
Discount rate	3,54	4,34
Expected yield on the plan assets	3,84	4,51
Expected yield of salary increases	2–4	2–4

17—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Bonds	1 108,5	291,4
Related party bonds	109	73,9
Bank credit facilities	257,2	536,6
Finance leases	7,4	7,3
Other financial liabilities	111	85,3
Financial instruments	62,5	—
Non-current liabilities	**1 655,6**	**994,4**
Bonds	25,4	12,4
Bank credit facilities	86,5	228,8
Finance leases	1,4	0,6
Bank overdraft	—	—
Other financial liabilities	—	0,7
Accrued interest	2,7	2,2
Current liabilities	**116,3**	**244,7**

17—Borrowings and other financial liabilities (Continued)

17.1 Financial liabilities description

During the year ended December 31, 2012, bonds include the debentures in Hot Telecom:

The Series A' debentures—EUR 167 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures—EUR 137 million (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Bonds also include Senior and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of $425,0 million (EUR 322,0 million) mature on December 15, 2020 and bear coupons of 9,875% annually.

The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of $460 (EUR 348,5 million) mature on December 15, 2019 and bear coupons of 7,875% annually.

The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of EUR 210 million mature on December 15, 2019 and bear coupons of 8% annually.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange. The interest payment of the bonds is semi-annually on June 15 and on December 15 of each year and the first payment of the interest will be on June 15, 2013.

17.1.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv stock exchange by the Group's subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

a debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;

no distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2012, Hot Telecom was in compliance with all of the required financial covenants.

17.1.2 Altice Blue One

As part of the Altice Blue One (''ABO'') financing arranged in 2009, the ABO was required to respect certain covenants calculated on the basis of its consolidated accounts. As of December 31, 2012, the company was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2012 were closed and approved based on the hypothesis outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby solving any default situation.

17—Borrowings and other financial liabilities (Continued)

17.1.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A..

As of December 31, 2012, Coditel Holding S.A. was in compliance with all of the required financial covenants.

As at December 31, 2012, there were no breaches of covenants for the senior and senior secured notes mentioned in the note above.

17.2 Bonds

Issuer	Fair value in millions of euros December 31, 2012	Effective interest rate	Year of maturity	Carrying amount December 31, 2012	Carrying amount December 31, 2011
Bonds					
Hot Telecom					
—Debentures	269,2	Variable (3,9% and 6,9% + Consumer Price Index)	2018	269,2	291,4
Altice Financing					
—Senior Secured Notes	516,7	between 7,9% and 9,9%	2019/2020	516,7	
Altice Finco					
—Senior Secured Notes	322,7	between 7,9% and 9,9%	2019/2020	322,7	
Related party bonds					
Altice VII					
—Alpecs	104,6	Variable	2057 to 2061	104,6	69,8
—Yfpecs	4,4	4,76%	2058 to 2061	4,4	4,1
Nominal value of bonds	**1 322,6**			**1 217,6**	**365,3**
Of which due within one year					
Of which due after one year	1 322,6			1 217,6	365,3

The fair value of bonds amounts to EUR 1 322,6 million (2011: EUR 418 million). This value includes accrued interest of EUR 9,02 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel holding).

17.3 Related party bonds

Subordinated financial instruments have been issued by Altice VII and Coditel Holding.

(a) Altice VII

Subordinated financial instruments have been issued by Altice VII consists of:

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

17—Borrowings and other financial liabilities (Continued)

ALN: Asset Linked Notes.

Conversely, according to our appreciation, and upon a strict application of IAS 32/39, following instruments have to be classified as debt instruments:

ALPECs instruments (about EUR 101,3 Million as at the end of 2012);

YFPECs instruments (about EUR 36,3 Million as at the end of 2012).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

Details of ALPECs are summarized in the table below:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2011	Principal amount as at the end 2012
				(in millions of euros)	
ALPECs A	14/05/2058	Loan Auberimmo—25 bp	No	1,0	1,0
ALPECs B1	31/12/2057	Loan ABO—25 bp	No	4,5	4,5
ALPECs B3	31/07/2058	Loan ICC France—25 bp	No	1,0	—
ALPECS F (US dollar)	27/05/2059	Loan Mirs—25 bp	No	—	—
ALPECS H	16/11/2060	Business Unit(1)—25 bp	No	59,0	69,0
ALPECS I	*28/02/2061*		No		*11,2*
ALPECS J	*03/08/2061*		No		*4,0*
ALPECS J	*02/10/2061*		No		*8,0*
ALPECS J	*13/11/2061*		No		*4,0*
Total				***65,5***	***101,3***

(1) Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument class is linked to the acquisition of a specific asset. This asset makes up the business unit mentioned earlier in the footnote.

(b) Coditel Holding

Subordinated financial instruments in Coditel Holding S.A. consist of PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2012, the total of PECs instruments amounts to EUR 61,8 million (including interests):

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument in euro	Interest rate	Convertible	Amount as at the end of 2011	Amount as at the end of 2012
			(in millions)	(in euro)			(in millions of euros)—including interests	
PECs C	30/06/2011	30/06/2060	44,2	1	12,98%	No	44,2	51,4
PECs C	02/12/2011	02/12/2060	9	1	12,98%	No	9	10,5
Total			***53,2***				***53,2***	***61,8***

17—Borrowings and other financial liabilities (Continued)

17.4 Maturity of financial liabilities

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	1 133,9	25,4	77,3	1 031,2
Related party bonds	109,0	—	—	109,0
Bank credit facilities	343,7	86,5	27,5	229,7
Finance leases	8,8	1,4	3,4	4,0
Accrued interest	3,0	3,0	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	111,0	—	7,8	103,2
Financial instruments	62,5	—	—	62,5
Nominal value of borrowings	**1 771,9**	**116,3**	**116,0**	**1 539,6**

	December 31, 2011	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	303,8	12,4	102,0	189,3
Related party bonds	73,9	—	—	73,9
Bank credit facilities	764,9	228,3	161,5	376,6
Finance leases	8,4	1,1	1,3	4,4
Accrued interest	2,2	2,2	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	86,0	0,7	2,8	82,5
Financial instruments	—	—	—	—
Nominal value of borrowings	**1 239,2**	**244,7**	**267,6**	**726,7**

17.5 Currency of borrowings

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	1 133,9	—	839,3	294,6	—
Related party bonds	109	109	—	—	—
Bank credit facilities	343,7	319,7	—	—	24
Finance leases	8,8	6,2	—	—	2,6
Accrued interest	3	1,2	1,6	—	0,2
Bank overdraft	—	—	—	—	—
Other financial liabilities	111	108,1	—	2,7	0,2
Financial instruments	62,5	—	62,5	—	—
TOTAL	**1 771,9**	**544,2**	**903,4**	**297,3**	**27**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	303,8	—	—	303,7	—
Related party bonds	73,9	73,9	—	—	—
Bank credit facilities	764,9	292,6	—	450,9	21,4
Finance leases	8,4	6,5	—	—	1,9
Accrued interest	2,2	2,2	—	0,1	—
Bank overdraft	—	—	—	—	—
Other financial liabilities	86	82,4	—	3,1	0,5
Financial instruments	—	—	—	—	—
TOTAL	**1 239,2**	**457,6**	**—**	**757,8**	**23,8**

17.6 Nature of interest rate

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1 133,9	969,7	164,2
Related party bonds	109	109	—
Bank credit facilities	343,7	229,9	113,8
Finance leases	8,8	2,6	6,2
Accrued interest	3	3	—
Bank overdraft	—	—	—
Other financial liabilities	111	108,1	2,9
Financial instruments	62,5	62,5	—
TOTAL	**1 771,9**	**1 484,8**	**287,1**

	December 31, 2011	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	303,8	—	303,8
Related party bonds	73,9	73,9	—
Bank credit facilities	764,9	245,2	519,7
Finance leases	8,4	1,9	6,5
Accrued interest	2,2	0,1	2,2
Other financial liabilities	86	83,5	2,5
TOTAL	**1 239,2**	**404,5**	**834,6**

17.7 Coditel Holding swaps

As of December 31, 2012, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

On February 2012, Coditel Holding has concluded the following swap transactions:

- a swap transaction with ING amounting to EUR 35 million with a maturity date on March 31, 2015 and an interest rate composed of a fixed rate of 0,770% and an EUR-euribor-reuters floating rate;

17—Borrowings and other financial liabilities (Continued)

- a swap transaction with ING amounting to EUR 17,5 million with a maturity date on March 31, 2015 a fixed rate of 0,775% and an EUR-euribor-reuters floating rate;
- a swap transaction with ING amounting to EUR 50 million with a maturity date on March 31, 2015 a fixed rate of 0,710% and an EUR-euribor-reuters floating rate;
- a swap transaction with KBC amounting to EUR 20 million with a maturity date on March 31, 2015 a fixed rate of 0,755% and an EUR-euribor-reuters floating rate;
- a swap transaction with HSBC amounting to EUR 17 million with a maturity date on March 31, 2015 a fixed rate of 0,770% and an EUR-euribor-reuters floating rate.

18—Financial risk factors

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk), commodity price risk and other risks (including equity price risk and settlement risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Managers establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Group is not subject to any externally imposed capital requirements.

18.1 Credit risk

The Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of Groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

The Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Group does not have significant concentration of credit risk, as a result of the Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

18.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

18.3 Market risks

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

18—Financial risk factors (Continued)

18.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Group has an exposure to risk in respect of changes in the interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Financial debt at fixed rates	1 484,8	404,6
Financial debt at variable rates	287,1	834,6
TOTAL	**1,771,9**	**1,239,2**

18.3.2 Israeli CPI risk

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 247 million as of December 31, 2012.

18.3.3 Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures, swaps and options.

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12,9)	(0,1)	(13,1)
Decrease of 10% in exchange rate	12,9	0,1	13,1
Equity			
Increase of 10% in exchange rate	23,3	3,0	26,3
Decrease of 10% in exchange rate	(23,3)	(3,0)	(26,3)

	December 31, 2011		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(10,7)	(0,1)	(10,9)
Decrease of 10% in exchange rate	10,7	0,1	10,9
Equity			
Increase of 10% in exchange rate	(1,3)	(2,1)	(3,4)
Decrease of 10% in exchange rate	1,3	2,1	3,4

18—Financial risk factors (Continued)

Exchange differences recorded in the income statement represented a loss of EUR 22,5 million in 2012 (2011: loss of EUR 14,0 million). They are allocated to the appropriate headings of expenses by nature.

The Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to assess the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

18.3.4 Price risk

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2012, the carrying amount of these investments was EUR 5,7 million.

18.4 Sensitivity tests in respect of a change in market factors

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

18.5 Gearing computation

Gearing ratio (net debt (1) /total equity holders' equity (2)) amounts, respectively in 2012 and 2011, to 5,4 and 1,6.

Consolidated Statement of financial position	December 31, 2012	December 31, 2011
	(in millions of euros)	
Total assets in balance sheet	**2,720,0**	**2,503,7**
Cash and cash equivalents	(129,7)	(19,8)
Trade payables	(311,3)	(208,2)
Other payables	(108,1)	(98,4)
Other non-current liabilities	(49,5)	(46,1)
Deferred tax liabilities	(148,2)	(123,7)
Current tax liabilities	(10,7)	(7,2)
Net assets in balance sheet	**1,962,6**	**2,000,4**
Net Debt (short term and long term)	**1 514,1**	**1 143,9**
Issued capital	7,4	7,4
Other reserves	—	232,9
Retained earnings	277,5	25,8
Retained earnings/(accumulated losses)	138,0	118,4
Equity attributable to equity holders of the parent	(148,9)	**384,5**
Non-controlling interests	5,2	349,2
Total equity	**285,7**	**733,6**
Total equity and liabilities	**1,795,2**	**1,871,2**
Gearing	**5,4**	**1,6**

(1) Excluding loan from related parties

18—Financial risk factors (Continued)

18.6 Fair value of financial assets and liabilities

18.6.1 Fair value of financial instruments carried at amortized cost

The managers consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements and accounted for at their amortized cost approximate their fair value.

18.6.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of financial assets and financial liabilities are determined as follow:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded an active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);

The fair value of derivatives instruments are calculated using quote prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and

The fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specially, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

19—Trade and other payables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Trade payable	311,3	208,2
Trade payables—acquisition of assets	2,9	3,5
Corporate and social security contributions	24,5	26,2
Corporate income tax payable	10,7	7,2
Deferred revenue	34,1	31,3
Other payables	46,3	37,4
Liabilities from related parties	0,2	—
Total	**430,1**	**313,8**

A part of the trade payable increase as of December 31, 2012 results from the Cabovisao business combination. The rest is explained by the increase in business of other subsidiaries of the Group.

20—Other non current liabilities

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Trade payables—acquisition of assets	5,9	—
Deferred revenue	10,8	9,4
Other payables	32,9	36,7
Total	**49,5**	**46,1**

21—Classification and fair value of financial assets and liabilities

	December 31, 2012					
			Fair Value			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale	Loans & Receivables	Derivative instruments
			(in millions of euros)			
Current assets						
Cash and cash equivalents	129,7	129,7	—	—	—	—
Trade receivables	150,8	150,8	—	—	—	—
Other receivables	37,9	37,9	—	—	—	—
Non-current assets						
Restricted cash	9,6	9,6	—	—	—	—
Investments in financial assets available for sale	—	—	—	—	—	—
Available for Sale	5,7	—	—	5,7	—	—
Long term trade receivables	2,7	2,7	—	—	—	—
Other long-term trade receivables	40,9	24,6	—	—	16,3	—
	377,4	**355,3**	**—**	**5,7**	**16,3**	**—**
Current liabilities						
Credit from banking corporations and debentures	113,2	113,2	—	—	—	—
Trade payables	311,3	311,3	—	—	—	—
Others payables	118,8	118,8	—	—	—	—
Short-term loans from related parties	2,7	2,730,0	—	—	—	—
Non-current liabilities				—	—	—
Loans from banking corporations and debentures	1 373,2	1 373,2	—	—	—	—
Long-term loans from related parties	170,8	170,8	—	—	—	—
Other financial liabilities	111,9	49,5	—	—	62,5	—
Other non-current liabilities	49,5	49,5	—	—	—	—
	2 251,4	**2 189**	**—**	**—**	**62,5**	**—**

21—Classification and fair value of financial assets and liabilities (Continued)

On December 31, 2012 and 2011, the principles for measuring financial instruments and their market value breaks down as follows:

	December 31, 2011				
			Fair value		
	Book value	Amortised cost	Fair value through profit/loss	Assets available for sale	Derivative instruments
	(in millions of euros)				
Current assets					
Cash and cash equivalents	19,8	19,8	—	—	—
Trade receivables	102,7	102,7	—	—	—
Other receivables	17,2	17,2	—	—	—
Non-current assets					
Restricted cash	41,4	41,4	—	—	—
Investments in financial assets available for sale	—	—	—	—	—
Available for Sale	8,5	—	—	8,5	—
Long term trade receivables	2,4	2,4	—	—	—
Other long-term trade receivables	28,4	24,2	—	—	4,3
	220,3	**207,5**	**—**	**8,5**	**4,3**
Current liabilities					
Credit from banking corporations and debentures	241,8	241,8	—	—	—
Trade payables	208,2	208,2	—	—	—
Others payables	98,4	98,4	—	—	—
Short-term loans from related parties	2,9	2,9	—	—	—
Non-current liabilities					
Loans from banking corporations and debentures	835,2	835,2	—	—	
Long-term loans from related parties	127,1	127,1	—	—	—
Other financial liabilities	32,1	28,3	3,8	—	—
Other non-current liabilities	46,1	46,1	—	—	—
	1 591,8	**1 588**	**3,8**	**—**	**—**

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the consolidated statement of financial position in accordance with their fair value are classified into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

21—Classification and fair value of financial assets and liabilities (Continued)

As result, as of December 31, 2012, classification of financial instruments are as follows:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions of euros)			
Financial liabilities at FVTPL				
Other derivatives financial liabilities	—	62,5	—	62,5
AFS				
AFS HOT Telecom (Level 1)	5,7		—	5,7
	5,7	**62,5**	**—**	**68,2**

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- FX Forward contract: USD 550 million, the maturity date will be on December 15, 2017 and swap to NIS at the aggregate rate of 4,1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4,17 in December 15, 2017;
- FX Forward contract: USD 98,9 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.
- FX Forward contract: EUR 40,1 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- Cross currency swap: USD 200 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 7,7550%,
- Cross currency swap: USD 225 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,6850%,
- Cross currency swap: EUR 100 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,7750%.

Those contracts are effectively fixed Euro and USD interest payments in NIS.

21—Classification and fair value of financial assets and liabilities (Continued)

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

HOT Telecom	As of December 31, 2011 Level 1	Level 2	Level 3
	(in millions of euros)		
Available for sale financial asset:			
Shares	8,5		—
Financial assets at fair value through profit or loss:			
Forward contracts in foreign currency that are not defined as accounting hedges		5,1	
Financial liabilities at fair value through profit or loss:			
Embedded derivatives		(0,4)	
Interest rate swap contract		(0,2)	
Liability to the Ministry of Communications			(3,8)

22—Taxes on income

22.1 Income tax (expense)/benefit

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Current income tax	4,2	0,2
Carry back	—	(0,2)
Deferred taxes on deductible temporary differences	21,7	(32,4)
TOTAL	**26,0**	**(32,5)**

22.2 Deferred tax assets and liabilities

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
			(in millions of euros)		
Other	0,2	—	—	0,2	0,4
IAS 16, Property, Plant and Equipment	0,1	—	—	0,3	0,4
IAS 36, Depreciable fixed assets	—	—	(0,6)	—	(0,6)
IAS 38, Intangible assets	—	—	—	—	—
IAS 39, Financial Instruments	—	—	—	19,0	19,0
Total deferred taxes assets	**0,3**	**—**	**(0,6)**	**19,5**	**19,3**

22—Taxes on income (Continued)

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Customer relationships	52,0	3,6	—	(2,8)	51,3
Brand	9,3	7,4	—	—	16,7
Other Intangible assets	23,9	—	(4,7)	2,1	21,3
Reevaluation of Tangible assets	11,0	23,2	—	(4,1)	30,1
IAS 23, Borrowing Costs	3,6	—	—	(0,4)	3,1
IAS 36, Depreciable fixed assets	(11,1)	—	(1,4)	3,6	(8,8)
Present value of YFPECS financial instrument	9,0	—	—	0,2	9,3
Temporary differences	22,8	—	—	(0,5)	22,3
Other	3,1	—	0,1	(0,1)	3,1
Total deferred taxes liabilities	**123,7**	**32,7**	**(6,0)**	**(2,0)**	**148,4**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Other	—	—	—	0,2	0,2
IAS 16, Property, Plant and Equipment	—	—	—	0,1	0,1
IAS 38, Intangible assets	—	—	—	—	—
Total deferred taxes assets	**—**	**—**	**—**	**0,3**	**0,3**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
	(in millions of euros)				
Customer relationships	6,9	44,0	(1,1)	2,3	52,0
Brand	3,1	6,0	0,1	0,1	9,3
Other Intangible assets	—	10,3	(0,3)	13,9	23,9
Revaluation of Tangible assets	1,0	10,6	(0,4)	(0,3)	11,0
IAS 23, Borrowing Costs	—	—	—	3,6	3,6
IAS 36, Depreciable fixed assets	—	1,5	(0,1)	(12,6)	(11,1)
Present value of YFPECS financial instrument	9,2	—	—	(0,2)	9,0
Temporary differences	6,5	—	(6,4)	22,8	22,8
Other	(0,4)	—	0,5	2,9	3,1
Total deferred taxes liabilities	**26,3**	**72,4**	**(7,6)**	**32,6**	**123,7**

22—Taxes on income (Continued)

22.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Net income	**(189,8)**	**123,9**
Share of net income—associates	**—**	**(11,7)**
Share of net income—equity holders	**(189,8)**	**112,3**
Tax charge [(−) expenses/(+) income]	(26,0)	32,5
Earnings/(Loss) before tax	**(215,8)**	**156,6**
Theoretical tax rate	28,80%	28,80%
Income tax calculated on theorical tax	62,1	(45,0)
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(5,8)	
Permanent differences	(57,0)	7,9
Restatements without tax impact	18,7	10,6
Utilization of previously non capitalized tax credit	20,0	3,6
Carry-back	0,1	(0,2)
Tax loss carry forwards of the periods non activated	(13,2)	(9,7)
Effect of unused tax losses not recognized as Deferred tax asset	1,0	0,3
Effective Tax	**25,9**	**(32,5)**
Effective tax rate		**27,66%**

Permanent differences stated above are almost exclusively present at the Cool Holdings sub consolidated level. Permanent differences totaled EUR 50,4 million and were comprised of EUR 30,0 million arising from the adjustment on the Goodwill at Cool Holdings Limited and another EUR 20,4 million related to finance costs at Cool Holdings Limited.

22.4 Tax assessments

22.4.1 Hot Telecom

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax years after 2008.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006–2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006–2008, which could significantly change the results of the tax assessments for those years and could also significantly change the implications deriving from them in respect of the tax years after 2008.

22—Taxes on income (Continued)

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006–2008 and within the framework of Stage A for the 2009–2010 tax years. A number of issues have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of HOT estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

22.4.2 Cabovisao

Cabovisao is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%, resulting in an aggregate rate of a maximum of 26.5%. Additionally, any taxable profit in excess of EUR 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds EUR 10 million, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, Cabovisao is subject to autonomous taxation over some costs incurred by Cabovisao at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security). These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, Cabovisao's tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

Cabovisao was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

Notification for fiscal year 2003 to adjust tax losses by EUR 7,2 million and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of EUR 1,3 million. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of EUR 1,7 million. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal was unfounded. Cabovisao has appealed against that decision before the Almada Administrative and Fiscal Court.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of EUR 17,1 million, as well as an additional tax payment in the amount of EUR 4 million, for

22—Taxes on income (Continued)

withholding tax and stamp tax. Cabovisao paid EUR 2,6 million and contested this decision of the assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1 million, was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of the date of this report, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately EUR 4,9 million. Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6,8 million. As of December 31, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Managers believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded will not have a significant effect on the financial statements on December 31, 2012.

22.5 Unrecognized deferred tax assets

As at December 31, 2012, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 21,2 million,
- Coditel Holding Lux S.à r.l.: EUR 13,63 million,
- Cabovisao: EUR 51,3 million.

23—Segment analysis

23.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

Israel,

Belgium and Luxembourg (Western Europe),

Portugal (Western Europe),

French Overseas Territories (Antilles and Indian Ocean),

Other (Switzerland, Africa etc.).

Activities have been split as follows:

Cable,

Mobile,

Others (B2B/Content/etc.).

23.1.1 Operational KPIs

It has also been decided by the central team that local operational teams in each geography shall report operational KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

23—Segment analysis (Continued)

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

23.1.2 Financial KPIs

Each local operational company will also report the following financial KPIs by segment:

Revenues (Cable/Mobile/Other),

Cost of Sales (Cable/Mobile/Other),

Capex (Cable/Mobile/Other).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

HOT Telecom however will report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has small fixed Capex requirements and initial Capex is quite low, but variable Capex is high, as an increase in customers drives the cash needs for Customer Premise Equipment (CPE) and installation.

Mobile Capex is one-off and mainly driven by investment in new mobile sites and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the central team places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under 'Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

23.2 Regional specificities

23.2.1 Israel

Israel is currently an important contributor to the Group revenues and EBITDA and, for this reason, is classified as a separate region. Apart from this, this region has particularities that differentiate it.

It is characterised by a high broadband and cable penetration and the general population is very technology focussed. The market is maturing but highly regulated, which means that while opportunities

23—Segment analysis (Continued)

for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is low and this represents the biggest development path. Customer retention is difficult as contractual terms heavily favour the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

23.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite distinctly different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU/subs) and hence price pressures are low.

These regions are marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

23.2.3 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery after the crisis, makes it difficult to achieve high sales growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and then slowly migrating the customer base from double play to triple play offers.

23.2.4 French Overseas Territories

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, as triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressures are low in these markets and customers are willing to pay more for value added services. Double play (TV and Internet) offers are predominant in these regions and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

23—Segment analysis (Continued)

23.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

	December 31, 2012					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
Cable						
Revenue	873,3	70,3	677,9	24,4	98,2	2,5
Costs of sales	(212,9)	(10,3)	(159,0)	(4,1)	(39,1)	(0,5)
Gross Profit	**660,4**	**60,0**	**518,9**	**20,4**	**59,1**	**2,0**
Mobile						
Revenue	172,7	0,2	172,5	—	—	—
Costs of sales	(69,9)	(0,1)	(69,8)	—	—	—
Gross Profit	**102,8**	**0,1**	**102,7**	**—**	**—**	**—**
Other						
Revenue	46,4	0,8	—	—	—	45,6
Costs of sales	(19,3)	(0,6)	—	—	—	(18,7)
Gross Profit	**27,1**	**0,2**	**—**	**—**	**—**	**26,9**
Total						
Total Revenue	**1,092,4**	**71,3**	**850,4**	**24,4**	**98,2**	**48,1**
Total Costs of sales	**(302,1)**	**(11,0)**	**(228,8)**	**(4,1)**	**(39,1)**	**(19,2)**
Total Gross Profit	**790,3**	**60,3**	**621,7**	**20,4**	**59,1**	**28,9**

	December 31, 2011					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
Cable						
Revenue	560,3	34,5	499,7	23,6	—	2,5
Costs of sales	(125,3)	(6,9)	(114,1)	(3,8)	—	(0,5)
Gross Profit	**435,0**	**27,6**	**385,6**	**19,8**	**—**	**1,9**
Mobile						
Revenue	180,6	—	180,6	—	—	—
Costs of sales	(31,0)	—	(31,0)	—	—	—
Gross Profit	**149,7**	**—**	**149,7**	**—**	**—**	**—**
Other						
Revenue	43,3	0,4	—	—	—	42,9
Costs of sales	(19,1)	(0,5)	—	—	—	(18,7)
Gross Profit	**24,1**	**(0,1)**	**—**	**—**	**—**	**24,2**
Total						
Total Revenue	**784,2**	**34,8**	**680,4**	**23,6**	**—**	**45,4**
Total Costs of sales	**(175,4)**	**(7,3)**	**(145,1)**	**(3,8)**	**—**	**(19,2)**
Total Gross Profit	**608,8**	**27,5**	**535,3**	**19,8**	**—**	**26,2**

24—Operating expenses

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Technical and maintenance costs	(228,2)	(185,0)
Customer services	(18,3)	(9,9)
Taxes	(2,4)	(0,5)
Total	**(248,9)**	**(195,4)**

The increase in operating expenses was mainly related to the acquisition of Cabovisao, a Portuguese cable operator in February 2012 and the full year impact of the consolidation of HOT's cable business in 2012 (full 12 months vs. 9 months in 2011).

25—Equity based compensation

Equity based compensations are included in the line item ''General & administrative expenses'' in these consolidated financial statements and amounted to EUR 3,8 million.

26—Other operating incomes and expenses

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Other incomes and expenses	(24,9)	(5,6)
Disposal of tangible assets—selling price and book-value of disposal/ tangible assets	(4,8)	(7,4)
Subvention	—	—
Other expenses, net	**(29,8)**	**(13,0)**
Gain arising on step acquisition(1)	—	133,1
Other revenues	8,3	1,7
Expenses from prior periods(2)	(22,4)	(7,5)
Restructuring costs	(6,7)	(0,1)
Reorganization and extraordinary costs	**(20,8)**	**127,2**
Total	**(50,5)**	**114,2**

(1) In the prior year, the gain from achieving control is linked to acquisition of Hot Telecom: the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

(2) The increase in expenses from prior periods is mainly explained by fines and penalties paid by HOT relating to the early breakage of mortgage contracts and disputes with other suppliers. The total charge registered was of EUR 22.8 million, offset by a reversal in the provision for these charges for EUR 7.7 million, thus resulting in a net expense of EUR 14.9 million.

(3) Restructuring costs refer to the non-recurring costs incurred by Cabovisao in the year ended December 31, 2012, arising from the restructuring carried out at this company level, post-acquisition by the Group. The costs engaged are made up entirely of personnel costs and are associated with dismissal indemnities paid to employees.

27—Net finance costs

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Cash and cash equivalent income	—	—
Gain arising on fair value financial instruments	0,4	6,4
Foreign exchange gains	24,7	6,8
Disposal of financial assets—selling price	4,5	3,0
Other financial incomes and expenses	0,9	0,4
Finance income	**30,5**	**16,6**
Interest charges on borrowings and overdrafts	(118,5)	(70,2)
Fair value financial instruments (losses)	(62,8)	—
Foreign exchange losses	(2,1)	(20,8)
Book-value of disposal/financial assets	(21,2)	(20,7)
Finance costs	**(204,7)**	**(111,6)**
Total	**(174,1)**	**(95,0)**

28—Transactions with non-controlling interests

On December 27, 2012, the Group sucessfully completed the take-private of HOT Telecom and thus the buyout of the non controlling interests in Cool Holding Limited. The total consideration paid to acquire this minority stake amounted to EUR 172,9 million.

On February 19, 2012 HOT distributed a dividend of NIS 365 million (EUR 73,4 million). Of this total amount, NIS 129 million (EUR 26,0 million) was paid to the non-controlling interests.

29—Average workforce

	December 31, 2012	December 31, 2011
Managers	268	280
Technicians	660	604
Employees	4 719	5 152
	5 647	**6 036**

30—Transaction with related parties

30.1 Trading and financial transaction

Transactions with related parties mainly related to the companies Adevintel, Titan consulting and DOK, all consulting firms specialized in the management and operations of telecom companies. The fees paid to these companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks

30—Transaction with related parties (Continued)

on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII.

	Revenue		Operating expenses		Financial expenses	
Consolidated Income and expenses	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
			(In millions of euros)			
Equity holders	0,4	0,2	(3,1)	(12,1)	—	—
Executive managers	—	—	—	—	—	—
Remuneration and benefits in kind	—	—	(1,1)	(2,5)	—	—
Associate companies	—	—	—	—	(0,1)	—
TOTAL	**0,4**	**0,2**	**(4,2)**	**(14,6)**	**(0,1)**	**—**

	Loans and receivables		Trade accounts receivable and other		Current accounts	
Assets	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
			(In millions of euros)			
Equity holders	10,5	—	0,2	—	—	—
Executive managers	2,7	2,7	—	—	—	—
Associate companies	1,0	—	—	—	—	—
TOTAL	**13,7**	**2,7**	**0,2**	**—**	**—**	**—**

	Other financial liabilities		Trade accounts payable and other		Current accounts	
Liabilities	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
			(In millions of euros)			
Equity holders	—	—	4,5	—	—	0,6
Executive managers	—	—	—	—	—	—
Associate companies	—	—	—	—	—	—
						—
TOTAL	**—**	**—**	**4,5**	**1,6**	**—**	**0,6**

30.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice VII, for the financial year 2012, is EUR 1,7 million compared to EUR 0,9 million for the financial year 2011.

31—Contractual obligations and commercial commitments

31.1 Hot Telecom Commitments

31.1.1 Commitments

Royalties to the Ministry of Communications and other payments to the government

(a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to

31—Contractual obligations and commercial commitments (Continued)

pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalty rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2,5% in 2007, 2% in 2008, 1,5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalty rate for the years 2011 and 2012 stood at 1,75%.

In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalty rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.

(b) In July 2001 the cables companies, including HOT, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure or which touch upon the cables infrastructure (as defined in the agreement) for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to HOT as a merged company.

(c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).

(d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

Other royalties

(a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group

31—Contractual obligations and commercial commitments (Continued)

within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.

(b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, of it is passed.

A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 HOT complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, provided that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In October 2011 the Council informed HOT that with effect from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to record broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to such time the inclusion of income from terminal equipment for the purpose of this calculation was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that HOT will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989 Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with Bezeq (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on Bezeq's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied Bezeq with the base equipment (as defined in the agreement) that comprises the cables network whereas Bezeq supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and Bezeq conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

31—Contractual obligations and commercial commitments (Continued)

The agreement will remain in force for the length of the period of the concession, and will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses recorded in HOT's accounting records for the network services payable to Bezeq in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

Commitments to lease assets

The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimum future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	NIS in millions	EUR in millions
2013	186	37,7
2014	148	30,0
2015	120	24,3
2016	86	17,4
2017 and thereafter	304	61,7
TOTAL	**844**	**171,3**

On July 19, 2011 HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.

On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter—the initial period) and it will be renewed for additional periods of one

31—Contractual obligations and commercial commitments (Continued)

year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that is required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network exclusively from Motorola alone during the period of the agreement.

As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the manner of the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011 the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party,60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.

On June 16, 2011 HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which is HOT Mobile required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile

31—Contractual obligations and commercial commitments (Continued)

has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of USD 52 million, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to HOT Mobile's assessment.

On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with HOT acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

On October 27, 2011 an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter—Comverse), in accordance with which Comverse will supply HOT with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter—The system) and Comverse will also supply HOT with hardware, software and services, including the operation and maintenance of the system. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately USD 12.5 million. In January 2012, the parties signed on an addition to this agreement, in accordance with which Comverse is committed to allocating seven additional employees to be available for the project (instead of the manpower that HOT had to make available for the project), for a payment of USD 500 000.

On October 6, 2005, HOT Mobile won a tender for the provision of Mobile services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new mobile operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139,3 million, NIS 112.4 million and NIS 83,7 million, respectively, which constituted approximately 13,5%, 12,5% and 9,8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter—HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter—The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

Marketing and distribution (for iDEN technology products and services)

In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which

31—Contractual obligations and commercial commitments (Continued)

HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

Commitment with an external marketer

As aforesaid, in 2012, one of the distribution channels for the Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.

The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.

The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.

Marketing and distribution (for UMTS technology products and services)

The marketing and distribution of UMTS products is performed by means of HOT Mobile's and HOT's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.

Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20 713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. The lease periods end in the years 2021-2045.

31.1.2 Guarantees and liens

As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

A floating charge on HOT's assets.

A fixed charge on the shares in the subsidiary companies.

HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis HOT, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.

As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the

31—Contractual obligations and commercial commitments (Continued)

borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group.

As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8,4 million Dollars, in force until December 2017 and December 2025.

Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.

A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.

A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.

In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).

The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.

Guarantees to HOT Telecom

The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

31.1.3 Other contingent liabilities

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, ''The Legal Claims'').

31—Contractual obligations and commercial commitments (Continued)

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company's Subsidiaries on various matters, is as follows:

(a) An amount of approximately NIS 1.7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

(b) An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements

(c) An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessments of the managements of the Company's Subsidiaries, as aforesaid.

The following is an abbreviated summary of the Group's contingent liabilities effective as of signature date, in accordance with groupings having similar characteristics:

The nature of the lawsuit (EUR in millions)	The amount of the additional exposure in excess of the provision recorded as of signature date	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)
Customers	574	21
Lawsuits after the balance sheet date in respect of customers	33	33
Suppliers	13	5
Employees	1	—
The merger transaction	50	—
Total	**671**	**59**

31.2 Cabovisao commitments

31.2.1 Contingent assets

During the year ended December 31, 2012, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2012, Cabovisao had outstanding claims against several municipalities, totaling EUR 3,6 million. To present date, Cabovisao received 102 004 Euros from seven municipalities.

31—Contractual obligations and commercial commitments (Continued)

31.2.2 Contingent liabilities

31.2.2.1 Bank guarantees

	December 31, 2012
	In millions of euros
Tax Authority	8,4
City Council	0,9
Third Parties	0,01
Total	**9,3**

31.2.2.2 Real guarantees

On December 31, 2012, Cabovisao issued a bond amounting to EUR 25 million which was fully underwritten by Goldman Sachs International together with a financial first degree collateral of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and pledge the shares representing Cabovisao's share capital and equity holders' rights.

31.2.2.3 Other contingent liabilities

As a result of the refusal by Cabovisao to pay the municipal taxes referred to above (since September 2010), the municipality of Almada initiated a process executive for payment of fees from 2006 to 2009, amounting to approximately EUR 0,7 million. It is the understanding of the Board of Managers, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

31.2.2.4 Contingent assets

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was EUR 3.6 million for the year ended December 31, 2012, of which EUR 0,1 million have been received from seven municipalities, while recovery is on-going with others.

31.3 Coditel Holding commitments

As of December 31, 2012, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

31.4 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

32—Statutory Auditors' fees

In 2012, an amount of EUR 0,3 million was paid to various network affiliates of the Group's auditors, of which 0,2 million was paid as fees for audit services and EUR 0,1 million as fees for non-audit fee services.

33—Going concern

During the year ended December 31, 2012, the company had a net current liability position of EUR 221,4 million (mainly due to other payables of EUR 118,7 million and trade payables of EUR 311,3 million), a net loss of EUR 189,8 million (down from a net gain of EUR 123,9 million in FY11), positive cash flow from operations of EUR 467,8 and negative working capital of EUR 230,1 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 230,1 million is mainly driven by trade receivables and payables. The net loss recorded in FY12 was mainly driven by increased depreciation and amortisation charges as compared to FY11 (+EUR 211,7 million), increased financial charges and with the issuance of public debt at the time of the take private operation of HOT Telecom. In addition to this, an exceptional revenue was recognised in FY11, owing to the switch from equity method to global integration consolidation of HOT Telecom, which was non-recurrent in FY12 (an impact of EUR 133,1 million).

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 150,8 million vs. EUR 311,3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2012, the company had many short term loan payments (< 1y), and long term debt was refinanced at the end of 2012 and in June 2013.

Despite the net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2012 (EUR 467,8 million). Operating income before D&A amounted to EUR 403,2 million, an increase of 35% compared to FY11, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had a marked improvement in cash reserves at the end of 2012 compared to December 31, 2011 (EUR 129,6 million vs. EUR 19,8 million), which would allow it to cover any urgent cash needs. Additionally, the Group had access to a revolving credit facility (''RCF'') of up to USD 80,0 million (EUR 60,9 million).

The Group has sufficient reserves to absorb the impact of the net loss incurred in the year ended December 31, 2012. Net equity amounted to EUR 285,7 million on December 31, 2012.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise will be complemented by a mid-year reforecast based on real first semester numbers.

34—Events after the reporting period

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the ''ONI Purchase Agreement''), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the ''ONI Transaction''). The deal was consummated on August 8, 2013.

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the ''Outremer Purchase Agreement'') with the owners of OMT Invest and certain of its affiliates pursuant to which (i) the Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the ''Outremer Investment Agreement'') pursuant to which (i) the Group contributed all of

34—Events after the reporting period (Continued)

the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the ''2013 Senior Notes'').

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the ''2013 Term Loan Facility'') which provides for U.S. dollar term loans (the ''2013 Term Loans'') up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the ''First Draw''). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described above), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

Cabovisao Refinancing

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the ''Cabovisao Refinancing'').

Coditel Refinancing

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

ABO Refinancing

On July 2, 2013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the ''ABO Refinancing'').

WSG and MTVC Refinancing

WSG and MTVC are indirect subsidiaries of the Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the ''Le Cable Refinancing'').

MCS & SportV

In October 2013, the Group completed the acquisition of two sports based content delivery channels, Ma Chaine Sport and SportV. This acquisition was completed in October 2013 and total consideration paid amounted to EUR 15 million. These channels are focussed on providing quality sports programming and are intended to serve as a platform for the potential new business segment for the Company (Content). The acquisition was fully financed using equity holders' equity.

34—Events after the reporting period (Continued)

Tricom

In November 2013, the Group confirmed that it has signed an agreement to acquire a controlling stake in Tricom, the second largest cable operator in the Dominican Republic. This acquisition is expected to explore significant synergies with the Group's French Overseas Territories operations.

Network Sharing Agreement

On November 8, 2013, HOT Mobile entered in to a network sharing agreement (the ''Network Sharing Agreement'') with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Company will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Company. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with Pelephone will be phased out until the contractual end of the agreement in 2014.

Reduction of Guarantees to the State of Israel

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11,3%, constituting an addition of 9.52% on HOT Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695,0 (EUR 144,6 million) million to an amount of NIS 80 (EUR 16,6 million) million. This was in addition to an amount of NIS 10,0 (EUR 2,0 million) million that it paid upon the receipt of the license.

As of the date of the approval of the financial statements, the response of the Ministry of Communications has not yet been received and the guarantee therefore remained in the same amount.

ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION OF THE GROUP

The following unaudited illustrative aggregated statements of income as of and for the years ended December 31, 2011 and 2012 (collectively, the ''Illustrative Aggregated Selected Financial Information'') present an aggregation of the amounts as derived from the audited historical consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012 (the ''Historical Financial Statements''), the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 if such amounts are not already included within the Historical Financial Statements (the ''Pre-Acquisition Financial Information'') and any adjustments needed to align the Pre-Acquisition Financial Statement with the measurement and recognition criteria of IFRS and the accounting policies adopted for the Historical Financial Statements. Such adjustments are made where the measurements and recognition criteria and the accounting policy elections used for the Pre-Acquisition Financial Information differ substantially from the corresponding criteria applicable under the IFRS and the accounting policies used for the purposes of the Historical Financial Statements. These financial statements have not been audited or reviewed. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Mobius Group Tricom or ODO. For further information regarding the basis of the preparation of the Illustrative Aggregated Selected Financial Information, including certain limitations with respect to such financial information, please refer to ''*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*'' and Note 1 below.

The Illustrative Aggregated Selected Financial Information should be read in conjunction with the assumptions underlying the adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Offering Memorandum. See ''*Presentation of Financial and Other Information—Financial Data*''.

To the Board of Managers of
Altice International S.à r.l.
3, boulevard Royal
L-2449 Luxembourg

ASSURANCE REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON THE COMPILATION OF UNAUDITED ILLUSTRATIVE AGGREGATED SELECTED COMBINED FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of the Unaudited Illustrative Aggregated Selected Combined Financial Information of Altice International S.à r.l. (the ''Company'') by its Board of Managers (the ''Board of Managers''). The Unaudited Illustrative Aggregated Selected Combined Financial Information consists of selected statement of income and cash flow items for the years ended December 31, 2011 and December 31, 2012 (the ''Selected Items'') and related notes as set out in the Offering Memorandum to be issued by the Company on or around January 22, 2015. The applicable criteria on the basis of which the Board of Managers has compiled Unaudited Illustrative Aggregated Selected Combined Financial Information are described in Note 1 thereto.

The Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled by the Board of Managers to illustrate the impact of the transactions set out in Note 1 on the Selected Items as if the transactions described in Note 1 (the ''Transactions'') had taken place on January 1, 2011. As part of this process, the Selected Items pertaining to the Company have been extracted by the Board of Managers from the Company's consolidated financial statements as of and for the years ended December 31, 2012 and December 31, 2011on which an audit report has been published. Also, the Selected Items pertaining to the entities involved in the Transactions have been extracted by the Board of Managers from the relevant financial statements described in Note 1 to the Unaudited Illustrative Aggregated Selected Combined Financial Information.

Board of Director's responsibility for the Unaudited Illustrative Aggregated Selected Combined Financial Information

The Board of Managers is responsible for compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information in accordance with the basis of preparation described in Note 1.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion, about whether the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, by the Board of Managers in accordance with the basis of preparation described in Note 1.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the *réviseur d'entreprises agréé* complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Board of Managers has compiled, in all material respects, the Unaudited Illustrative Aggregated Selected Combined Financial Information in accordance with the basis of preparation described in Note 1.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information.

The purpose of the Unaudited Illustrative Aggregated Selected Combined Financial Information included in an Offering Memorandum is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events have occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at any date would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, in accordance with the criteria within a defined basis of preparation involves performing procedures to assess whether the applicable criteria used by the Board of Managers in the compilation of the Unaudited Illustrative Aggregated Selected Combined Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Illustrative Aggregated Selected Combined Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the judgment of the *réviseur d'entreprises agréé*, having regard to the *réviseur d'entreprise agréé*'s understanding of the nature of the company, the event or transaction in respect of which the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Illustrative Aggregated Selected Combined Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, in accordance with the basis of preparation described in Note 1 thereto.

Restriction on distribution and use

The Unaudited Illustrative Aggregated Selected Combined Financial Information has been prepared for the purposes of inclusion within the Offering Memorandum issued by the Company on or around January 22, 2015. As a result, the Unaudited Illustrative Aggregated Selected Combined Financial Information may not be suitable for any other purpose. Our report has been prepared solely for inclusion in the aforementioned Offering Memorandum and may not be suitable for any other purpose.

For Deloitte Audit, Cabinet de révision agréé

John Psaila, *Réviseur d'entreprises agréé*

Partner
January 22, 2015

ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

For the year ended December 31, 2012

For the year ended December 31, 2012	Note	Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
Revenues	3b	**1,092.4**	**349.4**	**1,441.8**
Purchases and subcontracting services		(302.1)	(142.3)	(444.4)
Gross profit	**3c**	**790.3**	**207.1**	**997.4**
Other operating expenses	3d	(248.9)	(66.4)	(315.3)
Other sales and marketing expenses	3d	(80.1)	(22.7)	(102.8)
General and administrative expenses	3d	(58.1)	(27.0)	(85.1)
Operating income before depreciation & amortization	**3e**	**403.2**	**91.0**	**494.2**
Capital expenditures	3f	**347.0**	**50.8**	**397.8**

For the year ended December 31, 2011

For the year ended December 31, 2011		Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
Revenues	3b	784.2	642.0	1,426.2
Purchases and subcontracting services		(175.4)	(224.2)	(399.6)
Gross profit	**3c**	**608.8**	**417.8**	**1,026.6**
Other operating expenses	3d	(195.4)	(124.1)	(319.5)
Other sales and marketing expenses	3d	(64.4)	(44.5)	(108.9)
General and administrative expenses	3d	(51.2)	(49.7)	(100.9)
Operating income before depreciation & amortisation	**3e**	**297.8**	**199.4**	**497.2**
Capital expenditures	3f	**189.8**	**104.0**	**293.8**

1. BASIS OF PREPARATION

(a) Compilation of available financial information for the Company and the Acquired Businesses

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has been compiled under the responsibility of the Board of Managers of Altice VII S.à r.l. (the ''Company''); by aggregating for each of the selected financial statement items the following:

- the amounts relating to the selected financial statement items as derived from the audited historical consolidated financial statements of the Company as of and for each of the years ended December 31, 2011 and 2012 (collectively the ''Historical Financial Statements'') drawn up in accordance with International Financial Reporting Standards as adopted in the European Union (''IFRS'');
- the amounts relating to the selected financial statement items as derived from the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 (the ''Acquired Businesses'') for the periods during which such amounts are not included within the Historical Financial Statements (collectively the ''the Pre-Acquisition Financial Information''); and
- the amounts relating to adjustments that have been identified for the purposes of aligning the Pre-Acquisition Financial Information with the measurement and recognition criteria of IFRS and the accounting policies adopted by the Company for the purposes of the Historical Financial Statements (the ''Alignment Adjustments'').

(b) The Pre-Acquisition Financial Information

The Pre-Acquisition Financial Information has been derived from the following financial information pertaining to the Acquired Businesses:

Year ended December 31, 2011

- the financial statements of Outremer Telecom S.A. (''OMT'') as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on March 23, 2012;
- the financial statements of Coditel Brabant S.p.r.l. (''CodiBe'') as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Belgium (''Belgian GAAP''). Such financial statements have been audited by Deloitte Réviseurs d'entreprises S.c r.l. who have issued an unmodified audit opinion thereon on October 1, 2011;
- the annual accounts of Coditel S.à r.l. (''CodiLu'') as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Luxembourg (''Lux GAAP''). Such annual accounts have been audited by Deloitte S.A. who have issued an unmodified audit opinion thereon on May 31, 2012;
- the special-purpose financial statements of Cabovisao S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IASB IFRS. Such financial statements have been audited by Baker Tilly, PG & Associados, SROC S.A. have issued a modified review opinion thereon on November 21, 2013; and
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013; and
- the financial statements of Ma Chaine Sport S.A.S. (''MCS'') as of and for the year ended December 31, 2011 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 31, 2012.

Year ended December 31, 2012

- the financial statements of Outremer Telecom S.A. (''OMT'') as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on April 18, 2013;
- the special-purpose financial statements of Cabovisao S.A. as of and for the period ended February 29, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been reviewed by Baker Tilly, PG & Associados, SROC, S.A. who have issued a modified audit opinion thereon on October 14, 2013;
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013;
- the financial statements of Ma Chaine Sport S.A.S. (''MCS'') as of and for the year ended December 31, 2012 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 23, 2013; and
- the unaudited financial statements of Sportv as of and for the year ended December 31, 2012 drawn up in accordance with IFRS.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired Businesses have been modified in order to align with the presentation and classification criteria that have been retained for the purposes of the Historical

Financial Statements of the Company. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the Acquired Businesses to present the Illustrative Aggregated Selected Financial Information that is aligned with the presentation and classification criteria applied by the Company in the preparation of its Historical Consolidated Financial Information.

(c) The Alignment Adjustments

The Alignment Adjustments are primarily composed of the following elements:

- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with an accounting framework the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS, alignment adjustments have been prepared by the Board of Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the measurement and recognition criteria of IFRS. The key adjustments and any exceptions thereto are described in note 2.
- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with accounting policy elections that differ substantially from the accounting policies retained by the Company for the purposes of the Historical Financial Statements no alignment adjustments have been prepared by the Board of Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the accounting policies retained by the Company.

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

The historical financial statements of HOT, from which amounts have been derived in preparing the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2011, have been drawn up in Israeli Shekel (''NIS''). The relevant amounts have been translated into Euro (''EUR''), for the purposes of their inclusion within the Illustrative Aggregated Selected Financial Information, using the average daily exchange rates over the relevant period as described below:

Period from January 1, 2011 to March 16, 2011 . . . . 1 NIS = 0.201 EUR

(e) Key limitations to the basis of preparation

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 do not purport to represent the performance, cash flows or financial position that the Company would have reported had the Acquired Businesses been subsidiaries of the Company during the entire length of the periods presented. They also do not purport to represent the performance and cash flows of the Company for any future period or its financial position at any future date. The Illustrative Aggregated Selected Financial Information do not reflect the effect of any anticipated synergies and efficiencies associated with combining the ONI group, the OMT Group and the other subsidiaries of the Altice VII Group.

In addition, only a complete set of consolidated financial statements as defined in IAS 1 can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS. The Illustrative Aggregated Selected Financial Information do not purport to represent a complete set of financial statements drawn up in accordance with IFRS, and are solely prepared to illustrate the aggregation of the Historical Financial Statements with the Pre-Acquisition Financial Information.

In preparing the Illustrative Aggregated Selected Financial Information, the Board of Managers has determined that the extent of any transactions between the Company and the Acquired Businesses is negligible, and hence no adjustments relating to the elimination of such transactions or balances have been made.

2. ACCOUNTING FRAMEWORK ALIGNMENT ADJUSTMENTS

(a) Revenues and expenses

IFRS requires discounts to be recognized as a reduction of revenues over the length of the contractual arrangement with the customer. In addition, certain expenses may be restated as capital expenditure based on the nature of the expense.

Alignment adjustment in relation to Coditel S.à r.l.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. is drawn up in accordance with the measurement and recognition criteria of Lux GAAP, which does not require mandatory accounting for disconnection fees. Had Coditel S.à r.l. adopted the aforementioned measurement and recognition criteria of IFRS, illustrative adjustments result in an increase in other operating expenses of 0.1 million EUR for the year ended December 31, 2011.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 1.4 million EUR; (ii) other operating expenses decreased by 0.1 million EUR; (iii) general and administrative expenses decreased by 0.1 million EUR.

Alignment adjustment in relation to Coditel Brabant S.p.r.l.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l. is drawn up in accordance with the measurement and recognition criteria of Belgian GAAP, which permits such discounts to be recognized immediately as a reduction to revenues at inception of the contract. Alignment adjustments have been made to record the changes that would result to revenues had Coditel S.p.r.l. adopted the aforementioned measurement and recognition criteria of IFRS. Such illustrative adjustments result in increase to revenue of 0.2 thousand EUR for the year ended December 31, 2011. In addition, Coditel Brabant also applied IFRS adjustments related to the accounting for employee pension benefits and disconnection fees, which resulted in an increase in other operating expenses of 0.3 million EUR.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 4.0 million EUR; (ii) purchases and subcontracting services decreased by 0.6 million EUR; (iii) other operating expenses decreased by 0.4 million EUR; (iv) other sales and marketing expenses decreased by 0.2 million EUR; and (v) general and administrative expenses decreased by 0.2 million EUR.

Alignment adjustment in relation to Ma Chaine Sport SAS.

The Pre-Acquisition Financial Information relating to Ma Chaine Sport S.A.S. is drawn up in accordance with the measurement and recognition criteria of French GAAP, which permits no capitalisation of costs related to the acquisition of content for delivery to final customers. Given the exclusive nature of such content, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting costs of 3.4 million EUR and in other operating expenses of 1.1 million EUR for the year ended December 31, 2011 and 4.7 million EUR and 1.6 million EUR for the year ended December 31, 2012.

3. SUPPLEMENTS NOTES TO THE ILLUSTRATIVE STATEMENT OF SELECTED AGGREGATED FINANCIA

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has b
Board of Managers of Altice VII S.à r.l. (the ''Company''), as follows:

(a) Selected Aggregated Statement of Income Items and Selected Aggregated Statement of Cash Flow Ite

For the year ended December 31, 2012	Altice VII S.à r.l.	Cabovisao 2m– 2012	OMT 12m– 2012	ONI 12m– 2012	Ma Ch Sport 201
				(in € millions)	
Revenues	**1,092.4**	**19.8**	**195.1**	**117.4**	**15**
Purchases and subcontracting services	(302.1)	(8.8)	(63.9)	(66.8)	(7
Gross profit	**790.3**	**11.0**	**131.2**	**50.6**	**8**
Other operating expenses	(248.9)	(4.6)	(41.2)	(21.1)	(2
Other sales and marketing expenses	(80.1)	(2.4)	(17.0)	(2.6)	(
General and administrative expenses	(58.1)	(1.4)	(9.9)	(13.1)	(2
Operating income before depreciation & amortization	**403.2**	**2.6**	**63.1**	**13.8**	**2**
Capital expenditures	**347.0**	**2.8**	**28.3**	**12.7**	**7**

For the year ended December 31, 2011	Altice VII S.à r.l.	Hot 3m– 2011	Coditel Bel-7m– 2011	Coditel Lux-7m– 2011	Cabovisao 12m– 2011	OMT 12m– 2011	ONI 1 201
						(in € millions)	
Revenues	**784.2**	**165.1**	**28.2**	**9.5**	**123.4**	**194.3**	**115**
Purchases and subcontracting services	(175.4)	(48.0)	(4.5)	(1.7)	(54.7)	(64.7)	(58
Gross profit	**608.8**	**117.1**	**23.7**	**7.8**	**68.7**	**129.6**	**56**
Other operating expenses	(195.4)	(38.6)	(2.9)	(.6)	(20.7)	(39.7)	(21
Other sales and marketing expenses	(64.4)	(9.8)	(1.3)	(.3)	(12.8)	(17.3)	(2
General and administrative expenses	(51.2)	(5.4)	(1.6)	(.7)	(17.7)	(11.9)	(11
Operating income before depreciation & amortization	**297.8**	**63.3**	**18.0**	**6.2**	**17.5**	**60.7**	**21**
Capital expenditures	**189.8**	**23.8**	**4.0**	**.9**	**19.4**	**36.0**	**15**

(b) Revenue

The revenue account balance per segments is as follows:

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 201
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	677.9	59.7	—	19.8	98.2	118.0	24.4
Mobile services	172.5	.2	—	—	—	—	—
B2B Others	—	11.5	117.4	—	—	117.4	—
Total	**850.4**	**71.3**	**117.4**	**19.8**	**98.2**	**235.4**	**24.4**

For the year ended, December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 201
	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	664.9	58.5	—	123.4	123.4	23.6
Mobile services	180.6	—	—	—	—	—
B2B Others	—	8.8	115.4	—	115.4	—
Total	**845.5**	**67.3**	**115.4**	**123.4**	**238.8**	**23.6**

(c) Gross profit

The gross profit per segments is as follows:

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	518.9	49.6	—	11.0	59.1	70.1	20.4
Mobile services	102.7	.1	—	—	—	—	—
B2B Others	—	10.6	50.6	—	—	50.6	—
Total	**621.7**	**60.3**	**50.6**	**11.0**	**59.1**	**120.7**	**20.4**

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	510.5	46.8	—	68.7	68.7	19.8
Mobile services	149.7	—	—	—	—	—
B2B Others	—	7.8	56.6	—	56.6	—
Total	**660.2**	**54.7**	**56.6**	**68.7**	**125.3**	**19.8**

(d) Operating expenses

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses	(223.4)	(6.2)	(21.1)	(4.6)	(8.0)	(38.3)	(3.8)
Other sales and marketing expenses	(63.7)	(4.4)	(2.6)	(2.4)	(8.7)	(12.6)	(2.5)
General and administrative expenses	(29.3)	(4.1)	(13.1)	(1.4)	(10.8)	(21.8)	(2.0)
Total	**(316.5)**	**(14.7)**	**(36.8)**	**(8.4)**	**(29.2)**	**(72.7)**	**(8.3)**

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses	(225.8)	(6.4)	(21.0)	(20.7)	(41.7)	(3.9)
Other sales and marketing expenses	(67.5)	(3.4)	(2.9)	(12.8)	(15.7)	(2.7)
General and administrative expenses	(39.7)	(3.9)	(11.1)	(17.7)	(28.8)	(1.6)
Total	**(333.0)**	**(13.7)**	**(35.0)**	**(51.2)**	**(86.3)**	**(8.1)**

(e) Operating income before depreciation & amortisation

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation	305.2	45.6	13.8	2.6	31.6	48.0	12.1

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation	327.2	41.0	21.5	17.5	39.0	11.7

(f) Capital Expenditures

For the year ended December 31, 2012	Israel	BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable	211.6	17.0	—	2.8	15.3	18.1	7.4
Mobile	83.8	—	—	—	—	—	—
B2B/Other	—	—	12.7	—	—	12.7	—
Total	**295.4**	**17.0**	**12.7**	**2.8**	**15.3**	**30.8**	**7.4**

For the year ended December 31, 2011	Israel	BeLux	Oni	Cabovisao S.A. (Altice VII)	Portugal	French Overseas Territories (Altice VII)
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR
Cable	126.8	10.6	—	19.4	19.4	17.5
Mobile	47.1	—	—	—	—	—
B2B/Other	—	—	15.0	—	15.0	—
Total	**173.9**	**10.6**	**15.0**	**19.4**	**34.4**	**17.5**

Numericable Group

Condensed Interim Consolidated Financial Statements

for the nine months period ended September 30, 2014

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

Statutory auditors' review report on the condensed consolidated interim financial statements

Period from January 1 to September 30, 2014

This is a free translation into English of the statutory auditors' limited review report on the condensed consolidated interim financial statements for the period from January 1 to September 30rd, 2014 issued in the French language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the Chairman and Chief Executive Officer,

As statutory auditors of Numericable Group S.A. and at your request, we have performed a review of the accompanying condensed consolidated interim financial statements of the Company for the period from January 1 to September 30, 2014.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the condensed consolidated interim financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, we did not identify any material misstatements likely to call into question the compliance of the condensed consolidated interim financial statements with IAS 34, standard of the IFRSs as adopted by the European Union and applicable to Interim Financial Reporting.

Without qualifying the conclusion expressed above, we draw your attention to Notes 2.1, 2.3 and 2.4, that describe the terms and conditions of the agreement entered into with Vivendi regarding the acquisition of SFR and the financing conditions related to this acquisition.

Paris La Défense and Neuilly-sur-Seine, October 24, 2014

The Statutory Auditors

KPMG Audit
Department of KPMG S.A

Grégoire MENOU

Deloitte & Associés

Christophe SAUBIEZ

Numericable Group

CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)	Notes	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2013
Revenue	4	**995,419**	**968,909**
Purchases and subcontracting services	5	(464,834)	(448,539)
Staff costs and employee benefits expense	6	(118,247)	(108,985)
Taxes and duties		(24,339)	(25,568)
Provisions		(9,950)	(1,219)
Other operating income	7	66,444	58,514
Other operating expense	8	(1,382)	(6,793)
Operating income before depreciation, amortization and impairment (EBITDA)		**443,111**	**436,319**
Depreciation, amortization and impairment		(230,237)	(219,027)
Operating income		**212,874**	**217,292**
Financial income		5,356	6,895
Gross finance costs		(284,519)	(144,102)
Other financial expense		(148,083)	(11,617)
Finance costs, net	9	**(427,246)**	**(148,824)**
Income tax expense (income)	10	36,458	(8,349)
Share in net income (loss) of associates		(86)	(142)
Net income (loss) from continuing operations		**(177,828)**	**59,977**
Net income (loss) from discontinued operations		—	—
Net income (loss)		**(177,828)**	**59,977**
—Attributable to owners of the Company		(177,825)	60,046
—Attributable to non-controlling interests		(3)	(69)
Earnings per share (in euros) attributable to owners of the Company	23		
Net income (loss)			
—basic		(1.43)	0.53
—diluted		(1.43)	0.53

Numericable Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Notes	September 30, 2014	September 30, 2013
Net income (loss) attributable to owners of the Company		**(177,825)**	**60,046**
Items that may subsequently be reclassified to profit or loss:			
Cumulative translation adjustments		—	—
Cash flow hedges[(1)]	**2.4/16**	(207,394)	—
Change in Fair value gains (losses) on available-for-sale financial assets		—	—
Tax on items recognized directly in other comprehensive income[(1)]	**2.4/10.2**	78,809	—
Items that will not subsequently be reclassified to profit or loss:			
Amortization of actuarial net gain (loss)[(2)]		—	—
Tax on items recognized directly in other comprehensive income		—	—
Total comprehensive income (loss) attributable to owners of the Company		**(306,410)**	**60,046**

As the Group operates only in France, the functional and presentation currency of all the entities within the Group is the euro. As a result, no cumulative exchange adjustments were recognized as of September 30, 2014 or 2013.

(1) As indicated in Note 2.4, the effective portion of the change in fair value of derivative instruments qualified as cash flow hedges is recognized through other comprehensive income. It is reclassified to profit or loss when the hedged item impacts net income.

As of September 30, 2014, the fair value of these financial instruments, excluding accrued interest not yet due, was thus recorded in other comprehensive income for 207,394 thousand euros. The Group also recorded a deferred tax asset on these instruments in other comprehensive income for 78,809 thousand euros.

(2) The application of IAS 19R has no significant impact on the condensed interim financial statements for the periods ended September 30, 2014 and September 30, 2013. Thus, no actuarial gains and losses were recognized in other comprehensive income.

Numericable Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euros)	Note	September 30, 2014	December 31, 2013
ASSETS			
Goodwill	11	1,484,892	1,483,628
Other intangible assets		295,855	307,362
Property, plant and equipment		1,521,044	1,464,763
Investments in associates		2,979	2,893
Other non-current financial assets		7,681	7,263
Deferred tax assets	10.2	247,943	132,662
Total non-current assets		**3,560,394**	**3,398,571**
Inventories		42,325	49,568
Trade and other receivables	12	439,812	402,888
Other current financial assets		4,000	4,020
Current tax assets		3,217	3,410
Restricted cash	13	9,509,077	—
Cash and cash equivalents	14	14,177	101,365
Assets classified as held for sale		—	—
Current assets		**10,012,608**	**561,251**
TOTAL ASSETS		**13,573,002**	**3,959,822**

(in thousands of euros)	Note	September 30, 2014	December 31, 2013
EQUITY AND LIABILITIES			
Share capital		123,942	123,942
Additional paid-in capital		2,108,037	2,108,037
Reserves	15	(2,283,491)	(1,978,611)
Equity attributable to owners of the Company		**(51,512)**	**253,368**
Non-controlling interests		187	193
Total invested equity		**(51,325)**	**253,561**
Non-current financial liabilities	16	12,528,610	2,701,894
Non-current provisions	21	75,259	73,633
Deferred tax liabilities		—	—
Other non-current liabilities	18	99,412	102,585
Total non-current liabilities		**12,703,281**	**2,878,112**
Current financial liabilities	16	177,098	64,249
Current provisions	21	—	6,411
Trade payables and other current liabilities	19	743,922	757,418
Current tax liabilities		26	71
Liabilities classified as held for sale		—	—
Total current liabilities		**921,046**	**828,149**
TOTAL EQUITY AND LIABILITIES		**13,573,002**	**3,959,822**

Numericable Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Attributable to owners of the Co			
	Capital	Additional paid-in capital	Reserves	comp in
Total combined equity as of December 31, 2012	**—**	**—**	**(285,868)**	
Dividends paid	—	—	—	
Comprehensive income	—	—	60,046	
Other	—	—	192	
Total combined equity as of September 30, 2013	**—**	**—**	**(225,630)**	
Dividends paid	—	—	—	
Comprehensive income	—	—	4,504	
Contribution of Ypso and Altice B2B(1)	113,772	1,881,717	(1,995,489)	
Issuance of new shares(2)	10,170	226,320	—	
Stock option plan(3)	—	—	640	
Transactions with shareholders(4)	—	—	239,508	
Other	—	—	(190)	
Consolidated equity as of December 31, 2013	**123,942**	**2,108,037**	**(1,976,657)**	
Dividends paid	—	—	—	
Comprehensive income	—	—	(177,825)	(1
Stock option plan(3)	—	—	3247	
Treasury shares(5)	—	—	(1,713)	
Other	—	—	(5)	
Consolidated equity as of September 30, 2014	**123,942**	**2,108,037**	**(2,152,953)**	**(13**

(1) Contribution of Ypso Holding SARL and Altice B2B Luxembourg SARL to Numericable Group, resulting in a capital increase of 1,995.5

(2) Capital increases carried out within the framework of the company's IPO (public offer for 250 million euros and offer reserved for emp connection with the IPO, deducted from additional paid-in capital for 14.6 million euros.

(3) Costs of stock option plans granted to certain corporate officers and employees of the Group in November 2013, January 2014 and May 201 euros for the period.

(4) Extinguishment of debts to shareholders within the framework of contributions made to Numericable Group prior to the IPO (Super PEC statements for the year ended December 31, 2013.

(5) Program to buy back treasury shares implemented in 2014, pursuant to the application of the liquidity contract described in Note 2.5.

Numericable Group

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Note	September 30, 2014	September 30, 2013
Net income (loss) from continuing operations		**(177,828)**	**59,977**
Non-cash items			
Share in net income (loss) of associates		(86)	142
Depreciation, amortization and impairment		225,452	214,492
Gains and losses on disposals		(3,749)	(899)
Income tax expense (income)	10.1	(36,458)	8,349
Gross finance costs		284,519	143,740
Fair value gains (losses) on derivative instruments	9.2	(78,854)	—
Net foreign exchange gain (loss)	9.2	96,635	—
Other non-cash items(1)		40,907	(90)
Change in working capital and other payments			
Change in working capital		16,818	(7,468)
Income tax paid		(1,497)	(3,821)
Net cash flows from operating activities		**365,859**	**414,422**
Purchases of property, plant and equipment and intangible assets(2)		(251,426)	(211,475)
Proceeds from disposals of property, plant and equipment and intangible assets		3,750	5,134
Decrease (increase) in loans and other non-current financial assets		(2,110)	64
Investments in companies included in the scope of consolidation, net of cash acquired(3)		—	(3,314)
Change in restricted cash(4)	2.3 - 13	(8,893,932)	—
Investment subsidies and grants received		1,227	5,568
Net cash flows used in investing activities		**(9,142,491)**	**(204,023)**
Capital increases of the parent company		—	—
Issuance of debt(5)	2.3	11,631,448	7,276
Repayment of debt(6)	2.3	(2,659,443)	(69,532)
Interest paid		(282,561)	(135,237)
Net cash flows from (used in) financing activities		**8,689,444**	**(197,494)**
Net cash flows from continuing operations		**(87,188)**	**12,905**
Net cash flows from discontinued operations		**—**	**—**
Net increase (decrease) in cash and cash equivalents		**(87,188)**	**12,905**
Cash and cash equivalents—opening balance		**101,365**	**7,996**
Cash and cash equivalents—closing balance		**14,177**	**20,901**

(1) As of September 30, 2014, other non-cash items mainly include:

- — the amortization of borrowing costs using the effective interest rate method for 37.6 million euros (without any impact on cash and cash equivalents);
- — expenses relating to stock option plans for 3.2 million euros, without any impact on cash and cash equivalents.

(2) Investments in property, plant, equipment and intangible assets purchased under finance leases had no impact on the Statement of Cash Flows at the time of acquisition. They represent 25 million euros as of September 30, 2014 and September 30, 2013.

(3) Reflects, as of September 30, 2013, the price paid within the context of the acquisition of Valvision, which was completed in June 2013 (3.3 million euros).

(4) Corresponds to the amount originally placed in the escrow accounts, within the context of the acquisition of SFR. The escrow accounts (line ''Restricted cash'' of the Consolidated Statement of Financial Position) show a balance of 9,509,077 thousand euros as of September 30, 2014 due to the revaluation of the dollar as of September 30, 2014 that led to revalue the escrow accounts by 615,145 thousand euros (also refer to Note 13).

(5) Correspond (i) to the implementation of the new financing in the total amount of 11,653 million euros net of expenses paid of 77 million euros (see also Note 2.3) and (ii) to the drawdown of the Revolving Credit Facility (''RCF'') facility for 50 million euros.

(6) This amount primarily reflects debt extinguished during refinancing transactions in May 2014 in the total amount of 2,638 million euros (see also Note 2.3).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NUMERICABLE Group

Condensed Interim Consolidated Financial Statements

for the nine months period ended September 30, 2014

1 Basis of preparation of the Condensed Interim Consolidated Financial Statements

1.1 Numericable Group

Numericable Group (hereinafter the ''**Company**'') is a limited liability company (*société anonyme*) governed by French law incorporated in August 2013, with its registered office located in France.

On November 7, 2013, Numericable Group received, within the framework of the Company's IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

Ypso France, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France also provides French residential customers with broadband Internet, fixed telephone lines and mobile telecommunications services.

Altice B2B France, through Completel, its main operational entity, manages the largest French alternative ''FTTO'' (fiber-to-the-office) network, and is the third largest French alternative Digital Subscriber Line network. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

On November 7, 2013, the Board of Directors:

- priced the IPO at 24.80 euros per share;
- decided to increase share capital by a total amount of 250,000 thousand euros through a public offering (including a 10,081 thousand euros capital increase through the issuance of new shares and 239,919 thousand euros in additional paid-in capital);
- proposed a capital increase reserved for employees, which was ultimately carried out for 1,034 thousand euros (including a 52 thousand euros capital increase through the issuance of new shares and 982 thousand euros in additional paid-in capital).

Trading on the shares began on November 8, 2013.

1.2 Basis of preparation of the Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements as of September 30, 2014 were approved by the Company's Board of Directors on October 24, 2014. The Condensed Interim Consolidated Financial Statements for the nine months period ended September 30, 2014 include the Company and its subsidiaries (referred to together as ''**the Consolidated Group**'') and the Group's share in associates and jointly controlled companies. They are presented in euros, the functional currency of the Company.

The Condensed Interim Consolidated Financial Statements as of September 30, 2014 were prepared in conformity with international accounting standard IAS 34, ***Interim Financial Reporting***, as adopted by the European Union (''**EU**'').

They must be read in conjunction with the Group's Consolidated Financial Statements for the year ended December 31, 2013 and prepared in accordance with ***International Financial Reporting Standards*** as adopted by the European Union (''**IFRS**'').

With the exception of the principles described below and the specific valuation methods applied for Interim Financial Reporting, the bases of preparation, accounting methods and policies applied in preparing the Interim Consolidated Financial Statements are unchanged on those used for the preparation of the Consolidated Financial Statements for the year ended December 31, 2013, as specifically described in Note 1 on the bases for preparing condensed interim consolidated financial statements, in Note 2 on the accounting rules and methods, and in Note 3 on the significant accounting policies.

1 Basis of preparation of the Condensed Interim Consolidated Financial Statements (Continued)

1.3 Applicable standards as of September 30, 2014

The following texts were applied in preparing the Condensed Interim Consolidated Financial Statements from January 1, 2014.

As mentioned above, the accounting methods and policies applied in the Condensed Interim Consolidated Financial Statements are identical to those adopted for the Consolidated Financial Statements for the year ended December 31, 2013, with the exception of the standards and interpretations adopted by the European Union, for which application is mandatory as of January 1, 2014. Application of these new standards and interpretations did not have a material impact for the Group:

– IAS 27 (revised in 2011) Separate Financial Statements (''**IAS 27 revised**'');
– IAS 28 (revised in 2011) Investments in associates and joint ventures (''**IAS 28 revised**'');
– IFRS 10 Consolidated Financial Statements (''**IFRS 10**'');
– IFRS 11 Joint arrangements (''**IFRS 11**'');
– IFRS 12 Disclosure of interests in other entities (applicable as of January 1, 2014 at the latest for the Group) (''**IFRS 12**'');
– Amendment to IAS 32 ''Presentation—Offsetting of Financial Assets and Financial Liabilities'';
– Amendment to IAS 36 ''Recoverable Amount Disclosures for Non-Financial Assets'';
– Amendment to IAS 39 ''Novation of derivatives and continuation of hedge accounting.''

These new standards and amendments had no significant impact on the condensed interim consolidated financial statements as of September 30, 2014 or had impacts solely in terms of presentation and disclosures in the notes.

Incidentally, the Group did not opt for early application of the standards and interpretations which will become mandatory after December 31, 2014.

Management is currently assessing the potential impact of the application of these standards and amendments on the Statement of Income, the Financial Position Statement, the Cash Flows Statement and the Notes to the Financial Statements. At this stage it does not anticipate any material impact resulting from the application of these standards, interpretations and amendments with the exception of the application of IFRIC 21, the impacts of which are currently being assessed by the Group.

1.4 Management's main estimates and judgment

The drafting of the Condensed Interim Consolidated Financial Statements, prepared in conformity with IFRS, entails the Group making a certain number of estimates and assumptions, which have been deemed to be realistic and reasonable.

Therefore, in applying accounting policies during the preparation of the Consolidated Financial Statements as described in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2013, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the prevailing economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

1 Basis of preparation of the Condensed Interim Consolidated Financial Statements (Continued)

The significant estimates made by Management in preparing the Condensed Interim Consolidated Financial Statements are similar to those described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2013.

1.5 Seasonal nature of activity

Revenues from standard analog TV services, basic and premium cable TV services and high bandwidth Internet services are mainly based on a fixed monthly fee and are thus not subject to seasonal variations. The number of B2C customers generally increases from September to January as households tend to make more purchases during back-to-school and end of year periods. The number of B2B customers usually increases in June and December when private and public companies establish their budget, whereas revenues arising from B2B telephony services tend to follow the cycle of school holidays, with especially low activity during summer and winter holidays, as well as in May due to the numerous public holidays.

1.6 Comparative information

The comparative data presented for the nine-month period ended September 30, 2013 corresponds to the combined financial statements of the two sub-groups, Ypso and Altice B2B (hereinafter referred to as the ''**Two Groups**'').

Before being contributed to Numericable Group on November 7, 2013, the Two Groups were entities under joint control (controlled jointly by the Carlyle, Cinven and Altice private equity funds).

Accordingly, the financial data presented for comparative purposes in the Statement of Income and in the Statement of Cash Flows reflects the historical revenues, expenses and cash flows that were directly related to the subgroups, Ypso and Altice B2B, which formed two separate groups on September 30, 2013.

1.7 List of entities included in the scope of consolidation

The list of entities included in the 2013 consolidated financial statements is detailed in Note 1.4 to the Group's 2013 consolidated financial statements.

During the nine-month period ended September 30, 2014, two new companies were added to the scope of consolidation: Numericable US SAS (a company governed by French law) and Numericable US LLC (a company governed by US law) which were formed as part of the acquisition of SFR in order to include portion of the new funding raised by the Group in May 2014 (see Note 2.3).

These two companies are wholly-owned and fully consolidated as of September 30, 2014.

1.8 Going concern assumption

The Group was formed by a series of acquisitions, which were essentially financed by outside loans. The construction and subsequent modernization of the network have also required substantial investment. These two factors, along with the pending acquisition of SFR, explain the Group's financial structure, namely the significant proportion of financial liabilities in relation to consolidated equity, as well as the significant finance cost.

Currently, the Group services its debt and funds its investments through net cash flows from operations. Note 2.3 moreover specifies:

– that in May 2014 the Group refinanced its Senior Debts, which allowed it to reschedule a large portion of its long-term financial debt;

1 Basis of preparation of the Condensed Interim Consolidated Financial Statements (Continued)

– the terms and conditions of the financing of the acquisition of SFR and the impact, should the operation not be carried out.

Under these conditions, and in view of the latest updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements at a minimum during the 12-month period following the close of the condensed interim consolidated financial statements as of September 30, 2014, and to meet its obligations in respect of its debt during this period.

As a result, the Condensed Interim Consolidated Financial Statements of the Group as of September 30, 2014 and 2013 have been prepared on a going concern basis.

2 Significant events

2.1 Agreement with Vivendi to purchase SFR

On April 5, 2014, the supervisory board of the Vivendi Group announced it had accepted an offer from Altice, the majority shareholder of Numericable Group, to purchase its subsidiary SFR.

On June 20, 2014, Vivendi, Altice and Numericable Group announced they had signed a final agreement to combine SFR and Numericable Group following a discussion with the representative bodies of the personnel concerned.

On the date this agreement is finalized, Vivendi will receive 13.5 billion euros in cash (excluding earn-out) and will keep a 20% equity interest in the new entity, with the possibility of subsequently transferring it to Altice, after a one-year lock-up period.

Vivendi may likewise receive an earn-out of 750 million euros depending on the new Group's future financial performance.

Completion of this agreement is subject to certain conditions, in particular obtaining approval from the competition authority, which declared the dossier filed by Numericable Group as complete on June 24, 2014.

2.2 Agreement to purchase Virgin Mobile

On May 16, 2014 Numericable Group announced it had entered into exclusive negotiations with Omer Telecom for the acquisition of Virgin Mobile.

The takeover offer submitted by the Company proposed a price corresponding to an enterprise value of 325 million euros. Vivendi will invest 200 million euros as its share in financing this acquisition.

Numericable Group announced on June 27, 2014 that it had signed with the shareholders of the Group's holding company operating in France as Virgin Mobile, Omer Telecom Limited, the final purchase agreement for the entirety of the capital of Omer Telecom Limited after consulting with the representative bodies of the personnel concerned.

Completion of this agreement is subject to certain conditions, in particular obtaining approval from the competition authority.

2.3 Financing the acquisition of SFR and refinancing the existing debt

In order to finance the acquisition of SFR, in May 2014 Numericable Group raised the equivalent of 11,653 million euros through bond issues and secured new bank loans in both euros and dollars.

Bonds issued on May 8, 2014

The bonds, which were issued on May 8, 2014, enabled the equivalent of 7,873 million euros to be raised, comprising the equivalent of 5,623 million euros in dollars and 2,250 million euros. The proceeds

2 Significant events (Continued)

from these bonds were entirely placed in escrow accounts, and appear on the line ''Restricted cash'' of the Consolidated Statement of Financial Position as of September 30, 2014.

The bonds break down as follows:

Bond currency	Maturity	Coupon in foreign currency	Coupon in euros*	Original amount in millions of currency	Original amount in millions of euros**	Outstandings as of September 30, 2014 in millions of euros***
EUR	May 2022	5.375%	5.375%	1,000	1,000	1,000
EUR	May 2024	5.625%	5.625%	1,250	1,250	1,250
USD	May 2019	4.875%	4.354%	2,400	1,736	1,900
USD	May 2022	6.000%	5.141%	4,000	2,893	3,167
USD	May 2024	6.250%	5.381%	1,375	994	1,089
Total					**7,873**	**8,406**

* Interest rate of the hedge instruments.

** Equivalent value at the exchange rate of the hedge instruments.

*** Amounts excluding accrued interest and the impact of the effective interest rate.

See also Note 16.

Bank borrowings secured on May 21, 2014

The new bank loans were drawn on May 21, 2014, in a total amount equivalent to 3,780 million euros, comprising the equivalent of 1,880 million euros in dollars, and 1,900 million euros.

The bank borrowings break down as follows:

Loan currency	Maturity	Benchmark interest rate	Margin in currency*	Margin in euros	Original amount in millions of currency	Original amount in millions of euros**	Outstandings as of September 30, 2014 in millions of euros***
EUR	May 2020	3M Euribor	4.500%	4.500%	1,900	1,900	1,900
USD	May 2020	3M Libor	3.813%	4.380%	1,394	1,008	1,104
USD	May 2020	3M Libor	3.809%	4.375%	1,206	872	955
Total						**3,780**	**3,959**

* With a minimum (''**floor**'') of 0.75%.

** Equivalent value at the exchange rate of the hedge instruments.

*** Amounts excluding accrued interest and the impact of the effective interest rate.

The money raised through these new loans was primarily used by the Group for 2,750 million euros in order to:

– repay all of the Group's former Senior Debt for 2,638 million euros;

– pay early repayment fees on bonds for 89 million euros;

– pay a portion of the fees for securing new financing.

2 Significant events (Continued)

The repayment of the Group's former Senior Debt represents the settlement of existing debt, and consequently:

- the costs of settling the bond loans incurred by the Group were recorded under other financial expenses for 88.8 million euros;
- the costs relating to the settlement of the extinguished debt, which were originally recorded at amortized cost, were recognized in other financial expenses for 22.1 million euros;

The unused proceeds from the bank borrowings, i.e. 1,030 million euros, were placed in the escrow accounts, thereby bringing the total amount recorded in the escrow accounts to an equivalent of 8,894 million euros (after deduction of the (OID) banking fees on the bank loans which were drawn but not used as of September 30, 2014. These costs, which represent an equivalent of 9.5 million euros, will only be due if the acquisition of SFR is finalized, and were recorded under prepaid expenses in the Statement of Financial Position as of September 30, 2014).

The balance of the total amount payable in cash to Vivendi on the date the acquisition is finalized (i.e. 4.6 billion euros, to reach 13.5 billion euros, excluding any earn-out) will be financed by a capital increase of Numericable Group, subject to obtaining prior approval for the operation from the competition authority. Altice SA, the Group's majority shareholder, has committed to subscribing to this capital increase for 75%. The remaining 25% is being guaranteed by banks.

Moreover, on May 21, 2014, the Group signed a new Revolving Credit Facility (''**RCF**'') agreement for a maximum amount of 750 million euros, 300 million euros of which is immediately available, with the balance becoming available upon finalization of the acquisition of SFR (this line has been drawn for 50 million euros as of September 30, 2014).

The costs linked to securing the bonds, bank loans and the RCF, i.e. 250 million euros, are recognized at amortized cost using the effective interest method in conformity with IAS 39, and are thus spread over the maturity of the debt.

It is noted that as of September 30, 2014, the Group has only paid the portion of expenses which corresponds to the tranches drawn and used, i.e. 77 million euros. The balance of the expenses, i.e. 173 million euros, will only be due and thus paid if the acquisition of SFR is finalized.

If SFR is not purchased:

In the event that the acquisition of SFR is not ultimately carried out:

- the cash deposited in the escrow accounts on May 8 and May 21, which results from financing as described above, will be fully used to repay all of the bonds and a portion of the bank loans;
- Numericable Group will remain responsible for the payment of interests on the debt. The amount of interest paid since the set-up of the financing represents around 44 million euros per month.

2.4 Derivative instruments and hedge accounting

In May 2014, in parallel with the various debts drawn noted above, Numericable Group established several derivative instruments which have the aim of neutralizing the foreign exchange risk affecting future financial flows (nominal and coupons).

The derivative instruments taken out by the Group are twofold in nature:

- Cross currency swaps through which, in addition to swapping nominal amounts, the Group receives a fixed rate in dollars and pays a fixed rate in euros. These derivatives hedge the bonds issued in dollars and are qualified as cash flow hedges. The effective portion of the change in fair value of these derivatives is recorded through other comprehensive income. It will be released to profit or loss when the hedged item impacts net income.

2 Significant events (Continued)

As of September 30, 2014, the fair value of these financial instruments was recorded in other comprehensive income for 207,394 thousand euros. The Group also recorded deferred tax on these instruments in other comprehensive income for 78,809 thousand euros as of September 30, 2014.

– Cross currency swaps through which, in addition to swapping nominal amounts, the Group receives a floating rate in dollars (3 month LIBOR) and pays a floating rate in euros (3 month EURIBOR). These derivative instruments hedge the bank loans issued in dollars, and are recorded at Fair Value through the Statement of Income (derivative instruments held for trading). These derivatives are thus recorded at fair value in the Statement of Financial Position, with changes in value taken to profit or loss.

  As of September 30, 2014, the fair value of these financial instruments was recognized as a financial income for 78,854 thousand euros. The Group also recorded deferred tax on these instruments in its net income for (33,354) thousand euros as of September 30, 2014.

See also Notes 10.2, 16.3 and 17.

2.5 Liquidity contract signed with Exane BNP Paribas

In early 2014, the Group signed a Liquidity Contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. A liquidity account of 3 million euros was opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract. The Group owns 40,544 shares as of September 30, 2014.

2.6 Granting of new stock option plans

Stock option plan—January 2014

On January 10, 2014, the Board of Directors adopted a stock option plan in favor of certain corporate officers and employees of Numericable Group.

This plan covers a total of 287,618 subscription options for 287,618 shares. The strike price is €27.62 per share.

Stock option plan—May 2014:

On May 28, 2014, the Board of Directors adopted a stock option plan in favor of an employee of the Group.

This plan covers a total of 50,000 subscription options for 50,000 shares. The strike price is €38.91 per share.

See also Note 6.

2.7 Deferred tax assets on losses carried forward

During the first-half of 2014, a new tax group was set up at Numericable Group level, effective retroactively as of January 1, 2014. This new tax group comprises Numericable Group as Group head, and the companies resulting from the two former tax groups, Ypso and Altice, which chose to apply the expanded base mechanism.

Based on updated forecasts on the use of loss carryforwards existing within the new tax group thus established and deemed probable over a 5-year period, an additional deferred tax asset of 70 million euros was recognized as of September 30, 2014.

The total amount of deferred tax assets on loss carryforwards was thus brought to 186 million euros as of September 30, 2014.

See also Note 10.2.

2 Significant events (Continued)

2.8 Tax audits

In June 2014, the Group received notices of an accounting audit (corporate income tax) for the 2010, 2011 and 2012 fiscal years for NC Numericable, Numericable and Est Videocommunication.

See Note 21.

3 Segment information

As explained in Note 2.7 to the Consolidated Financial Statements for the year ended December 31, 2013, the Group has identified three operating segments:

- B2B Operations
- B2C Operations
- Wholesale

3.1 Statement of Income

The following tables provide, for each period presented, the contribution of each segment to the Statement of Income (from ''Revenue'' to ''Operating income before depreciation, amortization and impairment''). Intra-segment sales have been eliminated in the column ''Eliminations''.

September 30, 2014 (in thousands of euros)	B2C	B2B	Wholesale	Eliminations	Total
Revenue	**664,889**	**243,320**	**155,973**	**(68,764)**	**995,419**
Purchases and subcontracting services	(315,368)	(151,979)	(66,251)	68,764	(464,834)
Staff costs and employee benefits expense	(65,970)	(47,711)	(4,566)	—	(118,247)
Taxes and duties	(15,620)	(5,556)	(3,163)	—	(24,339)
Provisions	(10,610)	660	—	—	(9,950)
Other operating income	49,303	17,141	—	—	66,444
Other operating expense	(1,373)	(9)	—	—	(1,382)
Operating income before depreciation, amortization and impairment (EBITDA)	**305,251**	**55,866**	**81,994**	**—**	**443,111**

September 30, 2013 (in thousands of euros)	B2C	B2B	Wholesale	Eliminations	Total
Revenue	**648,510**	**227,770**	**140,729**	**(48,100)**	**968,909**
Purchases and subcontracting services	(301,241)	(130,478)	(64,920)	48,100	(448,539)
Staff costs and employee benefits expense	(60,509)	(43,637)	(4,839)	—	(108,985)
Taxes and duties	(15,784)	(5,936)	(3,848)	—	(25,568)
Provisions	(954)	(298)	33	—	(1,219)
Other operating income	42,613	15,890	11	—	58,514
Other operating expense	(6,793)	—	—	—	(6,793)
Operating income before depreciation, amortization and impairment (EBITDA)	**305,842**	**63,311**	**67,166**	**—**	**436,319**

3 Segment information (Continued)

3.2 Goodwill

Goodwill breaks down by segment as follows as of September 30, 2014 and December 31, 2013:

Net carrying amount (in thousands of euros)	September 30, 2014	December 31, 2013
B2C	984,583	984,583
B2B[(a)]	500,309	499,045
Wholesale	—	—
Total	**1,484,892**	**1,483,628**

(a) See Note 11 for an explanation of the 1.3 million euros increase in B2B goodwill during the nine-month period ended September 30, 2014.

As of September 30, 2014, the Group did not identify any indication of impairment.

3.3 Investments

Investments in property, plant and equipment and intangible assets (net of investment grants received) break down by segment as follows as of September 30, 2014 and 2013:

(in thousands of euros)	September 30, 2014	September 30, 2013
B2C	159,184	112,183
B2B	44,732	50,028
Wholesale	46,283	43,697
Total	**250,199**	**205,907**

4 Revenue

Consolidated revenue breaks down by segment as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
B2C revenue	660,644	645,385
B2B revenue	240,301	225,483
Wholesale revenue	94,475	98,040
Total revenues	**995,419**	**968,909**

It is stipulated that all revenues are generated in France.

5 Purchases and subcontracting services

Purchases and subcontracting services break down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
TV content, Internet and telephony costs	(242,900)	(236,436)
Outsourcing and purchased services	(70,706)	(71,240)
Advertising	(22,802)	(27,942)
Fees paid to other third parties	(42,421)	(25,227)
Royalties and license fees paid	(9,038)	(9,164)
Rights of way paid	(8,073)	(10,802)
Rental and leasehold charges	(22,148)	(19,877)
Energy	(19,641)	(18,550)
Bad debt expense	(1,976)	(6,088)
Postal expense	(3,496)	(3,035)
Transportation expense	(3,484)	(3,017)
Repair and maintenance expense	(9,246)	(8,515)
Miscellaneous operating expenses	(8,903)	(8,645)
Purchases and subcontracting services	**(464,834)**	**(448,539)**

6 Staff costs and employee benefits expense

The staff costs and employee benefits expense breaks down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Wages and salaries	(75,403)	(71,020)
Social security charges	(34,414)	(33,462)
Employee profit-sharing	(4,759)	(4,503)
Costs relating to stock option plans[a]	(3,671)	—
Staff costs and employee benefits expense	**(118,247)**	**(108,985)**

(a) Includes 424 thousand euros in respect of employer contributions due on the allocation of shares and 3,247 thousand euros for the cost of the plan recognized in 2014.

The main assumptions underlying the valuation of the various stock option plans are listed below:

	Stock options— November 2013	Stock options— January 2014	Stock options— May 2014
Number of options granted	2,845,229	287,618	50,000
Unit fair value at the grant date (in euros)	3.41	3.98	5.38
Total fair value at the grant date (in thousands of euros)	9,702	1,145	269
Share price at the grant date (in euros)	24.80	28.34	39.50
Strike price of the option (in euros)	24.80	27.62	38.91
Expected volatility (weighted average)	25%	25%	25%
Expiry date (maturity)	November 2021	January 2022	May 2022
Expected dividends	4%	4%	4%
Risk-free interest rate (government bonds)	0.75%	1%	0.50%

In the nine-month period ended September 30, 2014, the staff costs and employee benefits expense includes income of 1,472 thousand euros in respect of the French Competitive Employment Tax Credit (CICE). No income was recognized in respect of the CICE tax credit as of September 30, 2013.

7 Other operating income

The majority of other operating income breaks down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Own work capitalized[(a)]	62,251	53,139
Proceeds from sale of assets	3,750	5,134
Other	443	241
Other operating income	**66,444**	**58,514**

(a) Own work capitalized relates to work on the network performed by employees of the Group with a view to upgrading the cable network.

8 Other operating expense

The majority of other operating expenses breaks down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Net carrying amount of assets sold	(1)	(4,235)
Fees paid in connection with refinancing	(1,375)	(1,457)
Management fees paid to shareholders[(a)]	(6)	(1,101)
Miscellaneous operating expenses	—	—
Other operating expense	**(1,382)**	**(6,793)**

(a) Management fees have been paid to the shareholders of the Combined Group Altice, Cinven and Carlyle for certain management, financing and advisory services provided. These contracts ended on September 30, 2013 within the framework of the IPO.

9 Finance costs, net

Net finance costs break down as follows as of September 30, 2014 and 2013:

(in thousands of euros)	Note	September 30, 2014	September 30, 2013
Interest income received on cash, cash equivalents and restricted cash		4,357	25
Other financial income		999	6,870
Financial income	**9.1**	**5,356**	**6,895**
Interest expense on financing excluding the impact of the effective interest method		(284,519)	(144,102)
Other financial expense	**9.2**	(148,083)	(11,614)
Financial expense		**(432,602)**	**(155,716)**
Finance costs, net		**(427,246)**	**(148,824)**

9 Finance costs, net (Continued)

9.1 Financial income

As of September 30, 2014 and September 30, 2013, financial income breaks down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Interest income on escrow accounts	4,176	—
Lehman Brothers Claim[a]	845	4,506
Reversal of provisions for financial risks	81	1,903
Other	254	463
Other financial income	**5,356**	**6,872**

(a) Payments received within the context of the claim filed by the Group following the bankruptcy of Lehman Brothers in September 2008 of 0.8 million euros and 4.5 million euros as of September 30, 2014 and September 30, 2013, respectively. Part of the Group's financial debt was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. The Group filed a claim with Lehman Brothers for a total amount of approximately 11.2 million euros. To date, the Group has recovered a total of 10.7 million euros of the amount claimed.

9.2 Other financial expense

As of September 30, 2013 and September 30, 2014, other financial expense break down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Fees for settling former debts within the context of refinancing operations[a]	(88,795)	—
Foreign exchange differences[b]	(95,809)	—
Expenses amortized according to the effective interest rate method[c]	(37,594)	5,996
Change in fair value of derivative instruments[d]	78,854	—
Late payment interest	(3,543)	4,928
Provisions for financial risks	(843)	385
Other	(353)	305
Other financial expense	**(148,083)**	**11,614**

(a) Premiums paid within the context of advance repayments of bonds;

(b) Net impact of the revaluation of financial debts in dollars and of funds deposits in escrow accounts, also denominated in dollars;

(c) Includes, for the nine-month period ended September 30, 2014, 22,081 thousand euros for the non-amortized portion of the expenses relating to debts settled in May 2014;

(d) Relates to the market value, as of September 30, 2014, of swap agreements on instruments not qualifying for hedge accounting, resulting in a financial income (with no impact on cash) of 78,854 thousand euros for the nine-month period ended September 30, 2014. See also Note 17.

10 Income tax

10.1 Income tax expense

The income tax expense breaks down as follows:

(in thousands of euros)	September 30, 2014	September 30, 2013
Current income tax expense	(14)	(8,349)
Deferred tax income[a]	36,472	—
Tax Income/Expense	**36,458**	**(8,349)**

(a) See Note 10.2 below.

10.2 Deferred tax assets by type

(in thousands of euros)	December 31, 2013	2014 Statement of Income	Other 2014 comprehensive income	September 30, 2014
Loss carryforwards[a]	132,662	70,006	—	202,668
Fair value of swaps[b]	—	(33,534)	78,809	45,275
Deferred tax assets	**132,662**	**36,472**	**78,809**	**247,943**

(a) As explained in Note 2.7, a new tax group was set up at the Numericable Group level during the first-half of 2014, effective retroactively as of January 1, 2014. This new tax group was established by Numericable Group and the companies resulting from the two former tax groups, Ypso and Altice, which chose to apply the expanded base mechanism.

Based on updated forecasts regarding the use of tax loss carryforwards existing within the new tax group and deemed probable over a 5-year horizon, an additional deferred tax asset of 70 million euros was recognized.

The total amount of deferred tax assets on loss carryforwards therefore stood at 203 million euros as of September 30, 2014.

(b) The Group recorded a deferred tax asset of 45.3 million euros on derivative instruments negotiated in May 2014, of which:

- (33.5) million euros in income on swap instruments qualifying for hedge accounting (swap on bank loans);
- 78.8 million euros in other comprehensive income on instruments qualifying for hedge accounting (swap on bonds),

11 Goodwill

(in thousands of euros)	September 30, 2014	December 31, 2013
Net carrying amount		
Balance at beginning of year	1,483,628	1,458,686
Additional goodwill recognized during the period[1]	1,264	24,942
Balance at end of year	**1,484,892**	**1,483,628**

(1) As of December 31, 2013, the additional goodwill of 24.9 million euros is explained by the Group's acquisition on October 31, 2013 of 100% of the shares of the Invescom holding company, which owns 100% of the B2B operator, LTI Telecom. This provisional goodwill was increased by 1.3 million euros during the nine-month period ended September 30, 2014, considering the revaluation of certain liabilities.

As the Group has until October 31, 2014 to complete the exercise of the allocation of the acquisition price to the identifiable assets acquired and liabilities, the difference between the acquisition price and the share of equity of the subgroup acquired remains provisionally recorded in goodwill as of September 30, 2014 for a total amount of 26 million euros.

11 Goodwill (Continued)

The LTI contribution to the Group's consolidated EBITDA as of September 30, 2014 is as follows:

September 30, 2014 (in thousands of euros)	LTI
Revenue	**25,289**
Purchases and subcontracting services	(16,261)
Staff costs and employee benefits expense	(5,260)
Taxes and duties	(594)
Provisions	110
Other operating income	485
Other operating expense	(9)
Operating income before depreciation, amortization and impairment (EBITDA)	**3,760**

12 Trade and other receivables

(in thousands of euros)	September 30, 2014	December 31, 2013
Trade receivables	353,104	309,998
Provision for bad debts	(40,287)	(33,371)
Trade receivables, net	**312,817**	**276,627**
Advances and down payments	1,306	2,181
Tax and employee-related receivables	76,866	84,826
Prepaid expenses	44,720	32,256
Other receivables	4,103	6,998
Trade and other receivables, net	**439,812**	**402,888**

13 Restricted cash

Restricted cash comprises amounts placed in escrow accounts and intended to partially finance the acquisition of SFR.

Restricted cash breaks down by original currency as follows:

	Original nominal amount*		Amounts outstanding as of September 30, 2014
	In thousands of currency	In thousands of euros	In thousands of euros
Original currency			
USD	8,966,438	6,484,732	7,099,877
EUR	2,409,200	2,409,200	2,409,200
Restricted cash		**8,893,932**	**9,509,077**

* after deduction of bank fees (Original Issue Discount: ''OID'') for bank loans drawn but not used as of September 30, 2014. These costs, which represent an amount equivalent to 9.5 million euros, will only be due if the acquisition of SFR is finalized, and were recorded in prepaid expenses in the Statement of Financial Position as of September 30, 2014.

The escrow accounts are under the control of Deutsche Bank AG as escrow agent, and are pledged first for the benefit of the banks.

Pending release of the amounts placed in escrow in view of the acquisition of SFR, the funds are invested in certain authorized investments, such as liquid assets and/or money market funds with a stable net liquidation value benefiting from a high credit rating.

13 Restricted cash (Continued)

The amounts placed in the escrow accounts will be released on April 30, 2015 or earlier, provided that:

– the Group signs the documents to acquire SFR according to the form and terms of the offer submitted by the Group to Vivendi on April 5, 2014;

– the acquisition of SFR is completed quickly after the payment of the amounts placed in the escrow accounts;

– immediately after acquiring SFR, the Group directly or indirectly owns 100% of the outstanding share capital of SFR (less ten shares belonging to a third party); and

– the Group is not subject to a bankruptcy, insolvency or legal protection proceeding.

If (i) the acquisition of SFR does not take place on April 30, 2015 or earlier, or (ii) the documents for completing the acquisition of SFR expire at any point before April 30, 2015; or (iii) in the event of bankruptcy, insolvency or a legal protection measure against the Group on April 30, 2015 or earlier, the Group will be obligated to repay all new financial debts subscribed in May 2014 to finance the acquisition at a price that is equal to 100% of the initial issue price of each of these new debts, plus accrued interest. This repayment will be performed with the help of amounts that have been placed in the escrow accounts. Any remaining amounts placed in the escrow accounts will be returned to the Group. Should the amounts in the escrow accounts be insufficient, the remainder must be financed by the Group from its cash assets.

14 Cash and cash equivalents

Cash and cash equivalents presented in the Consolidated Statement of Cash Flows include cash on hand and short-term deposits. The cash position presented in the Consolidated Cash Flows Statement and the funds presented under the heading ''Cash and cash equivalents'' in the Consolidated Statement of Financial Position can be reconciled as follows:

(in thousands of euros)	September 30, 2014	December 31, 2013
Cash	8,370	101,365
Cash equivalents[(1)]	5,807	—
Cash and cash equivalents presented in the Consolidated Statement of Financial Position	**14,177**	**101,365**
Cash of discontinued operations	—	—
Bank overdrafts recorded in financial debts	—	—
Cash and cash equivalents presented in the Consolidated Statement of Cash Flows	**14,177**	**101,365**

(1) Corresponding, as of September 30, 2014, to the amounts invested by Exane BNP Paribas in money market mutual funds within the context of the liquidity contract for 1.6 million euros, as well as interest income received on amounts invested in escrow accounts totaling 4.2 million euros.

15 Other comprehensive income

Changes in other comprehensive income break down as follows:

	Attributable to owners of the Company			
(in thousands of euros)	Hedging financial instruments	Actuarial gains and losses	Deferred tax	Total
Balance as of December 31, 2012	**—**	**(1,496)**	**—**	**(1,496)**
Change	—	—	—	—
Balance as of September 30, 2013	**—**	**(1,496)**	**—**	**(1,496)**
Change	—	(458)	—	(458)
Balance as of December 31, 2013	**—**	**(1,954)**	**—**	**(1,954)**
Change	(207,394)	—	78,809	(128,585)
Balance as of September 30, 2014	**(207,394)**	**(1,954)**	**78,809**	**(130,539)**

16 Financial liabilities

Financial liabilities break down as follows:

		Current		Non-current		Total	
(in thousands of euros)	Note	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Bonds	**16.1**	51,361	16,091	8,406,462	380,007	8,457,823	396,098
Bank borrowings	**16.2**	79,266	26,484	3,897,343	2,209,777	3,976,609	2,236,261
Derivative instruments*	**16.3/17.3**	9,394	—	119,145	—	128,539	—
Finance lease liabilities	**22.2**	24,644	20,578	19,762	20,915	44,406	41,493
Perpetual subordinated notes		—	—	39,654	37,695	39,654	37,695
Other financial liabilities	**16.4**	1,001	1,096	833	1,568	1,834	2,664
Guarantee deposits received from customers		11,432	—	45,411	51,932	56,843	51,932
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities		**177,098**	**64,249**	**12,528,610**	**2,701,894**	**12,705,708**	**2,766,143**

* Derivative instruments are presented in the above schedule at their maturity date, and including accrued interest not yet due.

16.1 Bonds

On May 8, 2014, the Group issued several bonds, in euros and dollars, to partially finance the acquisition of SFR. The issuer of the bonds is Numericable Group. The bonds raised the equivalent of 7,873 million euros, including the equivalent of 5,623 million euros in dollars and 2,250 million euros.

The proceeds from these bonds were placed in full in escrow accounts until the finalization of the SFR acquisition.

The bonds break down as follows:

Bond currency	Maturity	Coupon in foreign currency	Coupon in euros*	Original amount in millions of currency	Original amount in millions of euros**	Outstandings as of September 30, 2014 in millions of euros***
EUR	May 2022	5.375%	5.375%	1,000	1,000	1,000
EUR	May 2024	5.625%	5.625%	1,250	1,250	1,250
USD	May 2019	4.875%	4.354%	2,400	1,736	1,900
USD	May 2022	6.000%	5.141%	4,000	2,893	3,167
USD	May 2024	6.250%	5.381%	1,375	994	1,089
Total					**7,873**	**8,406**

* Interest rate of the hedge instruments.

** Equivalent value at the exchange rate of the hedge instruments.

16 Financial liabilities (Continued)

*** Amounts excluding accrued interest and the impact of the effective interest rate.

16.2 Bank borrowings

The Group took out new bank loans on May 21, 2014 in a total equivalent amount of 3,780 million euros.

Bank borrowings break down as follows:

Loan currency	Maturity	Interest rate	Margin in currency*	Margin in euros	Original amount in millions of currency	Original amount in millions of euros**	Outstandings as of September 30, 2014 in millions of euros***
EUR	May 2020	3M Euribor	4.500%	4.500%	1,900	1,900	1,900
USD	May 2020	3M Libor	3.813%	4.380%	1,394	1,008	1,104
USD	May 2020	3M Libor	3.809%	4.375%	1,206	872	955
Total						**3,780**	**3,959**

* With a minimum (''**floor**'') of 0.75%.

** Equivalent value at the exchange rate of the hedge instruments.

*** Amounts excluding accrued interest and the impact of the effective interest rate.

The money raised through these new loans was used by the Group for 2,750 million euros in order to notably:

- repay all of the Group's former senior debt for 2,638 million euros;
- pay early repayment fees on former bond loans for 88 million euros;
- pay a portion of the fees for securing new financing.

The unused balance resulting from the bank borrowings, i.e. 1,030 million euros, was placed into the escrow accounts, thereby bringing the total amount recorded in the escrow accounts to an amount equivalent to 8,903 million euros. See also Note 13.

Moreover, on May 21, 2014, the Group signed a new Revolving Credit Facility (''**RCF**'') agreement for a maximum amount of 750 million euros, 300 million of which is immediately available, with the balance becoming available upon finalization of the acquisition of SFR. The RCF has been drawn for 50 million euros as of September 30, 2014.

16.3 Derivative instruments

On April 23 and April 28, 2014, the Company entered into various swap agreements with Goldman Sachs International. On May 1, 2014, Numericable Group and Goldman Sachs International transferred (by novation) a certain number of swap agreements to various leading international banks.

These swap agreements may be classified within five different categories (in thousands of euros):

	Dollar Bond 2019	Dollar Bond 2022	Dollar Bond 2024	Bank Loan Refi	Bank Non-Refi
Notinal amount USDM/EURM	2,400/1,736	4,000/2,893	1,375/994	1,394/1,008	1,206/872
Dollar leg/Euro leg	4.875%.4.354%	6.0%/5.147%	6.25%/5.383%	L+3.75%/E+4.2135%	L+3.75%/E+4.2085%
Date of 1st exchange	April 30, 2015	April 30, 2015	April 30, 2015	May 21, 2014	April 30, 2015
Initial amounts exchanged USD M / EUR M	2,358/1,705	3,930/2,842	1,351/977	1,358/982	1,170/846
Date of coupon payment	August 15/February 15	August 15/February 15	August 15/February 15	July 30 October 30 Janruary 30 April 30	July 30 October 30 Janruary 30 April 30
Date of final exchange	May 15, 2019	May 15, 2022	May 15, 2022	May 15, 2019	May 15, 2019
Final amounts exchanged USD M / EUR M	2,400/1,736	4,000/2,893	1,375/994	1,394/1,008	1,206/872
Special clause		Five-year break clause in favor of the banks	Five-year break clause in favor of the banks		

16 Financial liabilities (Continued)

These contracts meet the following three main objectives:

Hedge of dollar amounts in escrow accounts

Cross currency swap agreements have the aim of hedging against the euro/US dollar exchange rate risk associated with the net proceeds in US dollars of the bonds and bank loans placed in escrow (7,775 million dollars in proceeds from the bonds and 1,170 million dollars in proceeds from bank loans), considering the SFR Acquisition price, payable entirely in euros to Vivendi. In conformity with these swap agreements, on April 30, 2015 the Company will pay 8,809 million dollars to all swap counterparties (using the amounts released from escrow) and will receive 6,371 million euros from the latter, based on an exchange rate of €1.00 = $1.3827. The difference between the proceeds placed in the escrow account and the amounts paid upon completion to the counterparties represents commitment commission and the OID on the bonds and bank loans.

Hedging of payments of interest and principal at 5 and 8 years in US dollars

The cross currency swap agreements have the aim of hedging against the euro/US dollar exchange rate risk associated with the payment of interest in US dollars on the bonds and bank loans. In conformity with these swap agreements, the Company will swap amounts in euros for amounts in US dollars to be paid at each date of payment of semiannual or quarterly interest, based on an exchange rate of €1.00 = $1.3827.

The swap agreements for the bonds hedge interest payments as of the first semiannual payments, on August 15, 2014, and through May 15, 2019 for the 2019 Dollar Bonds (last payments) and May 15, 2022 for the 2022 Dollar Bonds (last payments) and the 2024 Dollar Bonds. The swap agreements for drawings in US dollars for bank loans hedge interest payments between the first quarterly payments to be made as of July 30, 2014, up to May 21, 2019.

The Company has also hedged the principal amount of these bonds and bank loans in dollars through these swap agreements:

On May 15, 2019, Numericable Group will pay 1,736 million euros and will receive 2,400 million dollars, corresponding to the principal of the 2019 bonds and will pay 870 million euros and will receive 1,203 million dollars, corresponding to the principal of the bank loan, even though said loan has a maturity date in May 2020.

On May 15, 2022, Numericable Group will pay 2,893 million euros and will receive 4,000 million dollars, corresponding to the principal of the 2022 bonds and will pay 994 million euros and will receive 1,375 million dollars, corresponding to the principal of the 2024 bonds, even though the maturity date is in May 2024.

It is noteworthy that Numericable's counterparties to the hedge agreements benefit from an early termination clause after five years (i.e. in May 2019) on the 8-year hedge agreements, i.e. concerning the interest and principal of the 2022 and 2024 bonds in dollars. The latter may unilaterally revoke the hedge agreement three years prior to its maturity and require Numericable Group to pay, or pay to Numericable Group (according to the market conditions at that date) the balance of the contract.

Hedging of interest payments based on LIBOR

In addition to the two objectives described above, the hedge instruments allow the Group's LIBOR exposure to be converted for drawings in US dollars under the Term Loan into EURIBOR exposure. The Group's risk is nevertheless not entirely hedged, since drawings in US dollars under the Term Loan bear interest at the LIBOR rate, plus a margin, subject to a 0.75% limit on LIBOR, while swap agreements do not include this limit.

16 Financial liabilities (Continued)

The swap agreements for drawings in US dollars under the Term Loan hedge interest payments starting with the first quarterly payments to be made as of July 30, 2014, and until May 21, 2019.

Security and guarantees

The swap agreements described above are guaranteed and benefit from the same security as those granted for bank loans (see Note 20.1).

16.4 Other financial liabilities

As of September 30, 2014, the other financial liabilities include various bank loans taken out by Numericable with several banks (primarily Caisse d'Épargne in Alsace-Lorraine) for 1,400 thousand euros, and by Completel with various banking institutions for 201 thousand euros.

16.5 Net financial debt

Net financial debt, as defined and used by Numericable Group corresponds (a) to the nominal amounts of financial liabilities (excluding accrued interest, the impact of the EIR and the fair value of derivative instruments), excluding perpetual subordinated notes and debts linked to operations (guarantee deposits paid by customers), all of these liabilities being converted at the closing exchange rate, less (b): cash and restricted cash.

Composition of net financial debt:

(in millions of euros)	September 30, 2014	December 31, 2013
Bonds	8,406	380
Bank borrowings	4,009	2,258
Finance lease liabilities	44	41
Other financial liabilities	2	3
Liabilities contributing to net financial debt (a)	**12,461**	**2,682**
Restricted cash	9,509	—
Cash and cash equivalents	14	101
Assets contributing to net financial debt (b)	**9,523**	**101**
Net financial debt (a) – (b)	**2,938**	**2,581**

17 Financial instruments

17.1 Liquidity risk management

Lines of credit

As of September 30, 2014, the liquidity position of Numericable Group is greater than repayments due on the current financial debt:

Available amounts (in thousands of euros)	
Cash	8,370
Cash equivalents	5,807
Available amount for drawdown on lines of credit	250,000
Liquidity position	**264,177**

17 Financial instruments (Continued)

Credit rating of Numericable Group

The Group's current credit rating is as follows:

Agency	Rating
Standard & Poor's	B+
Moody's	B1 (positive outlook)

Following Numericable Group's IPO, the acquisition of subgroup Altice by subgroup Ypso France, and the refinancing of several of the Group's loans, the two credit rating agencies decided (i) to withdraw the rating of subgroup Altice B2B and (ii) to upgrade the rating of subgroup Ypso France from B2/B to B1/B+, the Group's new rating.

Moody's rated the new financing raised in May 2014 at Ba3 and announced that it estimated that the Group's rating would be Ba3 after completion of the acquisition of SFR; S&P confirmed the Group's B+ rating.

Maturity date of foreign currency denominated financial liabilities

The residual payments on financial liabilities denominated in foreign currency (bonds and bank loans) were analyzed as follows as of September 30, 2014 (including future interest). The expected cash flows correspond to the contractual flows (no early repayment has been planned.)

The USD flows are expressed in euro translated at the closing exchange rate as of September 30, 2014, i.e. €1 = USD1.2629. Interest is calculated based on the Euribor and Libor rates as of September 30, 2014.

		Total	< 1 year	1 to 5 years	> 5 years
USD bonds	A	**8,731,656**	**350,730**	**3,280,149,**	**5,100,777**
USD Note,19		2,340,447	92,644	2,247,803,	—
USD Note 22		4,640,114	190,039	760,155,	3,689,920
USD Note 24		1,751,095	68,048	272,191,	1,410,857
Hedge Instruments	B	*(1,029,638)*	*(72,832)*	*(451,716)*	*(505,090)*
Flows in USD		*(8,579,683)*	*(350,730)*	*(3,280,149)*	*(4,948,803)*
Flows in €		**7,550,044**	**277,898**	**2,828,433**	**4,443,713**
USD Note 19		2,094,710	75,574	2,019,136	—
USD Note 22		4,046,019	148,791	595,163	3,302,065
USD Note 24		1,409,315	53,533	214,134	1,141,648
Bank loans in USD	C	**2,592,215**	**104,166**	**449,410**	**2,038,639**
Loan Refi		1,389,826	55,849	240,953	1,093,024
Loan Non-Refi		1,202,389	48,317	208,457	945,615
Hedge Instruments	D	*(158,114)*	*2,941*	*(161,055)*	—
Flows in USD		***(2,470,277)***	***(84,407)***	***(2,385,870)***	**—**
Loan Refi		*(1,326,849)*	*(45,337)*	*(1,281,512)*	—
Loan Non-Refi		*(1,143,428)*	*(39,070)*	*(1,104,358)*	—
Flows in €		**2,312,162**	**87,348**	**2,224,814**	**—**
Loan Refi		1,242,036	46,941	1,195,095	—
Loan Non-Refi		1,070,127	40,407	1,029,719	—
Total	A+B+C+D	**10,136,118**	**385,005**	**3,116,788**	**6,634,326**

17 Financial instruments (Continued)

17.2 Currency risk management

The Group's currency risk concerns:

- bonds and bank loans denominated in dollars;
- amounts placed in escrow accounts in view of the acquisition of SFR, also denominated in dollars, to the extent that payments to Vivendi must be made in euros.

The Group's dollar loan issues as well as the amounts placed in escrow accounts were fully hedged by derivative instruments through cross-currency swaps. The table below shows the impact of hedging operations on the initial debt and escrow accounts before and after hedging.

		Initial position		Hedge instrument		Final position	
Original amounts, expressed in millions	**Currency**	**In currency**	**In euros**	**In currency**	**In euros**	**In currency**	**In euros**
2019 Bonds	USD	(2,400)	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2020 Loan (''refi'')	USD	(1,394)	—	1,394	(1,008)	—	(1,008)
2020 Loan (''non-refi'')	USD	(1,206)	—	1,206	(872)	—	(872)
Total liabilities		**(10,375)**	**—**	**10,375**	**(7,503)**	**—**	**(7,503)**
Escrow accounts	USD	8,966	—	(8,966)	6,485	—	6,485
Total assets		**8,966**	**—**	**(8,966)**	**6,485**	**—**	**6,485**

17.3 Recognition of derivative instruments

The derivative instruments taken out by the Group are twofold in nature:

- Cross currency swaps through which, in addition to swapping nominal amounts, the Group receives a fixed rate in dollars and pays a fixed rate in euros. These derivatives hedge the bonds issued in dollars and are qualified as cash flow hedges. The effective portion of the change in fair value of these derivatives is recorded through other comprehensive income. It will be released to profit or loss when the hedged item impacts net income.

  As of September 30, 2014, the fair value of these financial instruments was recorded in other comprehensive income for 207,394 thousand euros. The Group also recorded deferred tax on these instruments in other comprehensive income for 78,809 thousand euros as of September 30, 2014.

- Cross currency swaps through which, in addition to swapping nominal amounts, the Group receives a floating rate in dollars (3 month LIBOR) and pays a floating rate in euros (3 month EURIBOR). These derivative instruments hedge the bank loans issued in dollars, and are recorded at Fair Value through the Statement of Income (derivative instruments held for trading). These derivatives are thus recorded at fair value in the Statement of Financial Position, with changes in value taken to profit or loss.

  As of September 30, 2014, the fair value of these financial instruments was recognized as a financial income for 78,854 thousand euros. The Group also recorded deferred tax on these instruments in its net income for (33,534) thousand euros as of September 30, 2014.

17 Financial instruments (Continued)

The following table shows the notional amounts and fair values of the cross currency swaps as of September 30, 2014:

in millions of euros	Notional Amount	Fair value (including accrued interest)	Fair value (excluding accrued interest)
2019 Bonds	1,736	43,2	45,4
2022 Bonds	2,893	116,1	121,4
2024 Bonds	994	38,7	40,6
2020 Loan (''refi'')	1,008	(78,8)	(78,8)
2020 Loan (''non-refi'')	872	(0,1)	(0,1)
Total	**7,503**	**119,1**	**128,5**

A positive (negative) fair value indicates an amount in favor of the banks (of the Group).

17.4 Valuation of derivative instruments

In conformity with IAS 39, the Group primarily uses fair value to record its derivative instruments.

The fair value of derivative financial instruments (cross currency swaps) traded over the counter is calculated based on the models commonly used by participants to measure these types of instruments. Fair values are checked with bank valuations.

The fair value measurement of derivative financial instruments incorporates a ''counterparty risk'' component for asset derivative instruments, and an ''own credit risk'' component for liability derivative instruments. Credit risk is measured using standard mathematical models and market data (implicit credit spreads).

The fair values are ordered according to three levels:

– Level 1: prices listed on an active market;

– Level 2: internal model with observable inputs using internal valuation techniques: these techniques call on standard mathematical calculation methods, integrating observable market data (futures prices, interest rate curve, etc.);

– Level 3: internal model with unobservable inputs.

As of September 30, 2014, the fair value of the derivatives is at level 2.

17.5 Credit and counterparty risk

Numericable Group is exposed to bank counterparty risk within the context of its investments and derivative products, and thus strictly selects the public, financial or industrial institutions with which it makes investments or enters into contracts for derivative products, in particular as concerns their financial credit rating.

18 Other non-current liabilities

(in thousands of euros)	September 30, 2014	December 31, 2013
Non-current deferred income (more than one year)	94,910	97,429
Non-current trade payables	4,256	4,874
Non-current tax and employee-related payables	246	282
Other non-current liabilities	**99,412**	**102,585**

19 Trade payables and other liabilities

(in thousands of euros)	September 30, 2014	December 31, 2013
Current trade payables	504,400	513,979
Trade payables—acquisition of assets	77,431	78,494
Advances and down payments received	18,796	20,464
Current accounts	49	49
Liabilities related to tax and duties	30,651	24,987
Employee-related liabilities	44,375	54,412
Current deferred income (less than one year)	57,350	57,441
Other payables	10,870	7,592
Trade payables and other liabilities	**743,922**	**757,418**

20 Commitments and contractual obligations

20.1 Commitments given

Maturity of financial liabilities:

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods (excluding amortized cost, future interest and fluctuations in exchange rates). The tables have been drawn up based on undiscounted cash flows for financial liabilities based on the earliest date on which the Group can be required to pay.

	September 30, 2014			
(in thousands of euros)	Less than one year	1 - 5 years	More than five years	Total
Senior Secured Notes	51,361	1,735,734	6,137,322	7,924,417
Term Loans	79,266	—	3,780,379	3,859,645
Perpetual subordinated notes	—	—	39,654	39,654
Finance lease liabilities	24,644	19,372	390	44,406
Other financial liabilities	1,000	833	—	1,833
Derivative instruments	9,394	43,249	75,896	128,539
Guarantee deposits received from customers	11,432	45,411	—	56,843
Bank overdrafts	—	—	—	0
Total financial liabilities	**177,097**	**1,844,599**	**10,033,641**	**12,055,337**

	December 31, 2013			
(in thousands of euros)	Less than one year	1 - 5 years	More than five years	Total
Senior Secured Notes	16,091	—	380,380	396,471
Term Loans	31,250	2,226,717	—	2,257,967
Perpetual subordinated notes	—	—	37,695	37,695
Finance lease liabilities	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	—	2,664
Derivative instruments	—	—	—	—
Guaranteed deposits received from customers	—	51,932	—	51,932
Bank overdrafts	—	—	—	—
Total financial liabilities	**69,015**	**2,300,016**	**419,191**	**2,788,222**

20 Commitments and contractual obligations (Continued)

Commitments given with respect to the acquisition of SFR:

On completion of the acquisition of SFR, and as explained in Note 2.3, the Group will have to pay the bank fees relating to the implementation of the new issued debts that have not yet been used for an amount of about 173 million euros (this amount is not reflected in the above table).

The Group will also have to pay other fees which will be due only in the event of completion of the acquisition of SFR that have been recorded for 6.8 million euros as of September 30, 2014.

The Group also gave commitments in terms of employment within the new structure, with respect to the acquisition of SFR.

Guarantees and commitments given with respect to the new Senior Secured Notes:

Pending completion of the acquisition of SFR, the new Senior Secured Notes are secured by a pledge over the Escrow Accounts.

On the completion date of the acquisition of SFR, the Senior Secured Notes will be guaranteed by most of the companies of the Group and will be secured by senior pledges over all of the capital of the guarantors, over the business (*fonds de commerce*) of NC Numericable and over most of the bank accounts, intercompany receivables and intellectual property rights of the guarantors at the completion date.

Contracts relative to the new Senior Secured Notes include certain restrictions in favor of Note holders. These contracts limit, among other things, the ability of the Group to (i) incur or guarantee additional indebtedness; (ii) make investments or other restricted payments (including dividends), (iii) create liens, (iv) sell assets, (v) engage in certain transactions with affiliates, (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations.

Guarantees and commitments given with respect to the new Term Loans and the new Revolving Credit Facility:

Before the completion of the acquisition of SFR, the new Term Loans are guaranteed by most of the companies of the Group (the ''Guarantors'') and are secured by senior pledges over all of the capital of the guarantors, over certain intercompany loans concluded in the context of these transactions, over the business (*fonds de commerce*) of NC Numericable and over most of the bank accounts, and intellectual property rights of the Guarantors.

Within 90 days after the completion date, the new Term Loans will benefit from (i) a senior pledge over SFR, (ii) a senior pledge over shares of SFR held by Numericable Group and the capital of all subsidiaries which become guarantor after the completion date, a senior pledge over certain SFR bank accounts, a senior pledge over the business (*fond de commerce*) including the intellectual property rights of SFR, and senior pledges over intercompany receivables due to SFR by certain of its subsidiaries.

The Term Loans include restrictions that reflect the commitments given under the Senior Secured Notes and limit, among other things, the ability of the Group to (i) incur or guarantee additional indebtedness, subject to a Consolidated Net Leverage ratio test; (ii) make investments or other restricted payments (including dividends), (iii) create liens, (iv) sell assets, (v) pay dividends or make other distributions or repurchase or redeem capital or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. Certain of those restrictions will be modified if the completion date does not occur before April 30, 2015.

20 Commitments and contractual obligations (Continued)

20.2Commitments received

Commitments received with respect to the perpetual subordinated notes (TSDI):

The Group has received a commitment of a total amount of 25 million euros from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Group has already received 23.8 million euros in principal from GDF Suez as of September 30, 2014.

Commitment received from Altice:

The balance of the total amount payable in cash to Vivendi on the date the acquisition of SFR is finalized (i.e. 4.6 billion euros, in order to reach the price of 13.5 billion euros excluding any earn-out) will be financed by a capital increase of Numericable Group. Altice SA, majority shareholder of the Group, has undertaken to subscribe to this capital increase to the tune of 75% (the Group will bear the fees related to this capital increase for approximately 0.30% of the total amount of the capital increase), the remaining 25% being secured by banks.

21 Litigation

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

Litigation in which the Group is involved are described in Note 24 to the Consolidated Financial Statements for the year ended December 31, 2013. The following paragraphs correspond to an update as of October 24, 2014, date of the meeting of the Company's Board of Directors approving the Condensed Interim Consolidated Financial Statements for the nine months ended September 30, 2014.

A provision is recorded by the Group when there is a sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Group are involved in a certain number of disputes related to the ordinary activities of the Group. Only the most significant disputes and proceedings in which the Group is involved are described below.

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months a material impact on the financial position or profitability of the Group.

Tax audits

The Group received tax assessment notifications dated June 6, 2014 for fiscal years 2010 (income tax), 2011 and 2012 for the entities NC Numericable, Numericable and Est Videocommunication.

No provision has been recorded in the Condensed Interim Consolidated Financial Statements for the nine months ended September 30, 2014 with respect to these latest tax audits.

Litigation concerning the DSP 92:

A disagreement arose between the department of Hauts-de-Seine (''CG 92'') and Sequalum on the conditions of execution of the Service Concession agreement ''THD Seine'' entered into on March 13, 2006 between Sequalum, subsidiary of the Group and the department of Hauts-de-Seine. This public service concession arrangement is aimed at building a high-capacity fiber network throughout the department of the Hauts-de-Seine. As of September 30, 2014 the net book value of the network build by Sequalum represents approximately 123 million euros and the Group received 25 million euros of subsidies from the department of Hauts-de-Seine.

21 Litigation (Continued)

During its assembly dated October 17, 2014, the department of Hauts-de-Seine decided to terminate the Service Concession agreement signed with Sequalum for ''fault and full responsibility of the delegatee''. The department of Hauts-de-Seine also asked Sequalum to pay penalties for an approximate total amount of 45 million euros, arguing that there were delays in the construction of the network, which is contested by Sequalum.

Within the framework of the Service Concession Agreement, the department of Hauts-de-Seine also asked the financial institution involved to implement the guarantee granted by Sequalum for 10 million euros, this amount corresponding to the maximum amount that could be guaranted with respect to the Service Concession Agreement. So far, the bank did not respond favorably to this request, considering that the request was not sufficient, in terms of form and documentation, to allow the implementation of the guarantee.

The penalities were contested through a request recorded by the administrative court on September 3, 2014. The execution and the payment of the penalities are suspended until a decision is made on this litigation.

The decision of the department of Hauts-de-Seine to terminate the agreement has not yet been notified to Sequalum who intends to contest the resiliation before the competent courts. Looking forward to the reception of this notification, Sequalum continues to perform the contract, subject to potential requests the delegator may impose. Should the courts confirm the arguments of the department of Hauts-de-Seine, Sequalum could be obliged to reimburse the grants received (the portion of grants not yet amortized). The department of Hauts-de-Seine, for its part, would receive all the assets built within the framework of the DSP 92 on July 1, 2015. The department of Hauts-de-Seine would have to indemnify Sequalum at a level corresponding to the net book value of the assets.

On October 16, 2014 Sequalum deposited a request before the administrative court of Cergy Pontoise which aims at ending the Service Concession agreement due to ''*force majeure*'' in the context of irreversible changes in the contractual economy.

The management examined the risk related to these procedures and noted that at this stage there are too many uncertainties to measure the possible risk for the Group. Under these conditions, the criteria allowing the booking of a provision were not met.

22 Related party transactions and other transactions

The historical majority shareholders of the Group are the private investment funds Altice, Cinven and Carlyle.

On July 24, 2014, Altice repurchased all of the shares held by Cinven and Carlyl (i.e. 34.6% of Numericable Group's capital). Following this operation, Altice held 74.6% of Numericable Group's shares.

Balances in the Statement of Financial Position and reciprocal flows between entities of the Group were eliminated during preparation of the Condensed Interim Consolidated Financial Statements. Details of transactions between the Group and other related parties are disclosed below.

22 Related party transactions and other transactions (Continued)

22.1 Trading and financing transactions

During the year, Group entities entered into the following transactions with related parties that are not part of the combination scope:

	Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
(in thousands of euros)	September 30, 2014	September 30, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Shareholders						
Altice	—	459	—	—	—	—
Cinven	—	192	—	—	—	639
Carlyle	—	450	—	—	—	900
Associate						
Alsace Connexia Participation SAS	—	—	2,223	2,280	—	—

Management fees have been paid to our shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (726 thousand euros in the first-half of 2013). These contracts ended on September 30, 2013.

22.2 Other related party relationships

No new significant transactions with related parties took place during the nine months ended September 30, 2014, other than those described in Note 29.2 to the Consolidated Financial Statements for the fiscal years ended December 31, 2013 and 2012.

22.3 Transactions with SFR

During the nine-month period ended September 30, 2014, the Group invoiced various services to SFR and its subsidiaries for a total amount of 25 million euros. During the same period, SFR and its subsidiaries invoiced an overall amount of 33 million euros to the subsidiaries of the Group.

23 Lease arrangements

23.1 The Group as lessor

Finance leases

The Group has not entered into any finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

23 Lease arrangements (Continued)

Future revenues related to these leases (recorded in deferred income) break down as follows:

(in thousands of euros)	Future minimum lease payments September 30, 2014	 December 31, 2013
Less than one year	55,769	53,930
1 to 5 years	40,576	42,224
More than 5 years	54,164	54,997
Total	**150,509**	**151,151**

23.2 The Group as lessee

Finance leases

The Group has entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The main finance lease arrangements relate to network equipment bought from Cisco and the property lease for the Group headquarters in Champs-sur-Marne, for which the Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All contracts are denominated in euros. Certain property lease arrangements stipulate that the annual payments will be set at a fixed amount at the beginning of the lease, but will be increased in line with inflation in subsequent years (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
(in thousands of euros)	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Less than one year	25,515	22,100	24,567	21,257
1 to 5 years	20,738	21,069	18,912	19,246
More than 5 years	1,009	1,342	927	990
	47,262	**44,510**	**44,406**	**41,493**
Less future finance charges	(2,856)	(3,017)	—	—
Present value of minimum lease payments	44,406	41,493	44,406	41,493
Finance lease liabilities—current portion			24,567	21,257
Finance lease liabilities—non-current portion			19,938	20,238

The interest rate implicit in the leases is fixed at the contract date for the entire lease term. The average effective annual interest rate is approximately 3.97% and 3.96% as of September 30, 2014 and December 31, 2013, respectively.

Operating leases

The Group also has simple operating lease commitments concerning vehicles and real estate. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicles under operating lease is 3 years.

Leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

23 Lease arrangements (Continued)

In connection with its entertainment business activities, the Group has also entered operating leases and agreements to purchase TV programs.

As of September 30, 2014 and December 31, 2013, simple operating lease commitments break down as follows:

(in thousands of euros)	September 30, 2014	December 31, 2013
Less than one year	9,906	10,381
1 to 5 years	31,446	34,798
More than 5 years	9,018	12,978
Total	**50,370**	**58,156**

24 Earnings per share

(in thousands of euros)	September 30, 2014	September 30, 2013
Net income used for calculating basic earnings per share	**(177,825)**	**60,046**
Impact of dilutive instruments:		
Stock option plans(2)	—	—
Net income used for calculating diluted earnings per share	**(177,825)**	**60,046**

The following table shows the weighted average number of ordinary shares used to calculate basic and diluted earnings per share:

(number of shares)	September 30, 2014	September 30, 2013
Weighted average number of ordinary shares outstanding(1)	**123,942,012**	**113,772,229**
Impact of dilutive instruments:		
Stock option plans(2)	—	—
Weighted average number of shares outstanding—diluted	**123,942,012**	**113,772,229**

(1) The weighted average number of ordinary shares used in calculating earnings per share corresponds, until the date of the IPO, to the number of shares issued in exchange for contributions (see Note 22.1 ''Change in share capital'' of the 2013 Consolidated Financial Statements.)

(2) Stock options granted in 2013 and 2014 (3,182,847 options) are non-dilutive in view of the average share price between the grant date and the balance sheet date, and the valuation of the plan.

25 Events after the end of the reporting period

Litigation concerning the DSP 92:

During its assembly dated October 17, 2014, the department of Hauts-de-Seine decided to terminate the Service Concession agreement signed with Sequalum for ''fault and full responsibility of the delegatee''. The department of Hauts-de-Seine also asked Sequalum to pay penalties for an approximate total amount of 45 million euros, arguing that there were delays in the construction of the network, which is contested by Sequalum.

Please refer to Note 21.

Numericable Group

Consolidated financial statements

for the year ended December 31, 2013

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Numericable Group S.A.

Registered office: Tour Ariane—5, place de la Pyramide—92088 Paris La Défense Cedex

Share capital: €.123 942 012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your by-laws and Shareholders' general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Numericable Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in the following notes to the consolidated financial statements:

- Notes 1.2 «Basis of preparation of the consolidated financial statements» and 1.3 «Comparative information» describe respectively the accounting treatment of the contribution operations to the group and their impact on the preparation and presentation of the consolidated financial statements and the comparative information;
- Notes 4.1.2 «IPO and capital increase» and 4.1.6 «Refinancing of Senior Debt» describe the initial public offering and the refinancing operations which occurred at the end of 2013 and their impact on

the hypothesis made to adopt the going concern assumption for the group as described in note 1.5 «Going concern assumption»;

- Notes 1.3 «Comparative information» and 2.1 «Accounting principles governing the preparation of the consolidated financial statements» describe the change in accounting method resulting from the first implementation of the revised IAS 19 standard.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce),* we bring to your attention the following matters:

Note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements describes the critical accounting policies and main sources of uncertainty in respect to estimates. This note also states that changes in facts and circumstances may result in revised estimates or assumptions which could affect the financial position, results of operations and cash flows of the Group. Amongst the significant estimates, there are goodwill and deferred tax assets:

- The company systematically performs, at each closing date, impairment tests on goodwill according to the methods described in note 2.14 «Impairment of goodwill and non-current assets» and note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements.

  We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 16 «Impairment testing» provides appropriate disclosures thereon.

- The Group presents in its statement of financial position deferred tax assets for an amount of 132.7 million euros as at December 31, 2013, as described in note 4.1.7 «Recognition of deferred tax assets» to the consolidated financial statements.

  We assessed the information and assumptions used for the forecasted future use of tax losses to carry forward, reviewed the calculations performed by the company and ensured that Note 3, 4.17 and 12 provide appropriate disclosures thereon.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory auditors

Paris La Défense, April 2, 2014

KPMG Audit
Department of KPMG S.A.
French original signed by
Grégoire Menou
Partner

Neuilly-sur-Seine, April 2, 2014

Deloitte & Associés
French original signed by
Christophe Saubiez
Partner

Numericable Group

CONSOLIDATED STATEMENT OF INCOME

	Notes	2013	2012
		(in thousands of euros)	
Revenue	6	**1,314,242**	**1,302,425**
Purchases and subcontracting services	7	(611,016)	(602,121)
Staff costs and employee benefits expense	8	(154,631)	(141,475)
Taxes and duties		(33,896)	(32,396)
Provisions		(20,466)	(6,219)
Other operating income	9	86,321	89,229
Other operating expense	10	(20,466)	(17,178)
Operating income before depreciation and amortization (EBITDA)		**560,088**	**592,265**
Depreciation and amortization		(304,042)	(291,724)
Operating income		**256,046**	**300,541**
Financial income		9,704	4,326
Interest relative to gross financial debt		(184,839)	(183,057)
Other financial expense		(148,513)	(32,699)
Finance costs, net	11	**(323,648)**	**(211,430)**
Income tax expense (income)	12	132,792	(2,486)
Share in net income (loss) of associates	17	(484)	(199)
Net income (loss) from continuing operations		**64,706**	**86,426**
Net income (loss) from discontinued operations		—	—
Net income (loss)		**64,706**	**86,426**
—Attributable to owners of the entity		64,550	86,377
—Attributable to non-controlling interests		156	49
Earnings per share (in euros) attributable to owners of the entity	22.3		
Net income (loss)			
—basic		0.56	0.76
—diluted		0.56	0.76

Numericable Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
	(in thousands of euros)	
Net income (loss) attributable to owners of the entity	**64,550**	**86,377**
Items that may subsequently be reclassified in profit or loss:		
Cumulative translation adjustments	—	—
Change in fair value of available-for-sale financial assets	—	—
Tax on items recognized directly in other comprehensive income	—	—
Items that will not subsequently be reclassified in profit or loss:		
Actuarial gains and losses[1]	(458)	(1,496)
Tax on items recognized directly in other comprehensive income	—	—
Total other comprehensive income (loss) attributable to owners of the entity	**64,092**	**84,881**

(1) As indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, by recognizing actuarial gains and losses in ''Other comprehensive income.''

The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements (see Note 1.3).

As the Group operates only in France, the functional and presentation currency of all the entities within the Group is the euro. As a result, no cumulative translation adjustments were recognized as of December 31, 2013 or 2012.

Available-for-sale financial assets consist of various investments in unlisted entities not included in the scope of consolidation (see Note 17) and for which there are no reliable indicators allowing the Group to determine a fair value other than its share of equity. Due to the fact that these investments are not material, these investments are measured at historical cost; accordingly, no unrealized gain or loss is recognized in the consolidated statement of comprehensive income.

Numericable Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
ASSETS			
Goodwill	13	1,483,628	1,458,686
Other intangible assets	14	307,362	326,187
Property, plant and equipment	15	1,464,763	1,389,932
Investments in associates	17	2,893	3,377
Other non-current financial assets	18	7,263	6,831
Deferred tax assets	12	132,662	—
Non-current assets		**3,398,571**	**3,185,013**
Inventories	19	49,568	45,609
Trade receivables and other receivables	20	402,888	417,371
Other current financial assets	18	4,020	4,034
Income tax receivable	12	3,410	6
Cash and cash equivalents	21	101,365	7,996
Assets classified as held for sale		—	—
Current assets		**561,251**	**475,016**
TOTAL ASSETS		**3,959,822**	**3,660,029**

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
EQUITY AND LIABILITIES			
Share capital		123,942	—
Additional paid-in capital		2,108,037	—
Reserves		(1,978,611)	—
Net invested equity attributable to owners of the parent[(a)]		**253,368**	**(287,364)**
Non-controlling interests		193	33
Total invested equity	22	**253,561**	**(287,331)**
Non-current financial liabilities	23	2,701,894	2,926,343
Non-current provisions	24/25	73,633	63,973
Deferred tax liabilities	12	—	—
Other non-current liabilities	26	102,585	111,266
Non-current liabilities		**2,878,112**	**3,101,582**
Current financial liabilities	23	64,249	114,732
Current provisions	24/25	6,411	2,409
Trade payables and other current liabilities	27	757,418	726,033
Current income tax liabilities	12	71	2,604
Liabilities classified as held for sale		—	—
Current liabilities		**828,149**	**845,778**
TOTAL EQUITY AND LIABILITIES		**3,959,822**	**3,660,029**

(a) See the statement of changes in equity for the reconciliation of combined equity as of December 31, 2012 (see Note 1.2) with consolidated equity as of December 31, 2013.

Numericable Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital	Additional paid-in capital	Reserves	Net invested equity attributable to owners of the parent	Non-controlling interests	Total invested equity
	(in thousands of euros)					
Total combined equity as of December 31, 2011	**—**	**—**	**(372,233)**	**(372,233)**	**(57)**	**(372,290)**
Dividends paid						
Comprehensive income	—	—	84,881	84,881	49	84,930
Issuance of shares	—	—	—	—	—	—
Acquisition of non- controlling interests	—	—	(12)	(12)	41	29
Total combined equity as of December 31, 2012	**—**	**—**	**(287,364)**	**(287,364)**	**33**	**(287,331)**
Dividends paid	—	—	—	—	—	—
Comprehensive income	—	—	64,092	64,092	156	64,248
Contribution of Ypso and Altice B2B(1)	113,772	1,881,717	(1,995,489)	—	—	—
Issuance of new shares(2)	10,170	226,320	—	236,490	—	236,490
Stock option plan(3)	—	—	640	640	—	640
Transactions with shareholders(4)	—	—	239,508	239,508	—	239,508
Other	—	—	2	2	4	6
Consolidated equity as of December 31, 2013	**123,942**	**2,108,037**	**(1,978,611)**	**253,368**	**193**	**253,561**

(1) Contributions of Ypso Holding SARL and Altice B2B Luxembourg SARL to Numericable Group, which resulted in a capital increase of 1,995.5 million euros (see Note 4.1.1);

(2) Capital increases carried out within the framework of the Company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO, which were charged to additional paid-in capital in the amount of 14.6 million euros (expenses recorded without tax effect) (see Note 4.1.2);

(3) Cost of the stock option plan granted on November 7, 2013 in favor of certain officers and employees of the Group (see Note 4.1.3);

(4) Extinguishment of shareholders debts within the framework of the contributions made to Numericable Group prior to the IPO (Super PECs) (see Note 4.1.1).

Numericable Group

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Net income (loss) from continuing operations		**64,706**	**86,426**
Non-cash items			
Share in net income (loss) of associates	17	484	199
Depreciation and amortization		316,920	286,993
Gains and losses on disposals	9-10	9,688	3,565
Income tax expense (income)	12.1	(132,792)	2,486
Cost of gross financial debt	11	184,839	183,516
Other non-cash items[1]		110,073	3,028
Change in working capital and other payments			
Change in working capital		20,653	(31,911)
Income tax paid		(4,292)	(3,342)
Net cash provided (used) by operating activities		**570,279**	**530,960**
Purchases of property, plant and equipment and intangible assets[2]	14-15	(330,090)	(299,890)
Proceeds from disposals of property, plant and equipment and intangible assets	9	5,078	3,816
Decrease (increase) in loans and other non-current financial assets	414	(568)	(3,440)
Investments in companies included in the scope of consolidation, net of cash acquired[3]	4.1.5	(27,337)	(6)
Investment subsidies and grants received		10,260	14,303
Net cash provided (used) by investing activities		**(342,657)**	**(285,217)**
Capital increases of the parent company[4]	4.1.2	236,490	—
Issuance of debt[5]	4.1.6	797,223	830,975
Repayment of debt[6]	4.1.6	(987,420)	(957,189)
Interest paid		(180,546)	(152,113)
Net cash provided (used) by financing activities		**(134,253)**	**(278,327)**
Net cash flow from continuing operations		**93,369**	**(32,584)**
Net cash flow from discontinued operations		—	—
Net increase (decrease) in cash and cash equivalents		**93,369**	**(32,584)**
Cash and cash equivalents—opening balance		**7,996**	**40,580**
Cash and cash equivalents—closing balance		**101,365**	**7,996**

(1) In 2013, other non-cash items mainly relate to:

— expenses relating to the extinguishment of shareholder debts (''premiums'' relative to the cancellation of Super PECs) in the amount of 81.6 million euros (see Note 4.1.1);

— the staggering of borrowing costs using the amortized cost method, with no effect on cash, in the amount of 20.0 million euros.

(2) Investments in property, plant, equipment and intangible assets financed through finance leases in the amount of 39 million euros (21 million euros in 2012) had no impact on the statement of cash flows at the time of the purchases.

(3) Mainly the price paid in connection with the acquisitions of LTI (25.5 million euros) and Valvision (3.3 million euros), net of cash acquired (1.5 million euros). See Notes 4.1.4 and 4.1.5.

(4) Capital increases carried out within the framework of the company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO in the amount of 14.6 million euros (see Note 4.1.2).

(5) Mainly the implementation of the new Tranche D in the amount of 800 million euros net of expenses paid in the amount of 10 million euros (see Note 4.1.6).

(6) This amount primarily reflects debt extinguished during refinancing transactions in December 2013 (bonds in the amount of 480 million euros, Altice B2B senior debt in the amount of 451 million euros, see Note 4.1.6).

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Numericable Group

Consolidated Financial Statements

for the year ended December 31, 2013

1 Basis of preparation of the consolidated financial statements

1.1 Numericable Group

Numericable Group (hereinafter referred to as ''**the Company**'') is a limited company incorporated under French law in August 2013, and is headquartered in France.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

Ypso France, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France also provides French residential customers with broadband Internet, fixed telephony and mobile telecommunications services.

Altice B2B France, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office (''FTTO'') network in France, constituting the third-largest alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2013, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes, have been prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB'') and adopted in the European Union as of December 31, 2013. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The consolidated accounts were prepared under the responsibility of the Board of Directors, and approved by the Board of Directors on April 1st, 2014.

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting in May 2014.

As Ypso Holding SARL and Altice Lux Holding SARL, before being contributed to Numericable Group and after the IPO, were and remained entities under joint control (controlled by the Carlyle, Cinven and Altice private equity funds acting in concert), the contribution transactions do not constitute an acquisition within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction in carrying amounts, and the consolidated financial statements are prepared as if the contribution of the equity securities of Ypso Holding SARL and Altice Lux Holding SARL had occurred before January 1, 2012, the opening of the comparative period presented. The consolidated financial statements as of December 31, 2013 accordingly cover a period of 12 months.

1.3 Comparative information

The comparative data presented in respect of the 12 months ended December 31, 2012 correspond— with the exception of the application of IAS 19R (as disclosed hereafter)—to the combined financial statements of the two subgroups Ypso and Altice B2B (hereinafter referred to as the ''**Two Groups**'').

Before being contributed to Numericable Group on November 7, 2013, the Two Groups were entities under common control (controlled by the Carlyle, Cinven and Altice private equity funds).

1 Basis of preparation of the consolidated financial statements (Continued)

Accordingly, the financial datas presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which formed two separate groups as of December 31, 2012.

Moreover, as indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, recognizing actuarial gains and losses in ''Other comprehensive income.'' The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements.

The impact of this adjustment on the items and main aggregates of the 2012 statement of income is set out in the following table (reconciliation of the 2012 combined financial statements with the restated 2012 financial statements presented for comparison purposes in this document).

	Reported 2012 financial statements	IAS 19R adjustment	Restated 2012 financial statements
	(in thousands of euros)		
Provisions	(7,715)	1,496	(6,219)
Operating income before depreciation and amortization (EBITDA)	**590,769**	**1,496**	**592,265**
Operating income	**299,045**	**1,496**	**300,541**
Net income (loss)	**84,930**	**1,496**	**86,426**
Other comprehensive income	**0**	**(1,496)**	**(1,496)**
Comprehensive income	**84,930**	**—**	**84,930**

1.4 List of entities included in the scope of consolidation

Subsidiaries

Consolidated entities are companies controlled by the Group (including special-purpose entities), i.e. entities in which the Group has the power to govern financial and operating policies so as to obtain benefits. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control commences until the date at which control ceases. Non-controlling interests in subsidiaries are identified separately in the statement of changes in equity.

Associates

Investments, in which the Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investments are referred to as ''associates'' throughout these consolidated financial statements. Significant influence is the power to participate in the financial and operating policy decisions of the associate, but not control or joint control over said decisions. Associates are initially recognized at historical cost. The consolidated financial statements include the consolidated Group's share of income and expenses, from the date at which significant influence commences until the date at which significant influence ceases.

As of December 31, 2013 and 2012, the consolidated financial statements include the following entities:

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Numericable Group	5 Place de la Pyramide—92088 Paris La Défense	Parent company	100%	N/A	100%	N/A

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Ypso Holding SARL	3 boulevard Royal L-2449 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso France SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
NC Numericable SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
Numericable SAS[(1)]	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	N/A[(1)]	100%	N/A[(1)]	100%
Est Vidéocommunication SAS[(1)]	14 rue des Mercuriales—67450 Lampertheim	Full consolidation	N/A[(1)]	100%	N/A[(1)]	100%
ENO Belgium	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	100%	100%	100%	100%
Numericable Finance SARL	Luxembourg	Full consolidation	100%	100%	100%	100%
Stichting Ypso 1	Netherlands	Full consolidation	100%	100%	100%	100%
Stichting Ypso 2	Netherlands	Full consolidation	100%	100%	100%	100%
ENO Holding	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%
TME France SA	Fort de Tourneville—55, rue du 329ème—76600 Le Havre	Full consolidation	100%	100%	100%	100%
Coditel Debt	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso Finance SARL	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Sequalum Participation SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Sequalum SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Alsace Connexia Participation	40-42 Quai du Point du Jour—92100 Boulogne	Equity method	38.15%	38.15%	38.15%	38.15%

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Altice B2B France	102 Avenue des Champs Elysées—75008 Paris	Full consolidation	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide—92088 Paris La Défense	Full consolidation	100%	100%	100%	100%
LTI Telecom(2)	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
Invescom(2)	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%

(1) Numericable and Est Vidéocommunications were merged in NC Numericable in December 2013.

(2) Invescom and LTI Telecom were acquired on October 31, 2013, as mentioned in ''Significant events.''

1.5 Going concern assumption

The Group was formed by a series of acquisitions, funded mainly by external borrowings. The construction and subsequent modernization of the network have also required substantial investments. These two factors explain the Group's financial structure, namely the significant proportion of financial liabilities in relation to consolidated equity, as well as the significant interest expense.

The Group currently services its debt and funds its investments through net cash from operations. Furthermore, the Group's covenants under its loan agreements require it to comply with certain liquidity ratios (see section 23.1) and to maintain certain cash levels.

Furthermore, as explained in Note 4.1.6, the Group refinanced its Senior Debt in 2013, rescheduling a large portion of its debt.

Under these conditions, and in view of the updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements for the 12 months from the close of the 2013 consolidated financial statements, and to meet its obligations in respect of its debt during this period.

As a result, the consolidated financial statements for the year ended December 31, 2013 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the consolidated financial statements

Standards and interpretations applied by the Group as of December 31, 2013

The accounting policies for recognition and measurement used in preparing the consolidated financial statements for the year ended December 31, 2013 are the same as those used for the combined financial statements of Numericable Group, prepared in accordance with IFRS.

As mentioned in Note 1, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union (''**EU**''), with

2 Significant accounting policies (Continued)

mandatory application for annual periods ended December 31, 2013. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the consolidated financial statements. They are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2013 are similar to the standards and interpretations published by the International Accounting Standards Board (''**IASB**''), with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**'') and the following standards and interpretations adopted by the EU but not yet mandatory in the EU from December 31, 2013.

Standards and interpretations mandatory for the year ended December 31, 2013

– IAS 19R (revised in 2011) *Employee Benefits* (applicable no later than January 1, 2013 for the Group) (''**IAS 19R**'')

The main changes resulting from this revision are:

- the recognition of actuarial gains and losses through ''Other comprehensive income.'' This results in a change in accounting principles, as the Group previously recognized actuarial gains and losses through profit or loss;
- the modification of the calculation of the financial component, due to the removal of the expected return on plan assets, which did not have an impact on the Group's financial statements;
- the immediate expensing of non-vested past service costs.

In accordance with the provisions of IAS 19R, the Group has applied the new provisions retrospectively. The effect of the changes is described in Note 1.3 above.

Other amendments and interpretations applicable from December 31, 2013, but without material impact on the Group are as follows:

– Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* and *Separate Financial Statements*

  This amendment to IAS 1 requires changing the presentation of other comprehensive income in the consolidated statement of comprehensive income, in order to present items liable to be reclassified in profit or loss separately from items that will never be reclassified in this manner. Comparative information is also presented in the same way.

– IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (''**IFRIC 20**'')

– Amendments to IFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*

– Amendments to IFRS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities*

– Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

– IFRS 13 *Fair value Measurement* (''**IFRS 13**'')

  IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and lists disclosure requirements in respect of fair value measurements, including the fair value hierarchy currently set out in IFRS 7 *Financial Instruments: Disclosures*.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new provisions in respect of fair value prospectively.

2 Significant accounting policies (Continued)

Standards and interpretations mandatory after December 31, 2013 and not adopted early

The following are standards and interpretations that had been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of these consolidated financial statements but which are not yet mandatory. The Group has not elected to adopt them early.

– IAS 27 (revised in 2011) *Separate Financial Statements* (applicable no later than January 1, 2014 for the Group) (''**IAS 27 Revised**'')

This standard sets out recognition and disclosure provisions for separate financial statements, i.e. financial statements prepared by a parent, an investor, a joint venture or an associate, when such investments are carried at acquisition cost or in accordance with IAS 39. The standard also outlines the accounting requirements for dividends, and contains numerous disclosure requirements.

– IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (applicable no later than January 1, 2014 for the Group) (''**IAS 28 Revised**'')

This standard relates to the consolidation of joint ventures and associates under the equity method.

Some clarifications have been included with respect to accounting for changes in ownership interests (with or without loss of control). These disclosures are now covered by IFRS 12 *Disclosure of Interests in Other Entities*.

– IFRS 10 *Consolidated Financial Statements* (applicable no later than January 1, 2014 for the Group) (''**IFRS 10**'')

IFRS 10 supersedes SIC-12 *Consolidation of Special-Purpose Entities* and IAS 27 for the part relating to consolidated financial statements. This standard deals with the consolidation of subsidiaries and special-purpose entities, and redefines control, which is the basis of consolidation.

– IFRS 11 *Joint Arrangements* (applicable no later than January 1, 2014 for the Group) (''**IFRS 11**'')

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities: Non-Monetary Contributions by Venturers*.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties sharing control.

Joint arrangements are classified into two categories: (i) joint ventures, where each party has an interest in the net assets of the entity, which is accordingly consolidated at equity, a method already applied by the Group; and (ii) joint operations, where each party has direct rights to the assets and direct obligations in respect of the liabilities of the entity, which is consolidated in accordance with the contractual arrangement.

– IFRS 12 *Disclosure of Interests in Other Entities* (applicable no later than January 1, 2014 for the Group) (''**IFRS 12**'')

IFRS 12 replaces provisions relating to disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard combines and supplements disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated SPEs.

– Amendment to IAS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities* (applicable on a mandatory basis for annual periods beginning on or after 1 January 2014)

Management is currently assessing the potential impact of the application of these standards and amendments on the statement of income, the statement of financial position, the statement of cash flows and the notes to the financial statements, but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

2 Significant accounting policies (Continued)

The financial statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

– derivative financial instruments measured at fair value;
– financial assets at fair value through profit and loss measured at fair value;
– available-for-sale financial assets measured at fair value.

2.2 Foreign Currency Translation Adjustments

The consolidated financial statements are presented in euros, the functional currency of the Group. All financial data are rounded to the nearest thousand euro.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit or loss.

2.3 Revenue

Revenue from the Group's activities is mainly composed of:

– TV subscriptions, broadband Internet, basic cable services, telephony and installation fees invoiced to residential and business clients.
– Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions invoiced to business clients.
– Network infrastructure services, including indefeasible rights of use (''IRUs'') arrangements and bandwidth capacity on the network, provided to other telecommunications operators, as well as the related maintenance services.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities included in the scope of consolidation.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

– Revenues from subscriptions for basic cable services, digital pay TV, Internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls made outside plans are recognized when the service is rendered.
– When a promotion not related to a customer's past consumption and purchases (such as a discount on the subscription price or free subscription for a given period) is offered to a customer, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Group has the enforceable and contractual right to deliver the products after the free promotional period offered to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the Company recognizes revenues during the promotional period in the amount of the consideration received or receivable, as the customer's continuance is not assured.
– Installation and set-up fees (including connection) for residential customers are recognized as revenues when the service is rendered.

2 Significant accounting policies (Continued)

- Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred, and the revenue is recognized along the estimated duration of the customer relationship, based on statistical data. They are generally staggered over the term of the contract.
- The revenue related to transmission capacity on terrestrial cables under IRU arrangements are recognized on a straight-line basis over the term of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments in relation to IRUs and connection fees. For these arrangements, the revenue is generally recognized on a straight-line basis over the term of the contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2.5 Operating income before depreciation and amortization

The Group has included the aggregate ''Operating income before depreciation and amortization'' or ''EBITDA'' in the consolidated statement of income because management believes that this aggregate is useful: it provides a measure of operating results that excludes non-cash items such as depreciation and amortization, thereby enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel.

EBITDA may not be comparable with similarly named measures used by other entities. Further, this aggregate should not be considered as a proxy for operating income, as the effects of depreciation, amortization and impairment, which are excluded from this measure, ultimately have an impact on operating income, which is also presented in the consolidated financial statements in accordance with IFRS 1.

2.6 Financial income and expense

Financial income and expense primarily comprise:

- interest expense and other expenses paid for financing transactions recognized at amortized cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**''), and which are recognized in ''Interest relative to gross financial debt'' in the consolidated statement of income;
- interest income relating to cash and cash equivalents.

2.7 Segment information

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

2 Significant accounting policies (Continued)

B2C Operations

The Group provides residential and business customers with TV subscription services, broadband Internet, basic cable services, telephony and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale Services

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, as well as the related maintenance services.

2.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except if it relates to items recognized directly in equity, in which case it is recognized in equity (see Note 4.1.7).

Current tax is the tax payable on the taxable income for the year, estimated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) investments in subsidiaries, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of consolidation, a deferred tax liability may be recognized in respect of prospective dividend payments by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognized when it is probable that future taxable profits against which the temporary difference can be utilized will be available within a foreseeable timeframe.

2.9 Government grants and investment subsidies

Entities of the Group may receive government grants and investment subsidies in the form of direct or indirect funding of investment projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the consolidated statement of

2 Significant accounting policies (Continued)

income, based on the pattern in which the related asset's expected future economic benefits are consumed.

2.10 Goodwill and business combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3R are recognized at their fair value at the acquisition date, except for non-current assets (or groups earmarked for disposal), which are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and measured at the lower of their carrying amount and fair value less costs to sell.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between:

– the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the acquirer's previously held equity interest in the target, and

– the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognized in assets in the consolidated statement of financial position. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32 *Financial Instruments: Presentation* (''**IAS 32**'') and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected, any adjustments to the provisional values within 12 months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interests in a subsidiary that is already included in the scope of combination), the Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27, with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the consolidated statement of financial position. Impairment relative to this goodwill is presented on the ''Depreciation and amortization'' line of the consolidated statement of income.

Goodwill resulting from the acquisition of associates is included in the carrying amount of the investment. Impairment relative to this goodwill is presented on the ''Share in net income (loss) of associates'' line.

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note 16.

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use.

2 Significant accounting policies (Continued)

Intangible assets consist mainly of indefeasible rights of use, patents, and purchased and internally developed software.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized over the shorter of the expected period of use and the life of the contract between 3 and 20 years.

Patents are amortized on a straight-line basis over the expected period of use, generally not exceeding 10 years.

Software is amortized on a straight-line basis over its expected useful life, which generally does not exceed 3 years.

The cost of an internally developed intangible asset is the sum of personnel expenses incurred from the date the intangible asset first meets the recognition criteria of IAS 38. An intangible asset arising from the development phase of an internal project is recognized if an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention of completing the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the capacity of the intangible asset to generate probable future economic benefits. Among other things, the Group must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use.

The cost of an internally developed intangible asset arising from the development phase of an internal IT project is amortized on a straight-line basis over its expected useful life, which generally does not exceed three years.

Agreements entered into with local authorities

To set up and operate its networks, the companies of the Group have in the past (and often before entering the Group) entered into various agreements with local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with ''return property'' clauses, whereby ownership of the technical equipment and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, known as the ''Telecoms Package,'' establish the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required that existing agreements be brought into compliance by the end of July 2007 at

2 Significant accounting policies (Continued)

the latest, removing all exclusive rights clauses and ensuring the shared use of public civil engineering infrastructure.

Only a minority of agreements entered into with local authorities were liable to be classified in the category of public service concessions when these agreements were concluded. As such, IFRIC 12 *Service Concessions* applies solely to the public service concession arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92*).

Service Concession agreement entered into with the department of Hauts-de-Seine

Sequalum, a subsidiary of the Group, was selected in 2007 by the department of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home (''FTTH'') high-capacity fiber network throughout the department under a public service concession arrangement (*Délégation de Service Public*—DSP) known as DSP 92. A DSP is a form of public-private partnership under French law, pursuant to which a public authority entrusts private entities to operate a public service in return for remuneration that is based on the revenue generated by the service in question.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network—completing construction by 2015—and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, i.e. a right to collect revenue from the network users. In accordance with IAS 38 and IFRIC 12, Sequalum recognizes the intangible asset at cost, net of grants, i.e. the fair value of the consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement:

Control and regulation of prices	Origin of revenues	Subsidy granted by grantor	Residual value	End of agreement	Accounting model
Rates are defined in the service agreement	Users	59 million euro subsidy to finance the construction	The network will be returned to the grantor with no indemnity, except for some assets (*actifs de reprise*)	Contract will end after 25 years	Intangible assets

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

2 Significant accounting policies (Continued)

When property, plant and equipment include significant components with different useful lives, the components are recorded and amortized separately. With respect to network and technical equipment, depreciation is calculated on a straight-line basis. The main depreciation periods are as follows:

Network and technical equipment	Method	Duration
Network hubs	Straight line	10 to 15 years
Optical cables	Straight line	15 to 30 years
Engineering facilities	Straight line	20 to 40 years
Connections	Straight line	5 years
Digital terminals	Straight line	3 to 5 years
Furniture	Straight line	5 to 10 years
Fixtures and fittings	Straight line	8 to 10 years
Transport equipment	Straight line	2 to 5 years
Office equipment	Straight line	3 to 5 years
Computer equipment	Straight line	3 to 5 years

Gains or losses on disposal of property, plant and equipment are the difference between the profit from the disposal and the carrying amount of the asset and are recognized in the caption ''Other operating income/expenses'' of the consolidated statement of income.

2.13 Lease arrangements

Leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Significant accounting policies (Continued)

2.14 Impairment of goodwill and non-current assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress are subject to annual impairment testing during the second half of each fiscal year.

This testing is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit (''**CGU**'') with its carrying amount.

An asset's or CGU's recoverable amount is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs for the Group are ''B2C Operations,'' ''B2B Operations'' and ''Wholesale Services.''

The value in use of each asset or group of assets is determined as the present value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' of the statement of income. Only impairment losses recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful lives and property, plant and equipment may be reversed.

2.15 Financial assets

The Group classifies financial assets in four categories: available-for-sale; loans and receivables; held-to-maturity; and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets in accordance with IAS 1.

Purchases and sales of all financial assets are recognized at the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is sold or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is reclassified in profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the scope of consolidation. Fair value corresponds to the quoted price for listed securities. For non-listed securities, the Group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from equity to profit or loss. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a

2 Significant accounting policies (Continued)

material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the statement of financial position.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest method.

This category mainly includes trade and other receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount, is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Group does not classify any financial asset in this category.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded as financial income or expenses.

This category mainly includes:

- assets held for trading that the Group intends to sell in the near future (primarily marketable securities);
- assets voluntarily classified at inception in this category;
- derivative financial assets.

2.16 Inventories

Inventories, mainly set-top boxes and technical equipment, are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method, and includes the acquisition cost of materials.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 Cash and cash equivalents

Cash consists of cash in bank accounts and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date generally less than three months from the time of purchase.

2 Significant accounting policies (Continued)

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

Financial liabilities

Financial liabilities other than derivative instruments include borrowings under the Senior Facility Agreement (''SFA''), debt related to finance leases, guarantee deposits, advances received and bank overdrafts.

They are measured at amortized cost, using the effective interest method in accordance with IAS 39. The effective interest rate is the internal rate or return that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. Accrued interest is included in ''Current portion of financial liabilities'' in the statement of financial position.

2.19 Derivative instruments

Derivatives are initially recognized at fair value on the date of inception of a derivative contract, and are subsequently remeasured at their fair value.

The Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable rate financial instruments into fixed rate financial instruments. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any these derivative instruments are recognized immediately in the statement of income, under financial income and expenses.

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of an outflow of resources will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. Provisions are reviewed at the end of each reporting period, and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes, but are not recognized.

2 Significant accounting policies (Continued)

Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognizes pension costs related to defined-contribution plans as they are incurred in personnel expenses in the statement of income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 Revised *Employee Benefits* (''**IAS 19R**''), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, expected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in other comprehensive income.

Litigation

The amount of provisions for litigation is based on the Group's assessment of the level of risk, and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring expenses are recognized when restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation among the employees concerned that it will carry out the plan either by starting to implement the plan or announcing its main features. These provisions only include direct expenditure arising from restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly related to the closure of facilities.

2.21 Share-based payment

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2, the benefit granted to employees under stock option plans, assessed at the time of the grant of the option, is additional remuneration.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognized as personnel expenses over the vesting period, taking into account an estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model, which takes into account an annual reassessment of the expected number of exercisable options. The expense recognized is adjusted accordingly.

2.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* consequently has no impact on the consolidated financial statements.

2.23 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

2 Significant accounting policies (Continued)

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments has been used to acquire shares of the Group at the average market price for the period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Critical accounting judgments and key sources of uncertainty in respect of estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable.

In applying accounting policies during the preparation of the consolidated financial statements described in Note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the prevailing economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

The valuation of certain assets and liabilities in the preparation of these financial statements required management to make estimates and assumptions, particularly in respect of:

- *Revenue recognition:* as indicated in Note 2.3, revenue is recognized at the fair value of the consideration received or to be received when the risks and rewards of ownership of a product have been substantially transferred to the buyer or when the service is rendered. With respect to contracts that include installation, connection and set-up fees for residential customers, significant judgments must be made as to whether the recognition criteria set out in IAS 18 should be applied separately and whether installation, set-up and connection should be considered separable services. With respect to service access fees for business customers, revenue is recognized on a straight-line basis over the term of the contract. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized can differ significantly.
- *Capitalization of development costs:* the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally three years). The Group must therefore evaluate the commercial and technical feasibility of its development projects and estimate the useful lives of the products resulting from these projects. Should a product fail to substantiate these assumptions, the Group may be required to impair or write off some of the capitalized development costs in the future. Note 14 provides information on the amount of capitalized costs in the consolidated statement of financial position.
- *Fair value of financial instruments* (see Note 28.3): fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market such as interest rate swaps, which the Group currently uses to hedge its interest rate risk, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforwards* (see Notes 2.8, 4.1.7 and 12): deferred tax assets relate primarily to tax loss carryforwards. The assets relating to tax loss carryforwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on an in-depth review. The Group analyzes past events, and the positive and

3 Critical accounting judgments and key sources of uncertainty in respect of estimates (Continued)

negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2013 the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

- *Impairment tests* (see Notes 2.10 and 16): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value less costs to sell as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs, as well as discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the perpetual growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such requiring the recognition of an impairment loss.

  As of December 31, 2013 and 2012, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU "B2C Operations"	2013	2012
Length of forecast period	5 years	8 years
Discount rate	7.30%	7.56%
Growth rate beyond forecast period for terminal value	2.00%	1.75%

CGU "B2B Operations" and "Wholesale"	2013	2012
Length of forecast period	5 years	6 years
Discount rate	7.14%	9.42%
Growth rate beyond forecast period for terminal value	2.00%	1.00%

  The calculation of value in use is based on financial budgets approved by management, the period of which was reduced to five years in 2013 in accordance with the recommendations of IAS 36. Projections in respect of subscribers, revenue, costs, and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers, average revenue per user and the level of upgraded network infrastructure. The projections are based on both past experience and the expected future market penetration of the various products.

4 Significant events

4.1 Year ended December 31, 2013

4.1.1 Constitution of Numericable Group

Numericable Group was established in July 2013 by way of cash contributions in an initial amount of 37 thousand euros.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

The contributions of Ypso and Altice B2B Numericable Group increased the capital of the Company by a total of 1,995,489 thousand euros, breaking down into a 113,772 thousand euro increase in share capital and a 1,881,717 thousand euro increase in additional paid-in capital.

4 Significant events (Continued)

Following the contributions, the Company's share capital accordingly amounted to 113,809 thousand euros, and additional paid-in capital to 1,881,717 thousand euros.

Moreover, during the restructuring of the Group's debt in 2009, during which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates (''Super PECs'') with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Subsequently, the expense related to the extinguishment of the debt (''Premium'') was recognized as financial expense in the amount of 81.6 million euros. This expense had no impact on the Group's cash position.

4.1.2 IPO and capital increases

On October 25, 2013, the Board of Directors of Numericable Group decided in principle to undertake an initial public offering of the Company on NYSE Euronext Paris.

On November 7, 2013, the Board of Directors:

- priced the IPO at 24.80 euros per share;
- decided to increase share capital by a total amount of 250,000 thousand euros through a public offering (including a 10,081 thousand euro capital increase through the issuance of new shares and 239,919 thousand euros in additional paid-in capital);
- proposed a capital increase reserved for employees, which was ultimately carried out in the amount of 1,034 thousand euros (including a 52 thousand euro capital increase through the issuance of new shares and 982 thousand euros in additional paid-in capital).

Trading on the shares began on November 8, 2013.

The costs incurred in connection with the IPO were fully charged to additional paid-in capital in a total amount of 14,582 thousand euros. These costs, borne entirely by Numericable Group, were accounted for without tax effect.

Following the IPO, the Numericable Group's share capital amounted to 123,942 thousand euros, and additional paid-in capital to 2,108,037 thousand euros. See Note 22.1 for information on the constitution of the share capital of Numericable Group.

4.1.3 Granting of stock option plans

On November 7, 2013, the Board of Directors also adopted a stock option plan in favor of certain officers and employees of Numericable Group.

The plan covers a total of 2,845,229 options for 2,845,229 shares.

As of December 31, 2013, the fair value of options granted was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

See Note 25.2 for further details on this stock option plan.

4.1.4 Acquisition of Valvision

On 27 June 2013, the Group acquired 100% of the share capital of Valvision, a cable operator operating in eastern France.

4 Significant events (Continued)

The difference between the acquisition price (3,340 thousand euros) and the share of equity acquired (219 thousand euros), representing the acquired customer base, was 3,121 thousand euros. It was fully allocated to ''Other intangible assets,'' and will be amortized over a period of three years.

No additional payment is provided for under the acquisition agreement.

4.1.5 Acquisition of LTI Telecom

On October 31, 2013, the Group acquired 100% of the shares of Invescom, a holding company that owns 100% of LTI, a B2B telecom operator.

The acquisition price amounted to 25,550 thousand euros for a share of equity acquired of 609 thousand euros. No additional payment is provided for under the acquisition agreement.

In view of the date of the acquisition, the allocation of the price to identifiable assets acquired and liabilities assumed had not been finalized as of December 31, 2013. The Company has until September 30, 2014 to finalize this process.

Therefore, the difference of 24,941 thousand euros between the acquisition price and the share of equity as reflected in the accounts of the acquired subgroup was recognized as goodwill as of December 31, 2013 (see Note 13).

4.1.6 Refinancing of Senior Debt

Amendments in July-August 2013

In July and August 2013, the Group amended its Senior Facility Agreements, allowing a large portion of its debt to be rescheduled. This renegotiation also led to a change in certain contractual conditions, including the margin applicable to the Senior Debt of Altice B2B.

This renegotiation of Senior Debt is a simple modification of existing debt. As such, the costs stemming from the renegotiation (6.2 million euros) have been measured at amortized cost in accordance with the effective interest method pursuant to IAS 39.

Refinancing in December 2013

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debt, as follows:

– all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;
– all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
– part of the 225 million euro bond issue (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros);
– part of the 360 million euro bond issue (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros).

The renegotiation of Senior Debt represents the settlement of existing debt. Accordingly:

– the cost of settling bonds (''Premium'') incurred by the Group were recognized in other financial expenses in the amount of 28.0 million euros;

4 Significant events (Continued)

– costs relating to the implementation of the extinguished debt in December 2013, which were originally recorded at amortized cost, has been recognized in other financial expenses in the amount of 15.2 million euros;

– costs relating to the implementation of the new Tranche D (7.25 million euros) have been recognized at amortized cost using the effective interest method in accordance with IAS 39.

Following the refinancing in 2013, the maturity of Senior Debt was as follows as of December 31, 2013 (nominal amounts):

Maturity	2014	2015	2016	2017	2018	2019	Total
in millions of euros	42.6	63.4	102.1	821.0	1,223.2	380.0	2,632.4

4.1.7 Recognition of deferred tax assets

In the year ended December 31, 2013, the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

In view of the large amount of unrecognized deficits remaining as of December 31, 2013 (see Note 12.4), all of the deferred tax income recognized in 2013 was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses recognized in other comprehensive income or capital increase expenses charged to additional paid-in capital.

4.1.8 In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure to Numericable by several French municipalities between 2003 and 2006 was in line with European Union State aid rules. The European Commission expressed doubts as to the compatibility of such aid with EU rules because of the economic advantage conferred on Numericable by virtue of the conditions of the transfer.

As the Group disputes this position, and as the potential risk relating to this investigation cannot be measured reliably, no provision was recorded in the financial statements as of December 31, 2013.

4.1.9 Leaseback of modems

In May 2013 and June 2013, the Group entered into two sale and leaseback contracts with Lease Expansion, in respective amounts of 12.7 million euros and 5.9 million euros for new modems known as ''La Box.''

The term of the lease is three years for each contract.

4.1.10 Tax audits

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments stem exclusively from the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

4 Significant events (Continued)

4.1.11 Lehman Brothers compensation

The Group received two further payments of 4.5 million euros and 2.6 million euros in June 2013 and December 2013 respectively, as part of its claim following the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4).

4.1.12 Cancellation of the 5 million euro fine imposed by ARCEP

In July 2013, the Constitutional Court ruled that the power to sanction held by the French regulator (*Autorité de régulation des communications électroniques et des postes*—ARCEP) did not meet the principles of independence and impartiality required by the Constitution.

On October 21, 2013, the Group obtained the annulment by the Council of State of the penalty imposed by ARCEP on December 20, 2011, which condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with the ARCEP decision of November 4, 2010.

The Group recorded the proceeds relative to the annulment of the fine in the financial statements for the year ended December 31, 2013 under ''Other operating income'' (see Note 9).

4.1.13 Litigation with Free

On December 13, 2013, the Commercial Court of Paris condemned the Group to pay the sum of 6,411 thousand euros to Free as part of a dispute over an advertising campaign run by Numericable that Free claimed harmed its brand and its image (see Note 24.2 for details on the procedure). The Group appealed this decision.

The Group recognised a provision for the entire fine in the consolidated financial statements for the year ended December 31, 2013. The decision having been executed in early January 2014, the provision was classified under ''Current provisions'' in the consolidated statement of financial position as of December 31, 2013.

4.2 Year ended December 31, 2012

4.2.1 Bond issues

In 2012, the Group issued several bonds to refinance part of its existing financial debt.

In February 2012, the Group issued a 360 million euro bond. The issuer was Numericable Finance & Co. SCA, an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan), whose sole lender was the bank itself under the Senior Facility Agreement, in favor of the Group, and which allowed it to reimburse certain facilities under the SFA in the amount of 350 million euros.

The notes mature on February 15, 2019 and bear interest at 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, the Group also obtained a new Revolving Credit Facility under the SFA. The maximum amount that can be drawn is 65 million euros (''Revolving Credit Facility''). It matures in March 2016. The amount used under this facility bears interest equal to Euribor plus 4.5%. The amount not used under this facility, which amounted to 65 million euros as of December 31, 2013, bears interest equal to a commitment fee of 2.25%.

According to the terms of the amendment of the September 2011 Senior Facility Agreement, maturities of certain lenders' commitments were extended by two years (comprising one-half of Tranche A and the Capex Facility and two-thirds of Tranches B & C). Along with the extension of the maturities, the

4 Significant events (Continued)

amendment changed the margin on the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Agreement became effective on February 15, 2012.

In October 2012, the Group issued another two bonds in amounts of 225 and 275 million euros respectively through the same issuer, Numericable Finance & Co. SCA. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the ''C-Two A Facility Loan'' and the ''C-Two B facility Loan,'' whose sole lender was the Lending Bank itself under the Senior Facility Agreement, in favor of the Group, which allowed it to reimburse certain facilities under the SFA in the amount of 490 million euros.

The ''C-Two A facility'' amounts to 225 million euros. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interest is paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The ''C-Two B facility'' amounts to 275 million euros. It matures in October 2018 and bears a floating interest rate equal to three-month Euribor plus 7.85% per annum. Interest is paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

The Group paid 55 million euros in fees in connection with the implementation of these new facilities (C-One, C-Two A and C-Two B) and the amendments relative to the Senior Facility Agreement. This amount includes:

- bond issuance costs of 30.2 million euros, which are amortized over the length of the notes using the effective interest method;
- waiver fees of 17.4 million euros, which are recorded in ''Other financial expense'' in the consolidated statement of income for the period ended December 31, 2012;
- advisory fees of 7.4 million euros, which are recorded in ''Other operating expenses'' in the consolidated statement of income for the period ended December 31, 2012.

4.2.2 Purchase of the Nice network

In April 2012, the Group signed an agreement with the city of Nice for the purchase of the cable network of Nice for 20 million euros.

The purchase price repayment is scheduled as follows:

- 2.5 million euros in July 2012 and 2.5 million euros in January 2013;
- the remaining 15 million euros payable over 20 years (0.75 million euros each year from 2013 to 2032), with interest of 4%.

4.2.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 12.5 were extended to fiscal year 2010. Tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of the provision recognized in relation to these tax audits had not been adjusted, as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

5 Segment information

As stated in Note 2.7, the Group has three operating segments:

- B2B Operations
- B2C Operations
- Wholesale Services

5 Segment information (Continued)

5.1 Statement of income

The following tables provide, for each period presented, the contribution of each segment to the statement of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations.''

2013	B2C	B2B	Wholesale	Eliminations	2013 Total
	(in thousands of euros)				
Revenue	**869,448**	**312,640**	**200,794**	**(68,640)**	**1,314,242**
Purchases and subcontracting services	(415,127)	(180,195)	(84,333)	68,640	(611,016)
Staff costs and employee benefits expense	(87,144)	(60,504)	(6,982)	—	(154,631)
Taxes and duties	(20,469)	(8,073)	(5,355)	—	(33,896)
Provisions	(8,616)	(11,567)	(283)	—	(20,466)
Other operating income	65,499	20,763	59	—	86,321
Other operating expense	(18,588)	(1,878)	—	—	(20,466)
Operating income before depreciation and amortization (EBITDA)	**385,003**	**71,186**	**103,900**	**—**	**560,088**

2012	B2C	B2B	Wholesale	Eliminations	2012 Total
	(in thousands of euros)				
Revenue	**832,568**	**324,506**	**211,476**	**(66,125)**	**1,302,425**
Purchases and subcontracting services	(386,060)	(178,420)	(103,766)	66,125	(602,121)
Staff costs and employee benefits expense	(77,592)	(57,186)	(6,697)	—	(141,475)
Taxes and duties	(19,901)	(7,569)	(4,926)	—	(32,396)
Provisions	(4,516)	(1,323)	(380)	—	(6,219)
Other operating income	68,095	21,108	26	—	89,229
Other operating expense	(16,030)	(1,148)	—	—	(17,178)
Operating income before depreciation and amortization (EBITDA)	**396,564**	**99,968**	**95,733**	**—**	**592,265**

5.2 Goodwill

Goodwill breaks down by segment as follows as of December 31, 2013 and 2012:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C	984,583	984,583
B2B	499,045	474,103
Wholesale	—	—
Total	**1,483,628**	**1,458,686**

5 Segment information (Continued)

5.3 Investments

Investments on property, plant and equipment and intangible assets (net of investment grants received) break down by segment as follows as of December 31, 2013:

	December 31, 2013
	(in thousands of euros)
B2C	165,473
B2B	73,904
Wholesale	80,452
Total	**319,829**

6 Revenue

Consolidated revenue breaks down by segment as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2B revenue	864,589	826,171
B2B revenue	309,646	323,201
Wholesale revenue	140,007	153,053
Total revenues	**1,314,242**	**1,302,425**

It is stipulated that all revenues are generated in France.

7 Purchases and subcontracting services

Purchases and subcontracting services break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
TV content, Internet and telephony costs	(315,318)	(332,853)
Outsourcing and purchased services	(98,082)	(90,752)
Advertising	(38,834)	(30,120)
Fees paid to other third parties	(35,991)	(31,936)
Royalties and license fees paid	(12,183)	(12,089)
Rights of way paid	(14,936)	(15,316)
Rental and leasehold charges	(27,023)	(25,790)
Energy	(25,846)	(23,938)
Bad debt expense	(8,000)	(9,173)
Postal expense	(4,389)	(4,378)
Transportation expense	(4,654)	(4,286)
Repair and maintenance expense	(11,830)	(11,911)
Miscellaneous operating expense	(13,930)	(9,579)
Purchases and subcontracting services	**(611,016)**	**(602,121)**

8 Personnel expenses

Personnel expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Wages and salaries	(99,947)	(91,343)
Social security charges	(45,923)	(43,889)
Employee profit-sharing	(5,210)	(6,243)
Costs related to the stock option plan[a]	(3,551)	—
Staff costs and employee benefits expense	**(154,631)**	**(141,475)**

(a) Includes 2.9 million euros in respect of employer contributions due on the allocation of shares and 0.6 million euros for the cost of the plan recognized in 2013 (see Note 4.1.3).

As of December 31, 2013, the Group employed a total of 2,182 people (of which 2,077 permanent contracts), compared with 1,979 as of December 31, 2012 (of which 1,910 permanent contracts).

The following table breaks down the numbers of permanent contracts by occupational category as of December 31, 2013 and 2012:

Occupational category	December 31, 2013	December 31, 2012
Managers	1,096	1,015
Senior technicians and supervisors	356	322
Operators, employees and technicians (Non Managers)	625	573
Total	**2,077**	**1,910**

9 Other operating income

Other operating income breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Own work capitalized[a]	75,853	82,217
Proceeds from sale of assets	5,078	3,817
Other[b]	5,390	3,195
Other operating income	**86,321**	**89,229**

(a) Own work capitalized work on the network performed by employees of the Group with a view to upgrading the cable network.

(b) In 2013, this item included the repayment of the 5 million euro fine imposed by ARCEP in 2012. In 2012, this item mainly included various transfers of expenses in the amount of 2.7 million euros.

10 Other operating expense

Other operating expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount of assets sold	(14,741)	(7,382)
Fees paid in connection with refinancing	(4,619)	(7,372)
Management fees paid to shareholders[(a)]	(1,106)	(2,424)
Miscellaneous operating expenses	—	—
Other operating expense	**(20,466)**	**(17,178)**

(a) Until the date of IPO, after which the agreements were terminated.

11 Finance costs, net

Net finance costs broke down as follows as of December 31, 2013 and 2012:

	Note	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Interest income received on cash and cash equivalents		111	106
Other financial income	11.1	9,593	4,220
Financial income		**9,704**	**4,326**
Change in fair value of interest rate derivatives		—	—
Interest expense on financing determined using the effective interest method		(184,839)	(183,057)
Interest relative to gross financial debt		**(184,839)**	**(183,057)**
Other financial expense	11.2	(148,513)	(32,699)
Finance costs, net		**(323,648)**	**(211,430)**

11.1 Other financial income

As of December 31, 2013, other interest income broke down primarily as follows:

– Payments received within the framework of the compensation sought after the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4) in the amount of 7.1 million euros (compared with 2.8 million euros in 2012);

– Reversals of provisions for financial risks and charges in the amount of 1.9 million euros.

11.2 Other interest expense

As of December 31, 2013, other interest expense broke down primarily as follows:

– the cost of settling bonds (''Premium'') incurred by the Group in the amount of 28 million euros through the reimbursement of the Senior Facilty Agreement as explained in Note 4.1.6 above;

– the costs incurred with respect to the settlement of SuperPecs in the amount of 81 million (without impact on the Group's cash position as this debt was extinguished through the issuance of shares in the context of the IPO as explained in Note 4.1.1 above);

– the unamortized portion of costs related to the debt settled in December 2013 (initially measured at amortized cost) in the amount of 15.2 million euros;

11 Finance costs, net (Continued)

- the amortization of fees paid for the establishment of funding still in place at end-2013 in the amount of 8.3 million euros;
- penalties for late customer deployments in the amount of 4 million euros.

As of December 31, 2012, other interest expense broke down primarily as follows:

- early repayment of penalties paid in connection with debt refinancing in the amount of 17.4 million euros;
- amortization of fees paid for the establishment of funding in the amount of 6.2 million euros valued using the effective interest method;
- default interest in the amount of 5.6 million euros.

12 Income tax

12.1 Income tax expense

Income tax expense breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current tax expense/income	130	(2,486)
Deferred tax expense/income	132,662	—
Tax expense/income	**132,792**	**(2,486)**

12.2 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net income (loss) before tax	(68,086)	88,912
Less: Share of net income (loss) of associates	484	199
	67,602	89,111
Corporate tax rate in France	38%	34.43%
Income tax expense calculated at 38%	**25,689**	**(30,681)**
Reconciliation of income tax expense		
Deferred tax assets	132,662	—
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit(1)	(26,231)	(13,315)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	—	41,083
Tax credits	673	420
Effect of other differences	—	8
Income tax expense recognized in profit or loss	**132,792**	**(2,486)**
Effective tax rate(2)	(196.43)%	2.79%

(1) Consists primarily of interest expense not deductible under thin capitalization rules (15.2 million euros as of December 31, 2013, compared with 9.9 million euros as of December 31, 2012).

(2) The effective tax rate in 2013 was negative taking into account deferred tax assets during the year.

12 Income tax (Continued)

In view of the large amount of unrecognized tax losses remaining as of December 31, 2013 (see Note 12.4), the deferred tax income recognized in 2013 in respect of tax loss carryforwards whose future use is considered probable within the five-year forecast period was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses, which are recognized in other comprehensive income, or capital increase expenses, which are charged to additional paid-in capital.

12.3 Current tax assets and liabilities

Current tax assets as of December 31, 2013 amounted to 3.4 million euros, corresponding to installments of income tax and competitiveness and employment tax credits (CICE), for which the Group must request reimbursement.

The income tax payable is classified in ''Current tax liabilities,'' and amounts to 71 thousand euros and 2,604 thousand euros as of December 31, 2013 and 2012 respectively.

12.4 Unrecognized deferred tax assets

Aggregate unused tax loss carryforwards amounted to 2,316 million euros as of December 31, 2013, representing a theoretical tax asset of 876 million euros. A deferred tax asset of 132.7 million euros was recognized as of December 31, 2013.

Total net tax loss carryforwards break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Ypso France and its subsidiaries[1]	1,857,400	1,852,028
Altice B2B France and its subsidiaries	413,401	402,544
Ypso Holding Lux	45,561	256,173
Total tax loss carryforwards	**2,316,362**	**2,510,745**
Deferred tax assets calculated at the standard rate	**876,217**	**851,103**
Of which deferred tax assets recognized	*132,662*	—
Of which deferred tax assets not recognized	*743,555*	*851,103*

(1) Including tax losses contested by the tax authorities (56 million euros as of December 31, 2013).

12.5 Tax audits

Certain subsidiaries of the Group, Ypso France, NC Numericable (including Numericable and Est Videocommunication, merged in 2013) were subject to a tax audit by the French tax authorities for the fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency provision in the amount of 24,9 million euros was recognized as of December 31, 2013 (compared with 25.1 million euros as of December 31, 2012) to cover the risk represented by this audit.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments focus exclusively on the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

The total tax contingency provision was 36.3 million euros as of December 31, 2013, compared with 25.1 million euros as of December 31, 2012.

13 Goodwill

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount		
Balance at beginning of year	1,458,686	1,458,638
Additional goodwill recognized during the period[(1)]	24,942	48
Balance at end of year[(2)]	**1,483,628**	**1,458,686**

(1) The additional goodwill of 24.9 million euros recognized as of December 31, 2013 was attributable to the acquisition of LTI Telecom (described in Note 4.1.5). The allocation of the acquisition price is provisional, and will be finalized within 12 months of the date of acquisition. The goodwill was allocated to the B2B Operations CGU.

(2) Goodwill breaks down as follows:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C Operations	984,583	984,583
B2B Operations	499,045	474,103
Total	**1,483,628**	**1,458,686**

14 Other intangible assets

	Capitalized development costs	Rights of use, patents and licenses[(a)]	Commercial rights	Other intangible assets[(b)]	Total
		(in thousands of euros)			
Gross amount					
Balance as of January 1, 2013	5,848	720,735	42,030	39,847	**808,462**
Capital expenditure and additions	1,271	62,776	757	4,084	68,888
Reclassification	—	—	—	—	—
Business combinations	—	786	996	3,154	4,936
Balance as of December 31, 2013	7,119	784,297	43,783	47,085	**882,284**
Cumulative amortization and impairment					
Balance as of January 1, 2013	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Amortization expense	(1,571)	(82,897)	(1,257)	(5,433)	(91,158)
Reclassification	—	—	—	—	—
Business combinations		(464)	(993)	(31)	(1,488)
Balance as of December 31, 2013	(4,813)	(496,834)	(36,940)	(36,335)	**(574,922)**
Net carrying amount					
Balance as of January 1, 2013	2,606	307,262	7,340	8,976	**326,187**
Balance as of December 31, 2013	2,306	287,463	6,843	10,750	**307,362**

14 Other intangible assets (Continued)

	Capitalized development costs	Rights of use, patents and licenses[(a)]	Commercial rights	Other intangible assets[(b)]	Total
	(in thousands of euros)				
Gross amount					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	**730,449**
Capital expenditure and additions	464	53,749	2,219	4,384	60,817
Reclassification	—	66	3,862	(3,929)	—
IFRIC 12*	—	17,195	—	—	17,195
Balance as of December 31, 2012	5,848	720,735	42,030	39,847	**808,462**
Cumulative amortization and impairment					
Balance as of January 1, 2012	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Amortization expense	(1,199)	(78,726)	—	(6,190)	(86,115)
Reclassification	—	(12,299)	—	541	(11,758)
IFRIC 12*	—	(9)	—	—	(9)
Balance as of December 31, 2012	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Net carrying amount					
Balance as of January 1, 2012	3,341	327,285	1,259	14,170	**346,056**
Balance as of December 31, 2012	2,606	307,262	7,340	8,976	**326,187**

(a) Rights of use represent the majority of ''rights of use, patents and licenses.'' They reflect the rights to use civil engineering installations and infrastructure built by the incumbent operator, France Telecom, as well as investments made through the DSP.

(b) Other intangible assets primarily include customer lists (including the customers of Valvision, acquired in 2013, see Note 4.1.4) and capitalized production within the framework of IT projects relating to the network.

* As explained in note 2.11, the Group applied IFRIC 12 with respect to the contract entered into in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92).

The application of this principle had the following impacts on the 2012 consolidated statement of financial position:

- Recognition of the net carrying amount of 17.2 million euros classified in ''Other intangible assets'' (26.6 million euros of investments less 9.5 million euros of grants received as of December 31, 2011);
- Recognition of 26.4 million euros of capital expenditure in 2012 in ''Rights of use, patents and licenses'' (38.0 million euros of investments less 11.5 million euros of grants received in 2012).

In addition, 26.4 million euros of capital expenditure in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92). This amount is classified in investing activities in the consolidated statement of cash flows.

As of December 31, 2013, the total amount of investments (net of subsidies) made under DSP 92 and classified as intangible assets amounted to 71.8 million euros.

15 Property, plant and equipment

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2013	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Capital expenditure and additions	—	2,118	194,501	95,834	6,547	299,000
Disposals	(1)	(195)	(55,522)		(2,967)	(58,685)
Reclassification	—	(211)	68,204	(67,994)	1	—
Business combinations	—	—	18,740	—	792	19,532
Balance as of December 31, 2013	1,321	143,888	2,827,877	108,862	109,648	**3,191,596**
Cumulative depreciation and impairment						
Balance as of January 1, 2013	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Depreciation expense	—	(4,250)	(197,668)	—	(7,209)	(209,127)
Impairment losses	—	—	—	(3,698)	—	(3,698)
Disposals	—	26	40,073	—	2,953	43,052
Reclassification	—	214	(142)	(73)	1	—
Business combinations	—	—	(14,830)	—	(413)	(15,243)
Balance as of December 31, 2013	(2)	(117,509)	(1,504,319)	(8,459)	(96,544)	**(1,726,833)**
Net carrying amount						
Balance as of January 1, 2013	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**
Balance as of December 31, 2013	1,319	26,379	1,323,558	100,403	13,104	**1,464,763**

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditure and additions	1	4,083	244,244	2,470	8,934	259,732
Business combinations	—	—	—	—	—	—
Disposals	—	(1,496)	(31,058)	—	(625)	(33,179)
Reclassification	—	69,435	(62,919)	(4,087)	(2,522)	(93)
IFRIC 12	—	—	(8,095)	(9,100)	—	(17,195)
Balance as of December 31, 2012	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Cumulative depreciation and impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Depreciation expense	(2)	(5,194)	(191,812)	—	(5,247)	(202,255)
Impairment losses	—	—	—	(3,355)	—	(3,355)
Disposals	—	1,295	24,028	—	618	25,941
Reclassification	—	(68,394)	77,622	—	2,535	11,763
IFRIC 12	—	—	9	—	—	9
Balance as of December 31, 2012	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Net carrying amount						
Balance as of January 1, 2012	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**
Balance as of December 31, 2012	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**

15 Property, plant and equipment (Continued)

The carrying amount of assets classified as finance leases breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Land	1,029	1,029
Buildings	6,558	6,868
Network and technical equipment	53,048	31,632
Other	79	160
	60,714	**39,689**

16 Impairment testing

16.1 Allocation of goodwill between cash-generating units (“CGU”)

In accordance with IAS 36 *Impairment of Assets* (‘‘**IAS 36**’’), goodwill has been allocated to two CGUs: ‘‘B2C Operations’’ (mainly NC Numericable) and ‘‘B2B Operations’’ (mainly Completel SAS and LTI Telecom).

16.2 Key assumptions used to determine the recoverable amount of the CGUs

Impairment testing of goodwill is done within the cash-generating units defined above. In accordance with IAS 36 *Impairment of Assets*, impairment testing is performed by comparing the carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow model.

The determination of the value in use is established using cash flow projections based on financial budgets approved by senior management covering a planning period of five years.

Projections of subscribers, revenue, costs and capital expenditure are based on reasonable and acceptable assumptions that represent management’s best estimates. Key assumptions are the estimated number of subscribers and the level of expenditure on network infrastructure upgrades. The projections are based on both past experience and the expected future market penetration of the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such the recognition of an impairment loss.

No impairment was recognized for either of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2013 and 2012:

CGU “B2C Operations”	2013	2012
Length of forecast period	5 years	8 years
Discount rate applied to cash flow projections	7.30%	7.56%
Perpetual growth rate used to calculate terminal value	2.00%	1.75%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 143 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 116 million euros.

16 Impairment testing (Continued)

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.30% to 8.73%;
- Reduction in the perpetual growth rate from 2.00% to 0.12%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 50.7% to an average of 46.0% over the five-year period.

CGU "B2B Operations"	2013	2012
Length of forecast period	5 years	6 years
Discount rate applied to cash flow projections	7.14%	9.42%
Growth rate beyond projection period for terminal value	2.00%	1.00%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 74 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 56 million euros.

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.14% to 10.62%;
- Reduction in the perpetual growth rate from 2.00% to-3.70%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 38.3% to an average of 32.1% over the five-year period.

17 Investments in associates

The Group exercises significant influence over Alsace Connexia Participation, an associate consolidated under the equity method. Alsace Connexia Participation's initial shareholding structure was as follows: 38.14% held by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the interest held by Sogetrel Réseaux, giving it a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net assets[1]	7,614	8,888
Share of net assets	2,893	3,378

17 Investments in associates (Continued)

	2013	2012
	(in thousands of euros)	
Revenues (Alsace Connexia)	14,463	13,050
Net income (loss)	(1,274)	(524)
Share of net income (loss)	(484)	(199)

(1) No goodwill is recognized in net assets.

18 Other current and non-current financial assets

	Current		Non-current	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Derivative instruments[1]	—	—	—	5
Investments in entities that are not consolidated[2]	—	—	35	35
Other financial assets[3]	4,020	4,034	7,228	6,791
Total financial assets	**4,020**	**4,034**	**7,263**	**6,831**

(1) As indicated in Note 28.4, the Group held until the end of 2012 interest rate cap contracts that allowed it to limit its exposure to interest rates, but these instruments were not considered as hedging instruments within the meaning of IAS 39. Consequently, changes in the fair value of these derivative instruments were recognized immediately in the statement of income under financial income (expense), the instruments in question being directly related to the implementation of the management of the Group's interest rate risk, even though they do not qualify for hedge accounting under IAS 39.

These interest-rate derivatives are presented as non-current financial assets because they are not held for trading purposes, but under a non-qualifying hedge accounting relationship.

(2) Investments in entities that are not consolidated and are classified as available-for-sale financial assets include Câble Toulousain de Vidéocommunication, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the scope of consolidation due to the Group's lack of control or influence over them.

(3) As of December 31, 2013 and 2012 other financial assets include 4 million euros of cash pledged within the framework of DSP 92 (classified as current, see also Note 2.11). Remaining amounts correspond to deposits made by the Group for building leases.

19 Inventories

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Gross amount	50,858	46,808
Impairment losses	(1,290)	(1,199)
Net carrying amount	**49,568**	**45,609**

Inventories are primarily comprised of set-top boxes used by customers to receive programming distributed via digital channels. The amount of impairment recognized to bring inventories down to their recoverable amount was not material in fiscal 2013 or 2012.

20 Trade receivables and other receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Trade receivables	309,998	272,864
Impairment losses	(33,371)	(27,167)
Trade receivables, net	**276,627**	**245,697**
Advances and down payments	2,181	2,211
Tax and social security receivables	84,826	141,806
Prepaid expenses	32,256	18,025
Other receivables	6,998	9,632
Trade receivables and other receivables, net	**402,888**	**417,371**

Trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are a proxy for the nominal amount of trade receivables.

Trade receivables are primarily from B2C customers, a large number of customers spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is five days. No interest is charged on outstanding balances. As of December 31, 2013, excluding some specific cases, the Group had depreciated 81% of B2C customer receivables that were over 90 days past due, based on historical experience implying that 19% of receivables over 90 days past due are recoverable. Provisions on residential customer receivables due between 0 and 90 days are also depreciated on a case-by-case basis, based on historic collection data and analysis of the customer's financial situation.

B2B Customers

As of December 31, 2013, the Group had depreciated 60% of the B2B customer receivables that were over 90 days past due, based on historical experience implying that 40% of receivables over 90 days past due are recoverable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognized a provision for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements against these balances, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Not due	92,610	121,232
0-90 days	67,888	62,825
> 90 days	149,508	88,808
Total	**309,998**	**272,864**

The concentration of credit risk is limited due to the customer base being large and unrelated. No customer represents more than 5% of the total balance of trade receivables.

20 Trade receivables and other receivables (Continued)

Change in impairment losses for trade receivables is as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Balance at beginning of year	**(27,167)**	**(26,770)**
Impairment during the year	(12,961)	(9,322)
Losses on irrecoverable receivables	8,000	8,925
Reversal of impairment losses	—	—
Receivables classified as held for sale	—	—
Business combinations	(1,243)	—
Balance at end of year	**(33,371)**	**(27,167)**

21 Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the consolidated statement of cash flows and cash and cash equivalents presented in the consolidated statement of financial position is presented below:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Cash	101,365	7,996
Cash equivalents	—	—
Cash and cash equivalents presented in the consolidated statement of financial position	**101,365**	**7,996**
Cash from discontinued operations	—	—
Bank overdrafts classified as financial liabilities in the consolidated statement of financial position	—	—
Cash and cash equivalents presented in the consolidated statement of cash flows	**101,365**	**7,996**

As of December 31, 2013 and 2012, the Group had no cash equivalents.

22 Equity

As of December 31, 2013, Numericable Group's share capital, based on the number of shares issued at that date, amounted to 123,942,012 euros, comprising 123,942,012 ordinary shares with a par value of 1 euro each.

22.1 Change in share capital

The share capital broke as follows as of December 31, 2013:

Date	Transaction	Shares issued
August 2013	Constitution through cash contributions	37,000
November 2013	In-kind contributions from shareholders	113,772,229
November 2013	Capital increase by public offering	10,080,645
November 2013	Capital increase reserved for employees	52,138
Total as of December 31, 2013		**123,942,012**

22 Equity (Continued)

22.2 Treasury shares

The Group did not implement a share buyback program in 2013 or 2012.

Accordingly, it did not hold any treasury shares as of December 31, 2013 or December 31, 2012.

22.3 Earnings per share

	2013	2012
	(in thousands of euros)	
Net income used for calculating basic earnings per share	**64,550**	**86,377**
Impact of dilutive instruments:		
Stock option plans(2)	—	—
Net income used for calculating diluted earnings per share	**64,550**	**86,377**

The following table shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2013	December 31, 2012
	(number of shares)	
Weighted average number of ordinary shares outstanding(1)	**115,271,326**	**113,772,229**
Impact of dilutive instruments:		
Stock option plans(2)	—	—
Weighted average number of shares outstanding—diluted	**115,271,326**	**113,772,229**

(1) The weighted average number of ordinary shares used in calculating earnings per share corresponds, until the date of the IPO, to the number of shares issued in exchange for contributions (see Note 22.1 ''Change in share capital''). Shares issued as part of the public offering and capital increase reserved for employees were prorated.

(2) Stock options granted in 2013 (2,845,229 options) are non-dilutive in view of the average share price between the grant date and the balance sheet date, and the valuation of the plan.

22.4 Dividends

The Group did not pay dividends to its shareholders in 2013 or 2012.

23 Financial liabilities

Financial liabilities break down as follows:

		Current		Non-current		Total	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
				(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	23.1	42,575	93,187	2,589,784	2,707,498	2,632,359	2,800,685
Perpetual subordinated notes	23.2	—	—	37,695	35,208	37,695	35,208
Financial liabilities under finance leases	30.2	20,578	19,432	20,915	7,886	41,493	27,318
Other financial liabilities	23.4	1,096	2,113	1,568	131,234	2,664	133,347
Total loans and financial liabilities		**64,249**	**114,732**	**2,649,962**	**2,881,826**	**2,714,211**	**2,996,558**
Derivative instruments		—	—	—	—	—	—
Deposits received from customers	23.3	—	—	51,932	44,517	51,932	44,517
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities		**64,249**	**114,732**	**2,701,894**	**2,926,343**	**2,766,143**	**3,041,075**

23.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Group entered into a Senior Facility Agreement (''**SFA**'') dated June 6, 2006 (as amended March 2, 2007, December 9, 2009, September 8, 2011, July 31, 2013 and November 22, 2013) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch, and Morgan Stanley Bank International Limited as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent, and others lenders. In addition, certain subsidiaries of the Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors within the SFA.

The SFA contains financial covenants that may affect the interest rates to be paid by the Group as well as the applicable margins on the SFA (see details below).

In 2012, the Group issued three bonds to refinance a portion of its current Senior Debt under the SFA. The issuer was Numericable Finance & Co. SCA, a Luxembourg company. The proceeds from the bonds were used by Numericable Finance & Co. to fund three new loans issued if favor of the Group by the Lending Bank (JP Morgan) under the Senior Facility Agreement:

- a C-One facility of 360 million euros;
- a C-Two A facility of 225 million euros;
- a C-Two B facility of 275 million euros.

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debts, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;

23 Financial liabilities (Continued)

- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the bond issue of 225 million euros (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros)—the balance of this bond amounted to 146.3 million euros as of December 31, 2013;
- part of the bond issue of 360 million euros (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros)—the balance of this bond amounted to 234.1 million euros as of December 31, 2013.

The table below summarizes the various tranches in place under the Senior Debt contract as of end-December 2013, their maturity, the applicable margin and the outstanding amount of the debt as of December 31, 2013:

Facility	Maturity	Margin/ Coupon(1)	Nominal (December) 2013(2)
A2 and capex 2	June 2015	E + 3.875%	51.9
B1	June 2014	E + 3.50%	11.2
B2	June 2016	E + 4.75%	106.5
B3	December 2017	E + 4.75%	672.1
C1	December 2015	E + 4.00%	36.0
C2	December 2017	E + 5.25%	42.3
C3	December 2017	E + 4.75%	110.9
C4	December 2018	E + 5.00%	426.8
D	December 2018	E + 3.75%	800.0
C-One (Bond)	February 2019	12.375%	234.1
C-Two A (Bond)	February 2019	8.750%	146.3

(1) Euribor (''E'') + margin applicable to the facility;

(2) Nominal amount expressed in millions of euros as of December 31, 2013, excluding accrued interest and the impact of the effective interest rate.

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor (Ypso France SAS and its subsidiaries) under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge on the shares of Ypso France SAS and its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 23.1 is not dependent upon the Group's credit ratings, but is conditioned on its compliance with financial covenants related to the capacity of the Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Group to, among other things:

- amalgamate, merge or consolidate with any other company or be the subject of any reconstruction or materially change the nature of the business of the Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or agree to do so;
- enter into a material transaction that is not on an arm's length basis and for full market value;

23 Financial liabilities (Continued)

- make acquisitions or investments;
- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total interest expense;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when the consolidated financial statements of Ypso France prepared in accordance with French GAAP are released. Since the SFA was established, the Group has complied every year with the financial covenants set out in the agreement.

As agreed under the SFA, the covenants are calculated on the basis of financial aggregates determined from the consolidated accounts drawn up by Ypso France in accordance with French GAAP and not IFRS. Accordingly, the EBITDA used to calculate the covenant is different from that presented in the Group's consolidated statement of income.

23.2 Perpetual subordinated notes (''TSDI'')

In 2006, 23.65 million euros of perpetual subordinated notes (''*Titres Subordonnés à Durée Indéterminée*''—''**TSDI**'') were issued by a subsidiary of the Group, NC Numericable, to a single subscriber, GDF Suez (Vilorex) (excluding capitalized interest). The proceeds of this borrowing were to be used to finance the construction of connectors in towns in the southern part of the SIPPEREC (''*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*''), a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to 14 million euros and 11.6 million euros as of December 31, 2013 and 2012 respectively, and is classified as non-current in the table above in Note 23.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Group to reimburse the notes. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost in accordance with IAS 32.

23.3 Deposits received from customers

Deposits received from customers amounted to 51.9 million euros and 44.5 million euros as of December 31, 2013 and 2012 respectively. Deposits are made when customers receive equipment from the Company, and are reimbursed when customers terminate their subscriptions if the customers have paid all outstanding invoices and have returned the equipment.

23 Financial liabilities (Continued)

23.4 Other financial liabilities

As of December 31, 2013, other financial liabilities included various bank borrowings by Numericable against several banks (mainly *Caisse d'Epargne d'Alsace-Lorraine*) in the amount of 1,648 thousand euros and by Completel against various banks in the amount of 609 thousand euros.

As of December 31, 2012, other financial liabilities also included the debt of Ypso Holding Lux SARL against shareholders in the amount of 128,962 thousand euros, which was settled in 2013 as part of contributions to Numericable Group.

24 Provisions and contingent liabilities

The breakdown and change in provisions for the years ended December 31, 2013 and 2012 are as follows:

	January 1, 2013	Change in scope	Increase	Utilization	Reversal	Reclassification	December 31, 2013
				(in thousands of euros)			
Provisions for retirement benefits	8,455	157	1,556	—	—	—	10,168
Provisions for litigation with employees	4,068	40	1,309	(1,409)	(29)	—	3,979
Provisions for commercial litigation	18,043	—	6,646	(5,245)	(2,071)	—	17,373
Provisions for tax contingencies	25,096	38	18,250	(7,087)	—	—	36,297
Other[(1)]	10,720	76	1,876	(96)	(349)	—	12,227
Total	66,382	311	29,637	(13,837)	(2,449)	—	80,044
Current portion	2,409	—	6,161	(2,409)	—	250	6,411
Non-current portion	63,973	311	23,476	(11,428)	(2,449)	(250)	73,633

(1) Mainly provisions for risks relating to the cost of customers failing to return equipment.

	January 1, 2012	Increase	Utilization	Reversal	Reclassification	December 31, 2012
			(in thousands of euros)			
Provisions for retirement benefits	6,101	2,357	—	(3)	—	8,455
Provisions for litigation with employees	3,604	1,183	(719)	—	—	4,068
Provisions for commercial litigation	21,935	6,252	(8,829)	(1,315)	—	18,043
Provisions for tax contingencies	26,977	212	(2,093)	—	—	25,096
Other	13,227	1,395	(3,902)	—	—	10,720
Total	71,845	11,399	(15,543)	(1,318)	—	66,382
Current portion	8,998	—	(8,998)	—	2,409	2,409
Non-current portion	62,847	11,399	(6,545)	(1,318)	(2,409)	63,973

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

24 Provisions and contingent liabilities (Continued)

A provision is recorded by the Group when there is a sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Group are involved in a certain number of disputes related to the ordinary activities of the Group. Only the most significant disputes and proceedings in which the Group is involved are described below.

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months significant effects on the financial position or profitability of the Company or the Group.

24.1 Tax audits

The French tax authorities have conducted audits of various companies of the Group since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Group allocates a price reduction compared with the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the Group had deemed the price reduction to apply primarily to the television portion of its packages.

The French tax authorities assert that these price reductions should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Group has formally challenged the tax assessments for the fiscal years from 2006 to 2009. The Group also referred the matter to the Ministry of Finance in December 2011 and sought a comprehensive settlement of the adjustments made by the tax administration in respect of the various Group companies for the period 2006-2009. Following this request, the tax administration lowered the amounts of adjustments for 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on composite VAT, which was in force from 2008 to 2010. The new amounts of adjustments, totaling 17.1 million euros (excluding penalties of 40%) for the period 2006-2009, were communicated to the Group end of August 2012.

Furthermore, in 2012, the tax authorities also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, in a total amount of 6.1 million euros (excluding penalties of 40%). The Group replied on August 21, 2013, challenging the proposed adjustments. The tax administration sent replies to the Group's observations in late October 2013, pursuant to which it maintains its adjustments. To date, the 2011 and subsequent years have not been subject to VAT audits on the Numericable scope. The tax administration has also demanded payment for the 2006 adjustment on NC Numericable (approximately 2 million euros of the 17.1 million euros mentioned above for the 2006-2009 period). The Group asked for a payment deferral and filed a complaint in September 2012, which was rejected by the tax administration on June 27, 2013. The Group filed an additional request on August 20, 2013.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

As of December 31, 2012, a tax contingency provision of 24.9 million euros (compared with 25.1 million euros as of December 31, 2012) was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to 7.1 million euros) related to the adjustments notified for fiscal years 2006

24 Provisions and contingent liabilities (Continued)

to 2010 (i.e. 23.5 million euros). The Group replied on August 21, 2013, challenging the proposed adjustments.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission on December 19, 2013 of proposed adjustments. The adjustments focus on the challenge of charges for services provided to the companies in 2009, 2010 and 2011. A tax contingency provision covering all adjustments considered (income tax, VAT, withholding tax, penalties, surcharges and default interest) in the amount of 11.4 million euros was recorded as of December 31, 2013. In addition, the proposed adjustment results in a reduction of tax loss carryforwards in the amount of 28.5 million euros. The Group challenged all adjustments on February 17, 2014.

As of December 31, 2013, a tax contingency provision of 36.3 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which represents 7.1 million euros) related to the adjustments notified for fiscal years 2006-2010 (i.e. 24.9 million euros) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (11.4 million euros).

24.2 Commercial disputes

24.2.1 In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was consistent with European Union State aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives it an economic advantage not enjoyed by its competitors, and that it therefore constitutes state aid within the meaning of the rules of the European Union. It argues that the transfer free of charge of the cable networks and ducts by 33 French municipalities in favor of Numericable confers a benefit of this type and, as such, state aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union.

The Group firmly denies the existence of any state aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (200,000), the majority of which have not been migrated to EuroDocsis 3.0 and accordingly only allow access to a limited number of the Group's television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of the procedure in respect of observations of third parties as well as those of the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any state aid.

24.2.2 Litigation with Orange relating to IRUs

The Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by the Group of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs. As a

24 Provisions and contingent liabilities (Continued)

result, Orange asked the Group to comply with the general rules regarding access to Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated, and both ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011 respectively. Numericable appealed the decision before the French Supreme Court (*Cour de Cassation*), which upheld, for the most part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, Numericable and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by ARCEP were not stopped by the execution of the amendments to the IRUs, and Numericable was fined 5.0 million euros on December 20, 2011 for noncompliance with ARCEP's November 4, 2010 decision. The fine was paid in full during fiscal 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, Numericable having raised a question of Constitutional law, referred to the Constitutional Court, on the compliance with the Constitution of Article L. 36-11 of the CPCE, which sets out ARCEP's powers. On July 5, 2013, the Constitutional Court found in Numericable's favor and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's December 20, 2011 decision to impose the aforementioned penalty was made. Numericable asked the Council of State to take the conclusions of this decision into consideration and accordingly to cancel ARCEP's December 20, 2011 decision. On October 21, 2013, the Council of State annulled the penalty imposed by ARCEP on December 20, 2011, which had condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with ARCEP's November 4, 2010 ruling.

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of 2.7 billion euros for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of 50 million euros. The Commercial Court of Paris is expected to hear this case during the second quarter of 2014.

24.2.3 Litigation with Free relating to an advertising campaign

A claim was filed against NC Numéricable before the Commercial Court of Paris by telecommunication operator Free on August 3, 2011 in relation to the launch of the mobile offer by the Group in spring 2011 through an advertising campaign entitled ''*La révolution du mobile continue*.''

Free, which used the term ''revolution'' to refer to its launch of mobile phone services and whose latest offering was named the ''Freebox Revolution,'' argues that Numericable's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of 10.0 million euros. After the hearing, the Court asked for an opinion from the French competition authority (''*Direction générale de la concurrence, de la consommation et de la répression des fraudes*''—DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of 6,391,000 euros. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

24 Provisions and contingent liabilities (Continued)

24.2.4 Litigation with several editors of value-added services (AVS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay 350,000 euros in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of 12 million euros in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately 400,000 euros, mainly representing sums collected for these companies.

24.2.5 Dispute with the Ligue de Football Professionnel

In a submission to the Commercial Court of Nanterre dated April 26 2013, the Professional Football League (''*Ligue de Football Professionnel*''—LFP) argued that Numericable had abused its dominant position in breach of its obligation of non-discrimination against the LFP when it was in charge of the production of the CFoot channel. The LFP requested 4.1 million euros in damages in compensation for the prejudice. More particularly, the LFP criticized Numericable for the low level of remuneration for the marketing of the CFoot channel compared with the remuneration of certain sports channels sold in packages. A hearing on the matter is expected in 2014.

24.2.6 Action by Colt, Free and Orange before the General Court of the European Union concerning the DSP 92 project

Colt, Free, and Orange, in three separate proceedings against the European Commission, filed a request with the General Court of the European Union for the cancellation of the final decision of the European Commission dated September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of 59 million euros granted within the framework of the public service concession for the establishment and operation of a high-capacity electronic communications network in the department of Hauts de Seine does not constitute state aid within the meaning of the rules of the European Union. The Group is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French state and the department of Hauts de Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

24.2.7 Complaint of Bouygues Telecom

In late October 2013, the Group received a claim from Bouygues Telecom on the ''white label'' contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Télécom claimed damages totaling 53 million euros as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of 17.3 million euros due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of 33.3 million euros as a result of alleged failure by Group companies in the execution of the contract and (iii) an amount of 2.4 million euros to repair the alleged damage to Bouygues Telecom's image. The Group considers

24 Provisions and contingent liabilities (Continued)

these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013. The contract, which runs until 2019, generated 37.3 million euros in revenues in 2012, 49.6% of total white label B2C revenues of 75.3 million euros and 2.8% of the Group's total revenues.

24.2.8 Investigation of DSP 92 by the Regional Auditor of Ile-de-France

In mid-November 2013, a number of press articles reported that the Regional Auditor of Ile-de-France had opened an investigation into the management of the department of Hauts-de-Seine between 2004 and 2007. The articles reported that the investigation would focus primarily on the DSP 92 project awarded to Numericable, and in particular the granting of 59 million euros in consideration for public service costs for the establishment and operating of a high-capacity electronic communications network in Hauts de Seine. The Group has no information as to the object or the timing of the investigation, and as such to its exact nature or its potential impact on the Group. However, the Group notes, as indicated above, that DSP 92 has been validated by French administrative courts, by the European Commission and by the General Court of the European Union, before which action against the DSP 92 contract has successively been brought, and that the Court of Auditors has no power to act against a non-governmental entity.

24.2.9 Litigation with employees

The Group is involved in litigation with a certain number of employees, a large part of which is due to the last merger period in 2006-2007, involving UPC-Noos, which gave rise to adjustments and harmonization in practices leading to disputes until 2009. The overall risk for this litigation is approximately 4 million euros. Most of this litigation consists of the challenge by an employee of the grounds for or the form of his or her dismissal.

25 Employee benefits

25.1 Provisions for retirement benefits

In France, the employees of the Group benefit from a general pension plan. Accordingly, the Group contributes to mandatory social security plans. This regime is considered to be a defined-contribution plan within the meaning of IAS 19. The employees of the Group are covered by the Telecom Industry Collective Bargaining Agreement (''*Convention Collective Nationale des Télécommunications*,'' which determines the amount of the pension due to the employee upon retirement).

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Group and salary, according to the terms of their employment agreement.

25 Employee benefits (Continued)

25.1.1 Assumptions used for defined-benefit plans

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Discount rate	3.0%	3.0%
Expected salary increase rate	3.0%	3.0%
Inflation rate	2.0%	2.0%
Turnover—managers (mean)	9.0%	7.0%
Turnover—other employees (mean)	18.0%	15.0%

The turnover rate can vary significantly depending on length of service.

25.1.2 Components of Net Periodic Benefit (Cost)

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Service cost	881	713
Interest cost	253	287
Expected return on plan assets	—	—
Recognition of actuarial net (gain) loss	458	1,496
Past service cost	—	—
Amounts recognized due to plan combinations	157	—
Curtailments/Settlements	(36)	(57)
Expense in respect of post-employment benefits	**1,714**	**2,439**
Including losses (gains) recognized in other comprehensive income	458	1,496
Percentage of present value of plan liabilities	4.5%	17.7%

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

25.1.3 Change in defined-benefit obligations

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Defined-benefit obligations—beginning of year	**8.455**	**6.101**
Service cost	881	713
Interest cost	253	287
Contributions paid	—	—
Amortization of actuarial net gain (loss)	458	1,496
Benefits paid	(36)	(87)
Past service cost	—	—
Business combinations	157	—
Curtailments/Settlements	—	(57)
Defined benefit obligation—end of year	**10.168**	**8.455**

25.2 Stock option plans

On November 7, 2013, the Board of Directors adopted a stock option plan in favor of certain officers and employees of Numericable Group.

25 Employee benefits (Continued)

The plan covers a total of 2,845,229 options for 2,845,229 shares. The exercise price of the option is 24.80 euros per share (the price set at the Company's IPO).

The plan has a term of eight years from November 7, 2013 until November 7, 2021.

The exercise of options is subject to conditions of presence and performance (based on consolidated revenue and EBITDA—Capex).

The vesting occurs in three periods:

– 50% in November 2015;

– 25% in November 2016;

– 25% in November 2017;

As of December 31, 2013, the fair value of options was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

The main assumptions used for the valuation of the plan are listed in the table below:

	Stock options—November 2013
Unit fair value at the grant date	3.41
Share price at the grant date	24.80
Exercise price of the option	24.80
Anticipated volatility (weighted average)	25%
Expiry date (maturity)	November 2021
Anticipated dividends	4%
Risk-free interest rate (government bonds)	0.75%

26 Other non-current liabilities

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Non-current deferred revenue (more than one year)	97,429	105,791
Non-current trade payables	4,874	5,175
Non-current tax and social security payables	282	300
Other non-current liabilities	**102,585**	**111,266**

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements (''IRUs'') and connection fees. For these arrangements, the revenue is generally recognized over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in ''Trade payables and other liabilities.''

27 Trade payables and other liabilities

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current trade payables	513,979	416,183
Trade payables—acquisition of assets	78,494	87,145
Advances and down payments received	20,464	19,884
Current accounts payables	49	21,219
Liabilities related to tax and duties	24,987	87,358
Corporate and social security contributions	54,412	45,871
Current deferred revenue (less than one year)	57,441	45,319
Other payables	7,592	3,054
Trade payables and other liabilities	**757,418**	**726,033**

28 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

28.1 Fair value of financial instruments

Valuation techniques and assumptions applied to measure fair value for derivative instruments

The fair values of derivative instruments are calculated using market prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of estimated future cash flows, discounted based on the applicable yield curves derived from market interest rates.

In accordance with the amendments to IFRS 7, the Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy).

- Level 1 fair value measurements are those derived from market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels of fair value are presented in the tables below.

Fair value measurement other financial assets

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other liabilities, is a proxy for the net carrying amount.

Investments in entities not included in the combination are unlisted equity securities. As a result, their fair value cannot be measured reliably, and these investments are accordingly measured at cost.

Financial guarantees and collateral

Under the SFA, the Group's assets have been pledged as collateral to bank lenders.

28 Financial instruments (Continued)

28.2 Financial assets

	Level of fair value	December 31, 2013—Financial assets Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivables and other receivables	2	—	402,888	—	—	402,888
Investments in associates	3	2,893	—	—	—	2,893
Non-current financial assets	2	35	7,228	—	—	7,263
Current financial assets	2	—	4,020	—	—	4,020
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	101,365	—	101,365
Financial assets		**2,928**	**414,136**	**101,365**	**—**	**518,429**

	Level of fair value	December 31, 2012—Financial assets Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivable and other receivables	2	—	417,371	—	—	417,371
Investments in associates	3	3,377	—	—	—	3,377
Non-current financial assets	2	35	6,791	—	5	6,831
Current financial assets	2	—	4,034	—	—	4,034
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	7,996	—	7,996
Financial assets		**3,412**	**428,196**	**7,996**	**5**	**439,609**

28.3 Financial liabilities

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or irrecoverability.

Interest-rate derivatives held to maturity are measured at fair value through profit and loss.

Bonds are traded on the Irish Stock Exchange, market prices as of December 31, 2013 are as follows:

- Tranche C-One, coupon 12.375%, maturing February 2019: 122.83;
- Tranche C-TwoA, coupon 8.75%, maturing February 2019: 113.94.

28.4 Financial risk management objectives

Objective of the Corporate Treasury function

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports that analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Group's activities do not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Group

28 Financial instruments (Continued)

seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group does not hold or trade in financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds, mostly at floating interest rates. The risk is managed by the Group, when deemed appropriate, through the use of interest rate swaps and interest rate caps. Even though the Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point decrease is used when reporting interest rate risk internally to key management personnel. This represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been roughly 50 basis points higher (lower) and all other variables were held constant, the Group's net income (loss) for the year ended December 31, 2013 would have decreased (increased) by 12 million euros. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The Group did not hold any swap contracts during the years ended December 31, 2013 and 2012.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments that could potentially subject the Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

As mentioned in Note 20, the Group considers that it has extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. In addition, the maximum value of the counterparty risk on these financial assets is equal to their

28 Financial instruments (Continued)

recognized net carrying amount. An analysis of credit risk on net trade receivables past due is provided in Note 20.

The Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. There is currently a claim with Lehman Brothers for a total amount of approximately 11.2 million euros. In 2012, the Group received a first payment 2.8 million euros in relation to this claim. In 2013, the Group received two further installments in a total amount of 7.1 million euros. As such a contingent gain of 1.3 million euros remains for the Group, but has not been recognized as of December 31, 2013.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods (excluding amortized costs and future interests). The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	December 31, 2013			
	Less than 1 year	1-5 years	More than 5 years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	47,341	2,226,717	380,380	2,654,438
Perpetual subordinated notes	—	—	37,695	37,695
Financial liabilities under finance leases	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	—	2,664
Total bonds and loans	**69,015**	**2,248,084**	**419,191**	**2,736,290**
Derivative instruments	—	—	—	—
Deposits received from customers	—	51,932	—	51,932
Bank overdrafts	—	—	—	—
Total financial liabilities	**69,015**	**2,300,016**	**419,191**	**2,788,222**

28 Financial instruments (Continued)

	December 31, 2012			
	Less than 1 year	1-5 years	More than 5 years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	98,545	1,869,210	860,199	2,827,955
Perpetual subordinated notes	—	—	35,208	35,208
Financial liabilities under finance leases	19,432	6,359	1,527	27,318
Other financial liabilities	2,113	2,012	129,222	133,347
Total bonds and loans	**120,090**	**1,877,581**	**1,026,156**	**3,023,828**
Derivative instruments	—	—	—	—
Deposits received from customers	—	44,517	—	44,517
Bank overdrafts	—	—	—	—
Total financial liabilities	**120,090**	**1,922,098**	**1,026,156**	**3,068,344**

The Group considers that its available cash and cash equivalents and the anticipated cash flows from operations are sufficient to cover its operating expenses, capital expenditure and its financial debt requirements for the next twelve months.

29 Related party transactions

The majority shareholders of the Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Group have been eliminated in preparing the consolidated financial statements and are not disclosed herein. Details of transactions between the Group and other related parties are disclosed below.

29.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012	2013	2012
	(in thousands of euros)					
Shareholders						
Cinven	474	610	—	—	639	—
Altice	181	1,214	—	—	—	—
Carlyle	450	600	—	—	900	450
Associate						
Alsace Connexia Participation SAS	—	—	2,280	2,235	—	—

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (1,106 thousands euros in 2013 and 2,424 thousand euros in 2012). These contracts ended on September 30, 2013 within the framework of the IPO.

Moreover, as mentioned in Note 4.1.1, during the restructuring of the Group's debt in 2009, in which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued

29 Related party transactions (Continued)

securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates (''Super PECs'') with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Consecutively, the expense related to the extinguishment of the debt (''Premium'') was recognized as financial expense in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

29.2 Related-party relationships

(1) Relationships with shareholders

Relationships with Altice

Altice owns cable networks in the French West Indies (Antilles), and the Group pays call termination charges to these networks for calls made by subscribers of its network to subscribers of networks in the West Indies. Conversely, the Group receives call termination charges for calls made by subscribers of these networks to subscribers of the Group.

Finally, Altice owns Auberimmo, which is a company that rents infrastructures to the Group. Auberimmo has a sole client, Completel SAS, which is a member of the Group. Rents invoiced in 2013 amounted to 1,132 thousand euros, compared with 1,081 thousand euros in 2012.

Relationships with Carlyle

Sagemcom, one of the Group's key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

NC Numericable and Completel also signed a contract for services with B&B Hotels and Econonich (together, ''Group B&B Hotels''), acquired by Carlyle Group in 2010, on December 31, 2013. The contract was concluded for a period of five years, after which the parties will meet for a possible contract extension. Under the terms of the contract, NC Numericable and Completel have committed to provide the following services:

- access to broadband internet;
- creation of an IP network on all relevant sites;
- security services;
- fixed telephony services;
- TV services; and
- various other cross-cutting services.

(2) Relationships with Coditel, an entity owned by Altice and by other parties unrelated to the Group

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, the Group entered into a service agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations.

29 Related party transactions (Continued)

Service agreement

On June 30, 2011, Numericable SAS entered into a service agreement (the ''Coditel Service Agreement'') with Coditel. Pursuant to the Coditel Service Agreement, the Group will continue to provide Coditel with all the services it provided prior to its sale, including:

- VOD platform services and VOD content services;
- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over the Group's backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in the Group's premises or currently supported from the Group's systems.

In consideration of the services provided, Coditel agreed to pay the Group a total of 100,000 euros per year. In addition, Coditel will pay the Group 10% of its monthly VOD revenues.

Trademark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the ''Trademark Agreement''). Pursuant to the Trademark Agreement, the Group will provide Coditel with a license to use the ''Numericable'' trademark, registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the annual fee of 100,000 euros under the Service Agreement. The Trademark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Service Agreement or upon expiry of the Service Agreement.

29.3 Compensation of key management personnel

Compensation of members of the Executive Committee amounted to 2,226 thousand euros and 2,100 thousand euros in 2013 and 2012 respectively. This amount includes only short-term benefits such as salaries, wages and bonuses.

The Group has also recorded 303 thousand euros as of December 31, 2013 for retirement benefits (general regime) for Executive Committee members.

Lastly, the expense related to stock option plan (employer contribution + IFRS 2 expense) represents 3,409 thousand euros for members of the Executive Committee for 2013 (nil in 2012).

30 Lease arrangements

30.1 The Group as lessor

Finance leases

The Group has not any contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

30 Lease arrangements (Continued)

Future revenues related to these leases (recorded in deferred income) break down as follows:

	Future minimum amount of rents	
	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Not later than 1 year	53,930	45,318
Later than 1 year and not later than 5 years	42,224	40,930
More than 5 years	54,997	64,545
Total	**151,151**	**150,793**

30.2 The Group as lessor

Finance leases

The Group has entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The main finance lease arrangements relate to network equipment bought from Cisco and the property lease for the headquarters offices of the Group in Champs-sur-Marne, for which the Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All leases are denominated in euros. Certain property lease arrangements stipulate that the annual payments will be set at a fixed amount at the beginning of the lease, but will be increased in line with the inflation rate in subsequent years (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Not later than 1 year	22,100	11,685	21,257	11,302
Later than 1 year and not later than 5 years	21,069	13,883	19,246	12,830
More than 5 years	1,342	721	989	595
	44,510	**26,288**	**41,492**	**24,728**
Less future finance charges	(3,018)	(1,560)	—	—
Present value of minimum lease payments	41,492	24,728	41,492	24,728
Financial liabilities related to finance leases—current portion			21,257	11,302
Financial liabilities related to finance leases—non-current portion			20,235	13,426

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.96% and 3.24% per annum for 2013 and 2012 respectively.

Operating leases

The Group also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicle under operating lease is 3 years.

As part of the networks business, leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

30 Lease arrangements (Continued)

In connection with its entertainment business activities, the Group has also entered into operating leases and agreements to purchase TV programs.

As of December 31, 2013, non-cancellable operating lease commitments amounted to:

	December 31, 2013
	(in thousands of euros)
Not later than 1 year	10,381
Later than 1 year and not later than 5 years	34,798
More than 5 years	12,978
	58,156

31 Non-current assets held for sale and discontinued operations

None.

32 Commitments and contractual obligations

32.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Group is committed to build 75,000 connectors for a total amount of 4.5 million euros on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Group needs licenses, authorizations or rights of use to infrastructure in the public and private domain. Consequently, the Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

Lease commitments in relation to business operations

As disclosed in Note 30, the Group has entered into various lease arrangements.

32 Commitments and contractual obligations (Continued)

Contractual obligations

The following table sets out the maturity of financial commitments in respect of borrowings and leases entered into by the Group (see the corresponding Notes):

	Note	< 1 year	Maturity 1-5 years	> 5 years	Total December 31, 2013
			(in thousands of euros)		
Loans and financial liabilities	23	64,249	2,283,075	418,818	2,766,142
Operating leases	30	10,381	34,798	12,978	58,157
Total		**74,630**	**2,317,873**	**431,796**	**2,824,299**

32.2 Commitments received

The Group has received a commitment of a total amount of 25 million euros from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Group has already received 23.8 million euros in principal from GDF Suez as of December 31, 2013.

33 Events after the end of the reporting period

33.1 Liquidity contract signed with Exane BNP Paribas

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. A liquidity account of 3 million euros has been opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract.

33.2 Granting of a new stock option plan

On January 10, 2014, the Board of Directors adopted a stock option in favor of certain officers and employees of Numericable Group.

This plan covers a total of 287,618 options for 287,618 shares.

The exercise price is 27.62 per share.

33.3 Exclusive talks with Vivendi for the acquisition of SFR

On March 14th, 2014, the board of directors of Vivendi announced that it entered into exclusive talks with Altice, the majority shareholder of Numericable Group, for a period of three weeks, in order to discuss the possible acquisition of its subsidiary SFR.

Numericable Group

Combined Financial Statements

For the three years ended December 31, 2012, 2011 and 2010

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

This is a free translation into English of the auditor's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France. The auditor's report issued in the French language is governed by French law. The Courts in France shall have exclusive jurisdiction to settle any claim, difference or dispute which may arise out of or in connection with the report.

Numericable Group

Statutory Auditor's Report on the Numericable Group Combined Financial Statements for each of the three years ended December 31, 2012, 2011 and 2010

To the Chairman and Chief Executive Officer of Numericable Group,

In our capacity as statutory auditor of Numericable Group (the ''**Company**'') and in accordance with Regulation (EC) No 809/2004, we have audited the accompanying combined financial statements of the group described in Note 1.5, which comprise the combined statement of financial position of the Company as of December 31, 2012, 2011 and 2010, the combined statement of income, the combined statement of comprehensive income, the combined statement of cash flows and the combined statement of changes in equity for each of the three years then ended and a summary of significant accounting policies and other explanatory notes (together the ''**Combined Financial Statements**'').

The Combined Financial Statements have been established under the responsibility of the Board of Directors of the Company in the context of the contemplated initial public offering of the shares of Numericable Group and in connection with the contemplated restructuration of the Ypso France SAS and Altice B2B France SAS operations under Ypso France SAS. Our responsibility is to express an opinion on the Combined Financial Statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the Combined Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Combined Financial Statements prepared for the purpose of the prospectus give a true and fair view of the assets and liabilities and of the financial position of the combined group as at December 31, 2012, 2011 and 2010 and the results of the operations and of its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- The basis of preparation in Note 1.4, which describes notably in section ''Basis of combination'', the accounting method used for the combination of the two groups being under common control in the absence of specific guidance under IFRS as adopted by the European Union;
- The fact set out in Note 1.6 to the Combined Financial Statements which discloses the facts upon which management of the Company has based its evaluation of the ability of the combined group to meet its financing needs in 2013 and the reason supporting the continuing use of the going concern principle for preparing the Combined Financial Statements.

Neuilly-sur-Seine, September 6, 2013
The statutory auditor
Deloitte & Associés

Christophe Saubiez

Numericable Group

COMBINED STATEMENTS OF INCOME

	Notes	2012	2011	2010
		Years Ended December 31, (in thousands of euros)		
Revenue	6	**1,302,425**	**1,306,856**	**1,208,695**
Purchases and subcontracting services	7	(602,121)	(621,696)	(557,803)
Staff costs and employee benefits expense		(141,475)	(141,034)	(127,170)
Taxes and duties		(32,396)	(28,275)	(30,131)
Provisions		(7,715)	(7,957)	(16,716)
Other operating income	8	89,229	80,412	64,324
Other operating expenses	9	(17,178)	(25,077)	(27,334)
Operating income before depreciation and amortization (EBITDA)		**590,769**	**563,229**	**513,865**
Depreciation and amortization		(291,724)	(294,517)	(305,417)
Operating income		**299,045**	**268,713**	**208,448**
Financial income		4,326	1,208	808
Interest relative to gross financial debt		(183,057)	(177,343)	(175,062)
Other financial expense		(32,699)	(9,883)	(4,162)
Finance costs, net	10	**(211,430)**	**(186,019)**	**(178,416)**
Income tax expense	11	(2,486)	(13,387)	(3,841)
Share in net income (loss) of associates		(199)	(309)	368
Net income (loss) from continuing operations		**84,930**	**68,998**	**26,560**
Net income from discontinued operations	30	—	126,059	31,237
Net income (loss)		**84,930**	**195,058**	**57,797**
—Attributable to owners of the entity		84,881	194,859	58,039
—Attributable to non-controlling interests		49	199	(242)

Numericable Group

COMBINED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
Net income (loss) attributable to owners of the entity	**84,881**	**194,859**	**58,039**
Cumulative translation adjustments	—	—	—
Change in fair value of available-for-sale financial assets	—	—	—
Actuarial gains and losses	—	—	—
Tax on items recognized directly in equity	—	—	—
Total other comprehensive income/(loss) attributable to owners of the entity	**84,881**	**194,859**	**58,039**

In accordance with IAS 1 *Presentation of financial statements (2007)* (**IAS 1**), the Combined Group, as defined in Note 1, presents a statement of other comprehensive income. However, as the Combined Group operates only in France, the functional and presentation currency of all the entities within the Combined Group is the euro. As a result, no cumulative translation adjustment has been recognized as of December 31, 2012, 2011 and 2010.

Available-for-sale financial assets are comprised of various investments in entities not comprised in the combination, that are not listed (see Note 17) for which fair value cannot be measured reliably. Due to the fact that these investments are not material, these investments are measured at cost and accordingly, no unrealized gain/loss is recognized in the statement of other comprehensive income.

As mentioned in Note 2.20, the Combined Group recognizes actuarial gains and losses immediately through income. Accordingly, there are no actuarial gains and losses recognized directly in equity.

Numericable Group

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2012	December 31, 2011	December 31, 2010
		(in thousands of euros)		
ASSETS				
Goodwill	12	1,458,686	1,458,638	1,458,585
Other intangible assets	13	326,187	346,056	376,793
Property, plant and equipment	14	1,389,932	1,348,564	1,340,903
Investments in associates	16	3,377	3,577	3,886
Other non-current financial assets	17	6,831	7,761	7,371
Deferred tax assets	11	—	—	—
Non-current assets		**3,185,013**	**3,164,596**	**3,187,538**
Inventories	18	45,609	38,998	33,843
Trade receivable and other receivables	19	417,371	362,981	357,090
Other current financial assets	17	4,034	42	249
Income tax receivable	11	6	4	276
Cash and cash equivalents	20	7,996	40,580	30,897
Current assets		**475,016**	**442,605**	**422,355**
Assets classified as held for sale	30	**—**	**—**	**270,549**
TOTAL ASSETS		**3,660,029**	**3,607,201**	**3,880,442**
EQUITY AND LIABILITIES				
Net invested equity attributable to owners of the entity		**(287,364)**	**(372,233)**	**(567,023)**
Non-controlling interests		33	(57)	(323)
Total invested equity	21	**(287,331)**	**(372,290)**	**(567,346)**
Non-current portion of financial liabilities	22	2,926,343	2,912,981	3,174,526
Non-current provisions	23/24	63,973	62,847	48,107
Deferred tax liabilities	11	—	—	—
Other non-current liabilities	25	111,266	100,983	110,339
Non-current liabilities		**3,101,582**	**3,076,811**	**3,332,972**
Current portion of financial liabilities	22	114,732	191,564	218,748
Current provisions	23/24	2,409	8,998	570
Trade payable and other current liabilities	26	726,033	698,670	683,873
Current income tax liabilities	11	2,604	3,448	194
Current liabilities		**845,778**	**902,680**	**903,385**
Liabilities classified as held for sale	30	**—**	**—**	**211,432**
TOTAL EQUITY AND LIABILITIES		**3,660,029**	**3,607,201**	**3,880,442**

Numericable Group

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Net invested equity attributable to the owners of the entity	Non-controlling Interests	Total invested equity
	(in thousands of euros)		
Balance at January 1, 2010	**(625,075)**	**4,954**	**(620,211)**
Net income (loss)	58,039	(242)	57,797
Purchase of non-controlling interests	348	(5,035)	(4,687)
Other adjustments	(335)	—	(335)
Balance at December 31, 2010	**(567,023)**	**(323)**	**(567,346)**
Net income (loss)	194,859	199	195,058
Other adjustments	(69)	67	(2)
Balance at December 31, 2011	**(372,233)**	**(57)**	**(372,290)**
Net income (loss)	84,881	49	84,930
Purchase of non-controlling interests	(12)	41	29
Balance at December 31, 2012	**(287,364)**	**33**	**(287,331)**

Numericable Group

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
Net income from continuing operations	**84,930**	**68,998**	**26,560**
Share in net income (losses) of associates	199	309	(368)
Depreciation and amortization	288,489	312,974	315,054
Gains and losses on disposals	3,565	4,127	3,095
Other non-cash operating gains and losses	3,028	(20,081)	(36,448)
Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax	**380,211**	**366,326**	**307,894**
Finance costs, net	183,516	204,325	222,869
Income tax paid	(856)	1,083	(2)
Changes in working capital	(31,911)	5,392	13,961
Net cash provided (used) by operating activities	**530,960**	**577,127**	**544,722**
Capital expenditures	(299,890)	(251,448)	(246,592)
Proceeds from disposal of tangible and intangible assets	3,816	5,041	8,142
Decrease (increase) in loans and other non-current financial assets	(3,440)	41	(2,802)
Cash expenditures for acquisition of investments in companies	(6)	—	(58,086)
Investment subsidies and grants received	14,303	8,713	7,479
Net cash provided (used) by investing activities	**(285,217)**	**(237,652)**	**(291,859)**
Proceeds from issuance of shares	—	—	—
Issuance of debt	830,975	172	54,648
Repayment of debt	(957,189)	(335,085)	(154,705)
Interest paid	(152,113)	(154,791)	(169,192)
Net cash provided (used) by financing activities	**(278,327)**	**(489,705)**	**(269,249)**
Net cash flow from continuing operations	**(32,584)**	**(150,231)**	**(16,386)**
Net cash flow from discontinued operations	—	156,258	15,196
Net increase (decrease) in cash and cash equivalents	**(32,584)**	**6,027**	**(1,190)**
Cash and cash equivalents—opening balance	**40,580**	**34,553**	**35,743**
Cash and cash equivalents—closing balance	**7,996**	**40,580**	**34,553**

The net cash flow from discontinued operations is detailed in note 30.

Numericable Group

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Numericable Group

Combined Financial Statements

for the three years ended December 31, 2012

1 Basis of preparation of the combined financial statements

1.1 Presentation of the Two Groups forming Numericable Group

Numericable Group (the ''**Company**'') is a limited company under French law, whose head office is located in France and has been formed in August 2013. In relation to the admission of the shares of the Company on Euronext Paris, the Company will receive the contribution of two entities incorporated in Luxembourg, Ypso Holding S.à.r.l and Altice Lux Hold S.à.r.l., which are holding companies that are respectively parent companies of Ypso France SAS and Altice B2B France SAS. Ypso Holding S.à.r.l, Ypso France SAS and its subsidiaries are hereafter referred to as ''Ypso'' and Altice Lux Hold S.à.r.l., Altice B2B France SAS and its subsidiaries are hereafter referred to as ''Altice B2B''.

Ypso France SAS

Ypso France SAS, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France SAS also provides French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

Altice B2B France SAS

Altice B2B France SAS, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office, or FTTO, network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Description of the context

Ypso and Altice (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by three private equity funds Carlyle, Cinven and Altice. The purpose of the combined financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the combined financial statements. Accordingly, the combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which are separate legal groups at December 31, 2012, 2011 and 2010.

The combined financial statements have been prepared for the three-year period ended December 31, 2012, 2011 and 2010 (collectively the ''Combined Financial Statements'') in conjunction with the contemplated initial public offering of the shares of Numericable Group (the **''Offering''**). It is expected that Ypso will acquire 100% of the share capital of Altice B2B (the **''Combination''**) in order to reflect the combination of the Two Groups.

1.3 Statement of compliance

The combined financial statements of Numericable Group include a combined statement of financial position as of December 31, 2012, 2011 and 2010, a combined statement of income, a combined statement of comprehensive income, a combined statement of cash flows and a combined statement of changes in equity for each of the three years in the period ended December 31, 2012 and the underlying Notes. The combined financial statements have been prepared in compliance with International Financial Reporting Standards (**''IFRS''**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union at December 31, 2012.

The Combined Financial Statements were approved by the Board of Directors on September 6, 2013.

1 Basis of preparation of the combined financial statements (Continued)

1.4 Basis of presentation of the Combined Financial Statements

IFRS financial statements.

For the purpose of preparing the Combined Financial Statements, accounting principles effective as of December 31, 2012 have been applied to all years presented in these Combined Financial Statements.

Ypso France and Altice B2B France prepare separate consolidated financial statements in accordance with the accounting rules and principles generally accepted in France (''**French GAAP**''), in application of Regulations n° 99.02 and n° 2005.10 of the Accounting Regulations Board, in connection with the financing agreement entered into with the banks on June 6, 2006 and subsequently amended on July 18, 2006, March 2, 2007 and June 24, 2008.

Ypso France SAS also prepares consolidated financial statements in accordance with IFRS to comply with its reporting requirements in relation to the issuance of the Ypso High-Yield Notes (as defined in Note 4.1.1).

In preparing the Combined Financial Statements, Altice B2B France prepared consolidated financial statements in accordance with French GAAP and converted them to IFRS which resulted in the following adjustments:

- Connection fees for business clients have been amortized over the contractual engagement period in accordance with IAS 18 *Revenue*;
- Under IFRS, certain lease arrangements relating to offices and equipment have been analyzed as finance leases as a result of applying the criteria defined under IAS 17 *Leases*. Under French GAAP, these lease arrangements were analyzed as operating leases and need to be reclassified as finance leases under IFRS;
- In accordance with the exemption provided for in IFRS 1 *First-time adoption of IFRS*, past business combinations that occurred prior to January 1, 2010 have not been restated and no amortization of goodwill has been recognized under IFRS;
- Under IFRS, transaction costs (including debt issuance costs) that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. Debt issuance costs are amortized over the debt term using the effective interest method (as opposed to the immediate recognition of a financial expense under French GAAP);
- Changes in the fair value of interest-rate derivative instruments have been recognized immediately in the combined statement of income within financial income and expenses under IFRS whereas under French GAAP, these interest rate swaps are considered as off-balance sheet commitments. Changes in fair value of interest rate derivatives are reported as other assets and liabilities under IFRS;
- The research tax credit is determined based on a certain amount of qualifying R&D staff costs, which are capitalized under IAS 38 *Intangible Assets* (''**IAS 38**''). As a result, the amount of research tax credit has been recognized ratably over the useful life of the capitalized costs, that is 3 years;
- Certain non-recurring income and expenses have been reclassified to EBITDA and/or financial income in the combined statement of income under IFRS.

Subsequent events.

The Combined Financial Statements of Numericable Group were prepared under the responsibility of the Chairman of Ypso and Altice B2B and approved by the Board of Directors of the Company on September 6, 2013. The preparation of the Combined Financial Statements is consistent with estimates reflected in the consolidated financial statements of Ypso and Altice B2B as of December 31, 2012, which were respectively authorized for issue on April 10, 2013 and April 18, 2013 by the Chairman. With

1 Basis of preparation of the combined financial statements (Continued)

the exception of the adjustments made in connection with the conversion of the consolidated financial statements of Altice B2B from French GAAP to IFRS, no adjustment has been reflected in the Combined Financial Statements for any subsequent events since April 18, 2013 to reflect exactly the position that was presented in the consolidated financial statements of the Ypso and Altice for which the Combined Financial Statements are being prepared as disclosed hereafter with the exception of the adjustments made in connection with the conversion in IFRS of the Financial Statements of Altice B2B prepared in accordance with French GAAP.

Basis of combination.

The Combined Financial Statements were prepared using the accounting records that were used to prepare the consolidated financial statements of the Ypso and Altice B2B sub-groups for the year ended December 31, 2012, 2011 and 2010.

All intra-group balances and transactions have been eliminated in preparing the Combined Financial Statements, including the transactions between Ypso and Altice B2B and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Carlyle, Cinven and Altice and the Combined Financial Statements reflects the combination of Ypso and Altice using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Combined Financial Statements.
- Likewise, the Combined Financial Statements were prepared by aggregating the separate consolidated financial statements of Ypso and Altice B2B at their historical book value:
  - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Ypso and Altice B2B sub-groups and fully aggregated at their historical book value without being revalued;
  - Preexisting non-controlling interests have been maintained at their book value in the combined statements of financial position. They primarily represent the 0.6% ownership in Completel Europe NV (a subsidiary fully consolidated in the consolidated financial statements of Altice B2B France) that was repurchased by Altice B2B France for approximately €5 million in 2010;
  - The combined equity has been determined by aggregating the consolidated equity of the sub-groups Ypso and Altice;
  - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Combined Financial Statements;
  - The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated;

1 Basis of preparation of the combined financial statements (Continued)

- Subordinated debt instruments from ultimate shareholders, which are recorded in the liabilities of Ypso Holding and Altice B2BLux, have been classified directly in equity as they will be contributed to Numericable Group by the shareholders as a result of the contemplated reorganization and then be converted into share capital.

With respect to the presentation of comparative information, the comparative information for 2010 has been adjusted to reflect the combination at the beginning of the earliest period presented, that is, January 1, 2010, date as of which both Groups were under common control.

1.5 List of entities comprised in the Combination

Subsidiaries

Entities forming the Combined Group are companies in which the Two Groups have a controlling interest through Ypso or Altice, that is, entities in which the Two Groups have the power to govern financial and operational policies in order to obtain benefits from their operations. Control exists when the Combined Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Combined Financial Statements from the date that control commences until the date that control ceases. Non-controlling interests in subsidiaries are identified separately from the Combined Group's equity therein.

Associates

Investments in which the Combined Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these Combined Financial Statements. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are initially recognized at cost. The Combined Financial Statements include the Combined Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

1 Basis of preparation of the combined financial statements (Continued)

As of 31 December 2012, 2011 and 2010, the Combined Financial Statements result from the combination of the following entities:

Company and legal form of incorporation	Registered office	Consolidation method as of December 31 2012, 2011 and 2010	Percentage of control			Percentage of interest		
			2012	2011	2010	2012	2011	2010
Entities comprising the Ypso sub-group								
Ypso Holding S.à.r.l	37, rue d'Anvers, L1130 Luxembourg	Parent company		N/A			N/A	
Ypso France SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
Numericable SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
EST Vidéocom-munication	14 rue des Mercuriales—67450 Lampertheim	Full consolidation	100%	100%	100%	100%	100%	100%
NC Numericable SAS (ex-NOOS SA)	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
ENO SPRL (Belgium)	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	N/A	N/A	N/A	N/A	N/A	N/A
ENO HOLDING (Belgium)	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	—	100%	100%	—
TME France SA	Fort de Tourneville—55, rue du 329ème—76600 Le Havre	Full consolidation	100%	100%	100%	100%	100%	100%
Coditel Debt (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%	100%	100%
Ypso Finance (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Full consolidation	100%	100%	—	100%	100%	—
Sequalum Participation(1)	5, place de la pyramide—92800 Puteaux	Full consolidation	95%	79.22%	79.22%	95%	79.22%	79.22%
Sequalum SAS(1)	5, place de la pyramide—92800 Puteaux	Full consolidation	95%	79.22%	79.22%	95%	79.22%	79.22%
Alsace Connexia Participation SAS	40-42 Quai du point du jour—92100 Boulogne	Equity method	38.15%	38.15%	38.15%	38.15%	38.15%	38.15%
Entities comprising the Altice B2B sub-group								
Altice B2B Lux S.à.r.l	37, rue d'Anvers, L1130 Luxembourg	Parent company		N/A			N/A	
Altice B2B France SAS	102 Avenue des Champs Elysées 75008 Paris	Full consolidation	100%	100%	100%	100%	100%	100%
Altitude Telecom SAS(2)	11 Cours Valmy—Tour Pacific—92977 Paris La Defense	Full consolidation	100%	100%	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide—92088 Paris La Défense	Full consolidation	100%	100%	100%	100%	100%	100%
B3G SA(2)	15 Rue Auber 75009 Paris	Full consolidation	N/A	N/A	100%	100%	100%	100%
B3G Online(2)	15 Rue Auber 75009 Paris	Full consolidation	N/A	N/A	100%	100%	100%	100%
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%	100%	100%

(1) The Combined Group acquired in January 2012 the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Combined Group owned 95% of Sequalum Participation.

(2) The entities Altitude Telecom, B3G SA and B3G Online were merged in 2011 in Completel SAS.

1 Basis of preparation of the combined financial statements (Continued)

1.6 Going concern assumption

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net cash from operations. Furthermore, the Combined Group's covenants under its facility agreements require the Combined Group to comply with certain liquidity ratios and to maintain certain cash levels.

Furthermore, as explained in Note 32, the Combined Group amended its Senior Facility Agreements in July and August 2013 which allowed the Combined Group to reschedule a large portion of its debt.

Under these conditions and given the updated cash flow projections, management believes that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Financial Statements for the three years ended December 31, 2012 and meet its financial debt obligations during the period.

As a result, the Combined Financial Statements of the Combined Group for the three years ended December 31, 2012 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the Combined Financial Statements

Standards and interpretations applied by the Combined Group as of December 31, 2012

With the exception of the principles used for the combination, as disclosed in Note 1, the accounting policies for recognition and measurement used in preparing the Combined Financial Statements at December 31, 2012 are the same as those used in the previous consolidated financial statements of Ypso under IFRS. Adjustments have been recognized to convert the consolidated financial statements of Altice B2B (prepared under French GAAP) to IFRS (see Note 1.4).

As mentioned in Note 1, the Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union (''**EU**'') with mandatory application as of December 31, 2012. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the Combined Financial Statements. They are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2012 are similar to the standards and interpretations published by the International Accounting Standards Board (''**IASB**''), with the exception of the carve-out of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**'') and the below standards and interpretations adopted by the EU but not yet mandatory in EU as of December 31, 2012. However, those standards and interpretations are not applicable to the Combined Group. As a result, the Combined Financial Statements comply with International Financial Reporting Standards as published by the IASB.

The standards and interpretations applicable from January 1, 2012 have no significant effect on the Combined Financial Statements as of date

2 Significant accounting policies (Continued)

Standards and interpretations compulsory after December 31, 2012 and not early adopted by the Combined Group

The following are standards and interpretations that have been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of preparation of these Combined Financial Statements but that are not yet mandatory. The Combined Group has not elected an earlier application:

– IAS 27 (revised 2011): Separate Financial Statement (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 27**'')

This standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

– IAS 28 (revised 2011): *Investments in Associates and Joint Ventures* (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 28**'')

This standard relates to the accounting for joint ventures and associates under the equity method.

Some clarifications have been included with respect to the accounting for changes in ownership interests (with or without loss of control) whereas disclosures are now covered by IFRS 12.

– IFRS 10: *Consolidated Financial Statements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 10**'')

IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation.

– IFRS 11*: Joint Arrangements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 11**'').

IFRS 11 supersedes IAS 31 and SIC-13.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control.

There are two types of joint arrangements (i) *joint ventures*: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Combined Group; and (ii) *joint operations*: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.

– IFRS 12: *Disclosure of interest in Other Entities* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 12**'')

IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities.

– IFRS 13*: Fair value Measurement* (applicable for annual periods beginning on or after January 1, 2013) (''**IFRS 13**'')

IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in IFRS 7.

2 Significant accounting policies (Continued)

– IAS 19 *(revised 2011): Employee Benefits* (applicable on or after January 1, 2013 for the Combined Group) (''**IAS 19**'')

The main changes are:

- the recognition of actuarial gains and losses through Other Comprehensive Income, which will result in a change in accounting principles as the Combined Group recognizes actuarial gains and losses through income as at December 31, 2012 ; and
- the modification of the calculation of the finance cost component, due to the removal of the expected return on plan assets, which is not expected to have a material effect on the Combined Group's financial statements;
- the immediate expense of non-vested past service costs which has no expected material effect to date on the Combined Group's financial statements.

The other amendments and interpretations not yet adopted by the Combined Group as at December 31, 2012 are as follows:

– Amendments to IAS 1—Presentation of Items of Other Comprehensive Income and Separate *Financial Statements* (applicable on January 1, 2013 for the Combined Group)

– IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (applicable on January 1, 2013 for the Combined Group) (''**IFRS 20**'')

– Amendments to IFRS 7 *Disclosures—Offsetting Financial Assets and Financial* Liabilities (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 12 *Deferred Tax—Recovery of Underlying Assets* (for annual periods beginning on January 1, 2013 for the Combined Group)

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* (applicable on January 1, 2013 for the Combined Group)

Management is currently assessing the potential impact of the application of these standards and amendments on the combined statement of income, the combined statement of financial position, the combined statement of cash flows and the content of the notes to the Combined Financial Statements but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

The Combined Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

– derivative financial instruments measured at fair value;

– financial assets at fair value through profit and loss measured at fair value;

– available-for-sale financial assets measured at fair value.

2.2 Foreign Currency Translation Adjustments

The Combined Financial Statements are presented in euros, the functional and presentation currency of the Two Groups. All financial data are rounded to the nearest thousand of euro.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. Non-monetary assets and liabilities that are

2 Significant accounting policies (Continued)

measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit and loss.

2.3 Revenue

Revenue from the Combined Group's activities is mainly composed of:

- TV subscriptions (TV), broadband Internet, basic cable services, telephony and installations fees invoiced to residential and business clients.
- Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions, invoiced to business clients.
- Network infrastructure-based services, including indefeasible rights of use (''IRUs'') arrangements or bandwidth capacity on our network, to other telecommunications operators and offer related maintenance services.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Combined Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities comprised in the scope of combination.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

- Revenues from subscriptions for basic cable services, digital TV pay, internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls are recognized when the service is rendered.
- When a promotion not related to a customer's past consumption and purchases (such as subscription rate discount, service free period) is offered to a customer in relation to a subscription, the Combined Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Combined Group has the enforceable and contractual right to deliver the products after the promotional free month period to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the company recognizes revenues during the promotion period up to the consideration received or receivable, as the customer's continuance is not assured.
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship.
- Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred and the revenue is recognized along the estimated client lifetime duration. They generally spread over the contractual engagement period.
- The revenue related to transmission capacity on terrestrial cables under IRUs arrangements are recognized on a straight-line basis over the life of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements and connection fees. For these arrangements, the revenue is generally recognized ratably over the term of the lease contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2 Significant accounting policies (Continued)

2.5 Operating income before depreciation and amortization

The Combined Group has included the subtotal ''Operating income before depreciation and amortization'' or ''EBITDA'' on the face of the combined statement of income because management believes that this subtotal is useful as it provides a measure of operating results that excludes non-cash elements such as depreciation and amortization, thus enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the operational and financial results, to make decisions with respect to investments and allocation of resources, and to assess the performance of management personnel.

The subtotal EBITDA may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the combined financial statements in accordance with IFRS 1.

2.6 Finance costs

Finance costs primarily comprise:

– interest charges and other expenses paid for financing operations recognized at amortized costs and changes in the fair value of interest rate derivative instruments that do not qualify as hedges according to IAS 39, which are classified in ''Interest relative to gross financial debt'' in the combined statements of income;

– interest income relating to cash and cash equivalents;

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

2.7 Segment information

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as the one used for internal reporting purposes. As the Combined Group intends to report on that basis in the future, the three following operating segments have been identified:

– B2C operations

– B2B operations

– Wholesale services

B2C operations

The Combined Group provides residential and business clients with TV subscriptions services, broadband Internet, basic cable services, telephony and installations fees.

B2B operations

The Combined Group provides business customers with a comprehensive service offering, which includes data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale services

The Combined Group sells network infrastructure-based services, including IRUs or bandwidth capacity on its network, to other telecommunications operators and offer related maintenance services.

2 Significant accounting policies (Continued)

2.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) investments in subsidiaries, branches and associates when the Combined Group is able to control the timing of the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of combination, a deferred tax liability may be recognized in the amount of taxes payable on planned dividend distributions by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in fiscal legislation and perspectives of recovering deductible temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized in a predictable horizon.

2.9 Government grants and investment subsidies

Entities of the Combined Group may receive non-repayable government grants and investment subsidies in the form of direct or indirect funding of capital projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the combined statement of income, based on the pattern in which the related asset’s expected future economic benefits are consumed.

2.10 Goodwill and Business Combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) and measured at the lower of their carrying amount and fair value less cost to sell.

The consideration transferred corresponds to the fair value, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Combined Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the

2 Significant accounting policies (Continued)

acquirer's previously-held equity interest in the target, minus the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. This goodwill is recognized in assets in the combined statement of financial position. When the difference is negative, it is directly accounted in net income.

The secondary costs directly attributable to an acquisition giving the control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs which must be recorded according to standards IAS 32 *Financial Instruments: Presentation* (''**IAS 32**'') and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected any adjustments to those provisional values within twelve months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interest in a subsidiary that is already included in the scope of combination), the Combined Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27 (2008), with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the Combined Statement of Financial Position. Impairment relative to this goodwill is presented on the line ''Depreciation and amortization'' of the Combined Statement of Income.

Goodwill resulting from the acquisition of associates is included in the book value of the participation. Impairment relative to this goodwill is presented on the line ''Share in net income (loss) of associates''.

Goodwill is not amortized but is subject to an impairment test whenever there is any indication that an asset may be impaired and at least once a year according to the methods and hypotheses described in Note 15.

After initial recording, goodwill is recorded at cost less recorded accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce, and prepare the asset to be capable of operating. Intangible assets consist mainly of indefeasible rights of use, patents, acquired and internally generated software.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Combined Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are depreciated over the shorter of the expected period of use and the life of the contract between 3 and 20 years.

Patents are amortized on a straight-line basis over the expected period of use, generally not exceeding 10 years.

Software is amortized on a straight-line basis over its expected useful life which generally does not exceed 3 years.

The cost of an internally generated intangible asset is the sum of personnel expenditures incurred from the date the intangible asset first meets the recognition criteria of IAS 38. An intangible asset arising from the development phase of an internal project shall be recognized if, and only if, an entity can demonstrate all of the following:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

2 Significant accounting policies (Continued)

- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

  Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use. The cost of an internally generated intangible asset arising from the development phase of an IT internal project is amortized on a straight-line basis over its expected useful life which generally does not exceed 3 years.

Conformity with agreements entered into with local authorities

To set up and operate its networks, the company has entered into various agreements with the local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and also lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with ''return property'' clauses, whereby ownership of the technical plant and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, referred to as the ''Telecoms Package'', set forth the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required existing agreements to be brought into compliance by the end of July 2007 at the latest, in order to remove all exclusive rights clauses and ensure the shared use of public civil engineering infrastructure.

The Combined Group believes that only a minority of the agreements entered into with the local authorities were classified as public service concessions when concluded and that IFRIC 12 does not apply, with the exception of the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92)*.

Service Concession agreement entered into with the department of Hauts-de-Seine

Sequalum, a subsidiary of the Combined Group, was selected in 2007 by the district of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home (''FTTH'') very-high-speed fiber network throughout the district under a Délégation de Service Public (''DSP''), called DSP 92. A DSP is a form of public—private partnership under French law pursuant to which a public authority entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network—completing construction within 72 months—and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

2 Significant accounting policies (Continued)

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, ie a right to collect revenue from the network users. In accordance with IAS 38, Sequalum recognizes the intangible asset at cost, i.e. the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement are:

Control and regulation of prices	Origin of the revenue	Subsidy granted by the grantor	Residual value	End of the agreement	Accounting model
Rates are defined in the service agreement	Users	€59 million subsidy to finance the construction	Network will be returned to the grantor with no indemnity, except for some assets (actifs de reprise)	Contract will end after 25 years	Intangible asset/financial receivable

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. With respect to network and technical equipment, amortization and depreciation are calculated on a straight-line basis and the main amortization and depreciation periods are as follows:

Network and technical and equipment	Method	Duration
Network hubs	Straight line	10 to 15 years
Optical cables	Straight line	15 to 30 years
Engineering facilities	Straight line	20 to 40 years
Connections	Straight line	5 years
Digital terminals	Straight line	3 to 5 years
Furniture	Straight line	5 to 10 years
Fixtures and fittings	Straight line	8 to 10 years
Transport equipment	Straight line	2 to 5 years
Office equipment	Straight line	3 to 5 years
Computer equipment	Straight line	3 to 5 years

Gains or losses on disposal of property, plant and equipment are calculated as the difference between the profit from the disposal and the carrying amount of the asset and are recognized as other operating income or expenses.

2.13 Lease arrangements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 Significant accounting policies (Continued)

The Combined Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Combined Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Combined Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Combined Group as lessee

Assets held under finance leases are initially recognized as assets of the Combined Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Impairment of goodwill and non-current assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Combined Group re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets and intangible assets in progress are all subject to an annual impairment test during the second semester of each fiscal year.

This test is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit (''**CGU**'') to its carrying amount.

An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which are, for the Combined Group, ''B2C operations'', ''B2B operations'' and ''Wholesale services''

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

2 Significant accounting policies (Continued)

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the statement of income. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment may be reversed.

2.15 Financial assets

The Combined Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1.

Purchases and sales of all financial assets are accounted for at the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the combination. Fair value corresponds to the quoted price for listed securities or, for non-listed securities, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from equity to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

Available-for-sale financial assets are included in non-current asset unless management intends to dispose of the investment within 12 months of the statements of position date.

Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Combined Group has a positive intent and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest rate method.

2 Significant accounting policies (Continued)

They are reviewed for impairment on an individual basis if there is any indication they may be impaired. The Combined Group does not classify any financial asset in this category.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as financial income or expenses.

This category mainly includes:

- assets held for trading which the Combined Group intends to sell in the near future (primarily marketable securities);
- assets voluntarily classified at inception in this category;
- derivative financial assets.

2.16 Inventories

Inventories, mainly set-top boxes, other 'TV boxes' and technical equipment, are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method and includes expenditures incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

2.18 Financial Liabilities

Financial liabilities other than derivative instruments include borrowings under the Senior Facility Agreement (''**SFA**''), debt related to finance leases, guarantee deposits, advances received, bank overdrafts.

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. The accrued interests are included in ''Current portion of financial liabilities'' in the statement of financial position.

2.19 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Combined Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable interest rate financial instruments into fix interest rate financial instruments. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any these derivative instruments are recognized immediately in the statement of income within financial income and expenses.

2 Significant accounting policies (Continued)

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the Combined Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of outflow of resources will be required to settle the obligation and the obligation can be reliably estimated. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognized, but disclosed.

Employee benefits

The Combined Group participates in employee benefit plans through defined contribution plans, and defined benefit plans. The Combined Group accounts for pension costs related to defined contribution plans as they are incurred within personnel expenses in the statement of income.

Estimates of the Combined Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 *Employee Benefits* (IAS 19), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turn-over of beneficiaries, salary increases, the expected average life span, the probable future length of the employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in profit and loss when they are incurred.

Litigations

The amount of provisions for litigation is based on the Combined Group's assessment of the level of risk and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring costs are recognized when the restructuring plans have been finalized and approved by the Combined Group's management, and when the Combined Group has raised a valid expectation, that it will carry out the plan either by starting to implement the plan or announcing its main features to employees affected by it. These provisions only include direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to the Combined Group, it does not take a substantial amount of time to get ready for the intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* has consequently no impact on the Combined Financial Statements.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Combined Financial Statements in accordance with IFRS implies that the Group makes a certain number of estimates and assumptions that are realistic and reasonable.

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

In applying accounting policies during the preparation of the Combined Financial Statements, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and the current economic environment. In the actual economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

The preparation of these financial statements require management to make estimates and assumptions. Items subject to such estimates and assumptions mainly include:

- *Revenue recognition:* As indicated in Note 2.3, revenue under IAS 18 is measured at the fair value of the consideration received or to be received when the Combined Group has transferred the significant risks and rewards of ownership of a product to the buyer or when service is rendered. With respect to contracts that includes installation, connection and set-up fees for residential customers, significant judgment is required to determine whether the recognition criteria set forth in IAS 18 should be applied separately and whether installation, set-up and connection should be considered a separable service. With respect to service access fees for business clients, management estimates the statistical client lifetime duration and generally recognizes revenue ratably over the contractual engagement period, which is estimated at the inception of the arrangement based on historical information. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized could differ significantly.
- *Capitalization of development costs:* the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally 3 years). The Combined Group must therefore evaluate the commercial and technical feasibility of these development projects and estimate the useful lives of the products resulting from the projects. Should a product fail to substantiate these assumptions, the Combined Group may be required to impair or write off some of the capitalized development costs in the future. Note 13 provides information on the amount of capitalized costs in the combined statement of financial position.
- *Fair value of financial instruments* (see Note 27.3): fair value is determined by reference to the published market price at period end. For financial instruments for which there is no published market price in an active market such as the interest-rate swaps, which the Combined Group currently uses to hedge its interest rate risk, fair value is then estimated based on models that rely on market observable data or by the use of various valuation techniques, such as present value of future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforward* (see Notes 2.8 and 11): deferred tax assets relate primarily to tax loss carryforwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carryforwards are recognized if it is probable that the Combined Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Combined Group analyzes past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2012, 2011 and 2010, in evaluating whether deferred tax assets should be recognized, management considered the weight of one form of negative evidence being a significant amount of cumulative losses in recent years and concluded that it is not probable that future taxable profit will be available against which the unused tax loss carryforward can be utilized. The application of this recognition principle has not resulted in any deferred tax asset recognized as at December 31, 2012, 2011 and 2010.

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

- *Impairment tests* (see Notes 2.10 and 15): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value net of disposal costs as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs as well as the discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore, to the recognition of an impairment charge.

  As of December 31, 2012, 2011 and 2010, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU ''B2C operations''	2012	2011	2010
Length of projection period	8 years	8 years	8 years
Weighted average cost of capital	7.56%	8.18%	8.02%
Growth rate beyond projection period for terminal value	1.75%	1.75%	1.50%

CGU ''B2B operations'' and ''Wholesale''	2012	2011	2010
Length of projection period	6 years	6 years	6 years
Weighted average cost of capital	9.42%	10.25%	9.77%
Growth rate beyond projection period for terminal value	1.00%	1.00%	1.00%

  The determination of the value in use has been determined by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 6 and 8 years. The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers. The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

4 Significant events for the period

4.1 Year ended December 31, 2012

4.1.1 Bond Issuances

In 2012, Ypso France SAS issued several bonds in order to refinance part of its existing financial debt.

In February 2012, Ypso France SAS issued a €360 million bond. The issuer was Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg). The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan) whose sole lender was the bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €350 million.

The notes mature on February 15, 2019 and bear interest of 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, Ypso France SAS also obtained a new Revolving Credit Facility under the SFA for which the maximum amount that can be drawn is €65 million (''Revolving Credit Facility''). The revolving Credit Facility matures in March 2016. The used amount under this facility bears interest equal to Euribor plus 4.5%. The unused amount under this facility, which amounts to €65 million as of December 31, 2012, bears interest equal to a commitment fee of 2.25%.

4 Significant events for the period (Continued)

According to the terms of the September 2011 Senior Facility Amendment and Restatement, maturities of certain lenders' commitments were extended by two years (comprising 50% of A and Capex Facilities and 2/3rd of B & C Facilities). Along with the extension of the maturities, the September 2011 Senior Facility Amendment and Restatement changed the margin level for the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Amendment and Restatement became effective on February 15th, 2012.

In October 2012, Ypso France SAS issued two other bonds for respectively €225 million and €275 million through the same issuer, Numericable Finance & Co. S.C.A. The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the ''C-Two A Facility Loan'' and the ''C-Two B facility Loan'', whose sole lender was the Lending Bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €490 million.

The ''C-Two A facility'' amounts to €225 million. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interests are paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The ''C-Two B facility'' amount to €275 million. It matures in October 2018 and bears a floating interest rate equal to three-month EURIBOR plus 7.85% per annum. Interests are paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

Ypso France SAS paid €55 million in fees in connection with the implementation of these new facilities (C-One Facility, C-Two A Facility and C-Two B Facility) and the relative amendments to the Senior Facility Agreement. This amount includes:

- Bond issuance costs of €30.2 million which are amortized over the length of the notes using the effective interest rate method (this represents an additional finance cost of €3.8 million in 2012 as disclosed in Note 10);
- Waiver fees of €17.4 million which are recorded in ''Other financial expense'' in the combined statement of income for the period ended December 31, 2012;
- Advisory fees of €7.4 million which are recorded in ''Other operating expenses'' in the combined statement of income for the period ended December 31, 2012.

4.1.2 Purchase of the network of Nice

In April 2012, the Combined Group signed an agreement with the city of Nice in order to purchase the cable network of Nice for a value of €20 million.

The purchase price repayment is scheduled as follows:

- €2.5 million were paid in July 2012 and €2.5 million in January 2013;
- The remaining €15 million are payable over 20 years (€0.75 million each year from 2013 to 2032) with interest of 4%.

4.1.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 11.5 have been extended to fiscal year 2010. In the meantime, tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of provision recognized in relation to these tax audits has not been adjusted as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

4 Significant events for the period (Continued)

4.2 Year ended December 31, 2011

4.2.1 Disposal of Coditel Belgium and Coditel Luxembourg

In 2010, the management of Ypso France engaged in the sale of two subsidiaries: Coditel Belgium and Coditel Luxembourg. On May 19, 2011, the Group thus entered into a share purchase agreement with Altice, Deficom and Apax Partners to dispose of its activities in Belgium and Luxembourg. As a result, all of the outstanding shares in Coditel Belgium and Coditel Luxembourg were transferred on June 30, 2011 to Coditel Holding S.A., an entity based in Luxembourg, owned by Altice, Deficom and Apax MidMarket upon completion of the transaction. The proceeds from the sale of Coditel amounted to approximately €369 million.

In accordance with IFRS 5:

- the results of Coditel Belgium and Coditel Luxembourg are presented separately in the statements of income under ''Net income resulting from discontinued operations'' for all the periods presented;
- the cash flows from Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 statements of cash flows under ''Net cash flow from discontinued operations'' for all the periods presented.

The impact of the application of IFRS 5 is further detailed in Note 30.

4.2.2 Restructuring

In 2011, the merger between Altitude Telecom and Completel SAS led to a restructuring plan involving approximately 135 persons.

The costs related to this plan amounted to €4 million in 2011 and an additional provision of €4 million was recorded at December 31, 2011 in order to face all the expenses that the Combined Group planned to bear in 2012.

4.3 Year ended December 31, 2010

4.3.1 Purchase of Altitude Telecom

On December 29, 2010, the Combined Group acquired 100% of the shares of Altitude Telecom, a network operator mainly located in the West of France. The price of the transaction was approximately €58 million and was mainly financed through a new debt under the SFA, the ''C Facility'', for an amount of €45 million.

This operation generated an additional goodwill of €49 million in 2010.

4.3.2 Tax audits

As explained in Note 11.5, certain subsidiaries of the Combined Group (Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS) are subject to tax audits by the French tax authorities.

In 2010, these tax audits have been extended from December 31, 2007 to December 31, 2009.

5 Segment information

As explained in Note 2.7, the Combined Group identified three operating segments which are:

- B2B operations
- B2C operations
- Wholesale services

5 Segment information (Continued)

The following tables provide, for each period presented, the contribution of each segment to the Combined Statements of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations''.

FY 2012	B2C	B2B	Wholesale	Eliminations	FY 2012 Total
	(in thousands of euros)				
Revenue	**832,568**	**324, 506**	**211,476**	**(66,125)**	**1,302,425**
Purchases and subcontracting services	(386,060)	(178,420)	(103,766)	66,125	(602,121)
Staff costs and employee benefits expense	(77,592)	(57,186)	(6,697)	—	(141,475)
Taxes and duties	(19,902)	(7,569)	(4,926)	—	(32,396)
Provisions	(5,658)	(1,676)	(380)	—	(7,715)
Other operating income	68,096	21,108	26	—	89,229
Other operating expenses	(16,030)	(1,148)	—	—	(17,178)
Operating income before depreciation and amortization (EBITDA)	**395,422**	**99,615**	**95,732**	**—**	**590,769**

FY 2011	B2C	B2B	Wholesale	Eliminations	FY 2011 Total
	(in thousands of euros)				
Revenue	**835,256**	**331,099**	**201,134**	**(60,632)**	**1,306,856**
Purchases and subcontracting services	(385,001)	(196,681)	(100,647)	60,632	(621,697)
Staff costs and employee benefits expense	(73,451)	(60,975)	(6,609)	—	(141,034)
Taxes and duties	(18,884)	(5,697)	(3,694)	—	(28,275)
Provisions	(5,269)	(3,286)	598	—	(7,957)
Other operating income	60,175	20,147	89	—	80,412
Other operating expenses	(14,437)	(10,640)	—	—	(25,077)
Operating income before depreciation and amortization (EBITDA)	**398,390**	**73,967**	**90,872**	**—**	**563,229**

FY 2010	B2C	B2B	Wholesale	Eliminations	FY 2010 Total
	(in thousands of euros)				
Revenue	**836,802**	**253,353**	**159,825**	**(41,285)**	**1,208,695**
Purchases and subcontracting services	(356,409)	(150,266)	(92,413)	41,285	(557,803)
Staff costs and employee benefits expense	(74,815)	(47,219)	(5,137)	—	(127,170)
Taxes and duties	(21,437)	(5,283)	(3,411)	—	(30,131)
Provisions	(16,715)	537	(538)	—	(16,716)
Other operating income	46,637	17,300	386	—	64,324
Other operating expenses	(16,659)	(10,676)	1	—	(27,334)
Operating income before depreciation and amortization (EBITDA)	**397,405**	**57,746**	**58,714**	**—**	**513,865**

6 Revenue

Revenue by nature breaks down as follows:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
B2C revenues	826,171	830,299	832,566
B2B revenues	323,201	328,235	252,573
Wholesale revenues	153,053	148,323	123,556
Total revenues	**1,302,425**	**1,306,856**	**1,208,695**

7 Purchases and subcontracting services

Purchases and subcontracting services are primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
TV Content, Internet and Telephony costs	(332,853)	(345,603)	(324,751)
Outsourcing and purchased services	(90,752)	(91,908)	(70,129)
Advertising fees	(30,120)	(30,993)	(22,197)
Fees paid to other third parties	(31,936)	(31,962)	(31,619)
Royalties and license fees paid	(12,089)	(12,810)	(14,031)
Rights of way paid	(15,316)	(15,983)	(14,241)
Rental and leasehold charges	(25,790)	(26,224)	(20,900)
Energy	(23,938)	(22,789)	(19,868)
Bad debt expense	(9,173)	(10,048)	(9,993)
Postal expenses	(4,378)	(4,676)	(5,158)
Transportation expenses	(4,286)	(4,643)	(3,155)
Repair and maintenance expenses	(11,911)	(13,321)	(10,577)
Miscellaneous operating expense	(9,579)	(10,736)	(11,184)
Purchases and subcontracting services	**(602,121)**	**(621,696)**	**(557,803)**

8 Other operating income

Other operating income is primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Own work capitalized[a]	82,217	64,002	52,537
Proceeds from sale of assets	3,817	5,042	8,142
Other[b]	3,195	11,368	3,645
Other operating income	**89,229**	**80,412**	**64,324**

(a) Own work capitalized relates to network projects staffed by in-house employees resulting from increased upgrade activity of the cable footprint.

(b) In 2011, a fine of €10 million was paid by France Telecom as a result of a civil action enforced by the Court of Paris in March 2011 due to restrictive trade practices on the ADSL market in 2001 and 2002.

9 Other operating expenses

Other operating expenses are primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net book value of assets sold	(7,382)	(10,003)	(11,500)
Fees paid in connection with refinancing	(7,372)	(3,526)	(1,050)
Management fees paid to our shareholders	(2,424)	(11,509)	(14,651)
Miscellaneous operating expense	—	(39)	(133)
Other operating expense	**(17,178)**	**(25,077)**	**(27,334)**

Management fees have been paid to our shareholders, Altice, Cinven and Carlyle, in relation to certain management, financing and advisory services provided.

10 Finance costs, net

Finance costs, net as of December 31, 2012, December 31, 2011 and 2010 can be analyzed as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Interest income received on cash and cash equivalents	106	479	635
Other interest income	4,220	729	173
Interest Income	**4,326**	**1,208**	**808**
Change in fair value of interest rate derivatives	—	26,982	48,468
Interest expense on financing determined using the effective interest rate	(183,057)	(204,326)	(223,530)
Interest relative to gross financial debt	**(183,057)**	**(177,343)**	**(175,062)**
Other financial expenses	(32,699)	(9,883)	(4,162)
Finance costs, net	**(211,430)**	**(186,019)**	**(178,416)**

As of December 31, 2012, other financial expenses mainly included:

– Waiver fees of €17.4 million paid in connection with the refinancing of the debt;

– Amortization expense of €3.8 million calculated using the effective interest method related to fees paid in connection with the implementation of the new facilities (C-One Facility, C-Two A Facility and C-Two B Facility).

– Provisions for financial risks of €1.9 million.

As of December 31, 2012, other interest income mainly includes a first payment of €2.8 million received regarding the Claim with Lehman Brothers following the bankruptcy of Lehman Brothers in September 2008 (see Note 27.3).

11 Income tax

11.1 Income tax expense

Income tax expense is comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Current income tax expense	(2,486)	(13,387)	(3,841)
Deferred income tax expense	—	—	—
Income tax expense	**(2,486)**	**(13,387)**	**(3,841)**

11.2 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net income (loss) before tax	87,416	82,385	30,401
Less: Share in net income (loss) of equity affiliates	199	309	(368)
	87,615	82,694	30,033
Corporate tax rate in France	34.43%	34.43%	34.43%
Income tax expense calculated at 34.43%	**(30,166)**	**(28,471)**	**(10,340)**
Reconciliation of income tax expense			
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit(1)	(13,830)	(8,696)	24,724
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	41,083	23,731	(18,438)
Research tax credit (commonly known as the ''CIR'')	420	54	322
Effect of other differences	8	(3)	(107)
Income tax expense recognized in profit or loss	**(2,486)**	**(13,387)**	**(3,840)**
Effective tax rate(2)	2.84%	16.19%	12.79%

(1) For fiscal year 2012, amount mainly represents non-deductible interest expenses of €9.9 million as a result of the thin capitalization rules.

(2) The decrease in the effective tax rate from fiscal year 2011 to fiscal year 2012 is mainly due to the increase in the provision for tax audits (see Note 11.5) in 2011 of €10 million being recorded in income tax expense.

The tax rate used for the 2012, 2011 and 2010 reconciliations above is the corporate tax rate of 34.43% payable by corporate entities in France on taxable profits under tax law in that jurisdiction.

11.3 Current tax assets and liabilities

Tax refund receivables were not material as of December 31, 2012, December 31, 2011 and 2010.

The income tax payable is classified in ''Current tax liabilities'' and amounts to €2,604 thousand, €3,448 thousand and €194 thousand as of December 31, 2012, 2011 and 2010 respectively.

11 Income tax (Continued)

11.4 Unrecognized deferred tax assets

Aggregate unused loss carryforwards at December 31, 2012 amounted to €2,302 million representing a tax asset of €790 million. The tax asset for loss carryforwards was not recognized in the financial statements as its recovery depends on future earnings, which are uncertain.

The total net tax loss carryforward breaks down as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Ypso France and its subsidiaries	1,852,028	1,846,090	1,819,782
Altice B2B France and its subsidiaries	402,544	448,713	492,449
Ypso Holding Lux and Altice B2B Lux	47,785	235,890	235,328
Total tax loss carryforwards	**2,302,357**	**2,530,693**	**2,547,559**
Unrecognized deferred tax assets	**790,212**	**859,028**	**864,864**

Total tax loss carryforward includes a loss contested by the tax authorities (€56 million as of December 31, 2012).

11.5 Tax audits

Certain subsidiaries of the Combined Group, Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS are subject to a tax audit by the French tax authorities for fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency for an amount of €25.1 million is recognized as of December 31, 2012 (€27 million as of December 31, 2011 and €15.7 as of December 31, 2010).

12 Goodwill

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Carrying amount, net:			
Balance as of the beginning of the year	1,458,638	1,458,585	1,618,485
Additional goodwill recognized during the period(1)	48	53	50,295
Disposal of Coditel	—	—	(210,195)
Balance as of the end of the year(2)	**1,458,686**	**1,458,638**	**1,458,585**

(1) In 2010, the additional goodwill of €50.3 million is mainly due to the acquisition of Altitude Telecom (as disclosed in the significant events) for €49.4 million.

(2) In January 2012, the Group acquired the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Group owned 95% of Sequalum Participation. The purchase price was €6 thousand for a negative equity value of (€41) thousand. Thus, this operation resulted in the recognition of an additional goodwill of €48 thousand.

The Combined Group is the result of a series of acquisitions.

12 Goodwill (Continued)

As at December 31, 2012, goodwill breaks down as follows:

	Net book value (in thousands of euros)
B2C Operations	984,583
B2B Operations	474,103
Total	**1,458,686**

13 Other intangible assets

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
		(in thousands of euros)			
Gross value					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	**730,449**
Capital expenditures and additions	464	53,749	2,219	4,384	60,817
Reclassification	—	66	3,862	(3,929)	—
IFRIC 12*	—	17,195	—	—	17,195
Balance as of December 31, 2012	5,848	720,735	42,030	39,847	**808,462**
Cumulative amortization and Impairment					
Balance as of January 1, 2012	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Amortization expense	(1,199)	(78,726)	—	(6,190)	(86,115)
Reclassification	—	(12,299)	—	541	(11,758)
IFRIC 12*	—	(9)	—	—	(9)
Balance as of December 31, 2012	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Net book value					
Balance as of January 1, 2012	3,341	327,285	1,259	14,170	**346,056**
Balance as of December 31, 2012	2,606	307,262	7,340	8,976	**326,187**

(*) As explained in note 2.11, the Combined Group applied IFRIC 12 in 2012 with respect to the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92).

13 Other intangible assets (Continued)

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
	(in thousands of euros)				
Gross value					
Balance as of January 1, 2011	3,263	592,171	35,871	49,809	**681,114**
Capital expenditures and additions	2,121	29,352	78	4,048	35,599
Reclassification	—	28,242	—	(14,464)	13,778
Disposals	—	(41)	—	—	(41)
Balance as of December 31, 2011	5,384	649,724	35,949	39,392	**730,449**
Cumulative amortization and Impairment					
Balance as of January 1, 2011	(760)	(246,133)	(34,660)	(22,767)	**(304,323)**
Amortization expense	(1,283)	(71,619)	(30)	(7,158)	(80,090)
Reclassification	—	(4,687)	—	4,703	16
Disposals	—	—	—	—	—
Balance as of December 31, 2011	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Net book value					
Balance as of January 1, 2011	2,503	346,038	1,211	27,041	**376,793**
Balance as of December 31, 2011	3,341	327,285	1,259	14,170	**346,056**

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
	(in thousands of euros)				
Gross value					
Balance as of January 1, 2010	7,771	573,245	33,944	23,492	**638,453**
Capital expenditures and additions	2,134	18,993	—	10,996	32,124
Business combinations	8	4,067	30	15,321	19,426
Disposal of Coditel	(6,650)	(2,855)	—	—	(9,505)
Reclassification	—	(1,279)	1,897	—	618
Balance as of December 31, 2010	3,263	592,171	35,871	49,809	**681,114**
Cumulative amortization and Depreciation					
Balance as of January 1, 2010	(5,372)	(255,933)	(33,700)	(5,982)	**(300,987)**
Amortization expense	(535)	(69,588)	—	(6,151)	(76,274)
Depreciation expense	—	—	—	—	—
Business combinations	(8)	(3,673)	—	(4,858)	(8,539)
Disposal of Coditel	5,155	2,373	—	—	7,528
Reclassification	—	80,688	(960)	(5,777)	73,951
Balance as of December 31, 2010	(760)	(246,133)	(34,660)	(22,767)	**(304,320)**
Net book value					
Balance as of January 1, 2010	2,400	317,309	244	17,510	**337,463**
Balance as of December 31, 2010	2,503	346,038	1,211	27,041	**376,793**

13 Other intangible assets (Continued)

Usage rights represent the majority of the ''usage rights, patents and licenses'' balances. They reflect the rights to use the civil engineering installations and infrastructure built by the historical operator, France Telecom.

The application of this principle had the following impacts on the 2012 combined statement of financial position:

– Recognition of the net book value of €17.2 million classified in ''Other intangible assets'' (€26.6 million of investments less €9.5 million of grants received at December 31, 2011);

– Recognition of €26.4 million of capital expenditures in 2012 in ''Usage rights, patents and licenses'' (€38.0 million of investments less €11.5 million of grants received in 2012).

In addition, €26.4 million of capital expenditures have been incurred in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92) and are classified in investing activities in the combined statements of cash flows.

14 Property, plant and equipment

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditures and additions	1	4,083	244,244	2,470	8,934	259,732
Business combinations	—	—	—	—	—	—
Disposals	—	(1,496)	(31,058)	—	(625)	(33,179)
Reclassification	—	69,435	(62,919)	(4,087)	(2,522)	(93)
IFRIC 12	—	—	(8,095)	(9,100)	—	(17,195)
Balance as of December 31, 2012	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Cumulative amortization and Impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Amortization expense	(2)	(5,194)	(191,812)	—	(5,247)	(202,255)
Depreciation expense	—	—	—	(3,355)	—	(3,355)
Reversal of depreciation expense	—	—	—	—	—	—
Disposals	—	1,295	24,028	—	618	25,941
Reclassification	—	(68,394)	77,622	—	2,535	11,763
IFRIC 12	—	—	9	—	—	9
Balance as of December 31, 2012	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Net book value						
Balance as of January 1, 2012	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**
Balance as of December 31, 2012	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**

14 Property, plant and equipment (Continued)

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2011	1,352	54,532	2,307,505	72,318	92,708	**2,528,415**
Capital expenditures and additions	—	1,952	217,190	19,421	7,702	246,265
Business combinations	—	—	—	—	—	0
Disposals	(31)	(273)	(35,383)	—	(1,753)	(37,440)
Reclassification	—	13,943	(29,530)	—	831	(14,756)
Balance as of December 31, 2011	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Cumulative amortization and Impairment						
Balance as of January 1, 2011		(24,649)	(1,080,272)	(678)	(81,913)	**(1,187,512)**
Amortization expense	—	(5,143)	(199,322)	—	(9,314)	(213,779)
Depreciation expense	—	—	—	(1,333)	—	(1,333)
Reversal of depreciation expense	—	—	—	678	—	678
Disposals	—	272	26,016	—	1,749	28,037
Reclassification	—	(11,686)	11,979	—	(304)	(11)
Balance as of December 31, 2011	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Net book value						
Balance as of January 1, 2011	1,352	29,883	1,227,233	71,640	10,795	**1,340,903**
Balance as of December 31, 2011	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**

14 Property, plant and equipment (Continued)

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2010	1,422	48,612	2,172,666	79,357	104,504	**2,406,561**
Capital expenditures and additions	—	862	208,387	651	4,060	213,960
Business combinations	—	5,764	19,414	288	4,033	29,499
Disposals, other than Coditel	—	—	(46,690)	(4,361)	(793)	(51,844)
Disposal of Coditel	(70)	(706)	(51,168)	—	(19,150)	(71,094)
Reclassification	—	—	4,896	(3,617)	54	1,333
Balance as of December 31, 2010	1,352	54,532	2,307,505	72,318	92,708	**2,528,415**
Cumulative amortization and Depreciation						
Balance as of January 1, 2010	—	(19,323)	(924,084)	—	14,551	**(928,856)**
Amortization expense	—	(4,170)	(201,112)	—	(20,521)	(225,803)
Depreciation expense	—	—	—	(678)	—	(678)
Business combinations	—	(2,933)	(10,041)	—	(3,238)	(16,212)
Reversal of depreciation expense	—	—	29,685	—	765	30,450
Disposals, other than Coditel	—	—	328	—	—	328
Disposal of Coditel	—	222	14,061	—	12,978	27,261
Reclassification	—	1,555	10,891	—	(86,448)	(74,002)
Balance as of December 31, 2010	—	(24,649)	(1,080,272)	(678)	(81,913)	**(1,187,512)**
Net book value						
Balance as of January 1, 2010	1,422	29,289	1,248,582	79,357	119,055	**1,477,705**
Balance as of December 31, 2010	1,352	29,883	1,227,230	71,641	10,796	**1,340,903**

The net book value of assets classified as finance leases breaks down as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
		(in thousands of euros)	
Land	1,029	1,029	1,029
Buildings	6,868	7,179	7,489
Technical equipment	31,632	25,897	18,886
Other	160	108	200
	39,689	**34,213**	**27,604**

15 Impairment test

15.1 Allocation of goodwill to the cash-generating units ("CGU")

In accordance with IAS 36 *Impairment of assets* ("**IAS 36**"), goodwill has been allocated to two CGUs. The first CGU, "B2C operations" includes the operational subsidiaries from the Ypso group, namely Numericable, NC Numericable and Est Videocommunication. The second CGU, "B2B operations", corresponds to the main operating entity of the Altice group, Completel SAS.

15.2 Key assumptions used to determine the recoverable amount of the CGUs

The impairment test of goodwill is done based on the respective cash generating units defined above. In accordance with IAS 36 *Impairment of Assets*, the impairment test is performed by comparing the

15 Impairment test (Continued)

carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow approach.

The determination of the value in use has been established by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 8 years (CGU B2C) and 6 years (CGU B2B). The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers.

The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore to the recognition of an impairment charge.

No impairment has been recognized for any of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2012, 2011 and 2010:

CGU "B2C operations"	2012	2011	2010
Length of projection period	8 years	8 years	8 years
Discount rate applied to the cash flow projections	7.56%	8.18%	8.02%
Growth rate beyond ("GTP") projection period for terminal value	1.75%	1.75%	1.50%

In terms of sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately €145 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €100 million.

As of December 31, 2012, the amounts by which the key assumptions would have to change for the change to result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 7.56% to 10.60%;
- GTP rate decrease point from 1.75% to −3.62%;
- Gross margin fall by 10.1% from an average gross margin of 49.4% to an average gross margin of 39.3%.

CGU "B2B operations"	2012	2011	2010
Length of projection period	6 years	6 years	6 years
Discount rate applied to the cash flow projections	9.42%	10.25%	9.77%
Growth rate beyond projection period for terminal value	1.00%	1.00%	1.00%

In terms of sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by roughly €60 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €40 million.

As at December 31, 2012, the amounts by which the key assumptions would have to change where the change would result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 9.42% to 18.75%;

15 Impairment test (Continued)

- GTP rate decrease from 1% to −26.25%;
- Gross margin fall from an average gross margin of 38.9% to an average gross margin of 24.4%.

16 Investment in associates

The Combined Group exercises significant influence over Alsace Connexia Participation, an associate accounted for under the equity method of accounting. Alsace Connexia Participation was initially owned 38.14% by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the equity interest held by Sogetrel Réseaux and now holds a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net assets	8,888	9,413	10,227
Share of net assets of Ypso France SAS	3,378	3,577	3,886

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Turnover (Alsace Connexia)	13,050	12,027	12,674
Net income (loss)	(524)	(815)	968
Share of net income (loss) of Ypso France SAS	(199)	(310)	368

17 Other current and non-current financial assets

	Current			Non-current		
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)					
Interest-rate derivatives	—	—	—	5	313	2,380
Investments in entities that are not comprised in the combination classified as available-for-sale	—	—	—	35	52	71
Other financial assets	4,034	42	249	6,791	7,396	4,920
Total financial assets	**4,034**	**42**	**249**	**6,831**	**7,761**	**7,371**

As disclosed in Note 27.3, the Combined Group enters into interest rate caps to manage its interest rate exposure but these derivatives do not qualify as hedges for accounting purposes according to IAS 39. Accordingly, changes in the fair value of any of these derivative instruments are recognized immediately

17 Other current and non-current financial assets (Continued)

in the statement of income as part of finance costs, net as these interest-rate derivatives are directly related to the application of our interest rate risk management policy even though they do not qualify for hedge accounting under IAS 39.

Such interest-rate derivatives are presented as non-current financial assets because they are not held primarily for trading purposes, designated under a non-qualifying hedge accounting relationship.

In 2009, the Combined Group entered into interest rate options, referred to as caps in order to compensate if interest rates rise above a predetermined rate (strike rate). Caps are measured at their fair values and classified as a non-current financial asset for €5 thousand as of December 31, 2012 and €313 thousand as of December 31, 2011.

The investments in entities not comprised in the combination and classified as available-for-sale financial assets are related to equity interests held by the Combined Group in entities not comprised in the combination such as Cable Toulousain de Videocom, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the combination due to the Combined Group's lack of control or influence over them.

As at December 31, 2012, other financial assets include €4 million of cash pledged in the context of the DSP 92 (see Note 2.11). Remaining amounts correspond to deposits made by the group (building leases, ...).

18 Inventories

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Gross value	46,808	40,033	35,035
Valuation allowance	(1,199)	(1,035)	(1,035)
Net book value	**45,609**	**38,998**	**33,843**

Inventories are primarily comprised of set-top boxes used to receive programming distributed via digital channels. The amount of inventory write-downs to net realizable value recognized is immaterial for 2012, 2011 and 2010.

19 Trade receivables and other receivables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Trade receivables	272,864	248,239	242,379
Valuation allowance	(27,167)	(26,770)	(33,069)
Trade receivables, net	**245,697**	**221,469**	**209,310**
Advances and down payments	2,211	2,090	4,691
Current accounts receivable	50	50	2,075
Tax and social security receivables	141,806	117,961	117,358
Prepaid expenses	18,025	8,155	9,019
Other current receivables	9,582	13,256	14,637
Trade receivables and other receivables, net	**417,371**	**362,981**	**357,090**

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. Due to their short-term maturity, fair value and amortized cost approximate the

19 Trade receivables and other receivables (Continued)

nominal amount of trade receivables. Trade receivables are primarily from our B2C customers, a large number of customers, spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is 5 days. No interest is charged on outstanding balances. As of December 31, 2012, the Combined Group has reserved 81% of the B2C customers receivables that were over 90 days past due. This reserve was estimated considering that historically only 19% of receivables that are over 90 days past due are recoverable. Allowances for doubtful accounts are recognized against trade receivables that are between 0 and 90 days past due based on estimated uncollectible amounts which are determined based upon to the counterparty's past default experience and an analysis of the counterparty's current financial position.

B2B Customers

As at December 31, 2012, the Combined Group has reserved 60% of the B2B customers' receivables that were over 90 days past due based on historical experience evidencing that 40% of receivables that are past due beyond 90 days are collectable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Combined Group has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered collectable. The Combined Group does not hold any collateral or other credit enhancements against these balances nor does it have a legal right of offset against any amounts owed by the Combined Group to the counterparty.

Ageing of past due receivables	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Not due	121,232	101,927	73,809
0-90 days	62,825	43,983	53,739
>90 days	88,808	102,329	114,831
Total	**272,864**	**248,239**	**242,379**

The concentration of credit risk is limited due to the customer base being large and unrelated. There is no customer which represents more than 5% of the total balance of trade receivables.

Change in valuation allowance for trade receivables is as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Balance as of the beginning of the year	**(26,770)**	**(33,068)**	**(32,558)**
Additional allowance	(9,322)	—	(6,435)
Bad debt expense	8,925	4,395	3,746
Reversal of valuation allowance	—	1,903	—
Receivables classified as held for sale	—	—	2,924
Business combinations	—	—	(745)
Balance as of the end of the year	**(27,167)**	**(26,770)**	**(33,068)**

20 Cash and cash equivalents

Cash and cash equivalents presented in the combined statements of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the combined

20 Cash and cash equivalents (Continued)

statements of cash flows and cash and cash equivalents presented in the combined statements of financial position is presented below:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Cash on hand	7,996	40,580	30,897
Cash equivalents	—	—	—
Cash and cash equivalents presented in the combined statements of financial position	**7,996**	**40,580**	**30,897**
Cash from discontinued operations	—	—	3,656
Bank overdrafts classified as financial liabilities in the combined statements of financial position	—	—	—
Cash and cash equivalents presented in the combined statements of cash flows	**7,996**	**40,580**	**34,553**

As of December 31, 2012, 2011 and 2010, the Combined Group had no cash equivalents.

21 Invested equity

As of December 31, 2012, 2011, 2010 and January 1, 2010, the invested equity consisted of the sum of the individual share capital amounts and consolidated reserves of the Ypso and Altice B2B sub-groups.

21.1 Dividends

During the years ended December 31, 2012, 2011 and 2010, the Combined Group did not distribute dividends to its shareholders. The Combined Group does not expect to distribute dividends in 2013.

21.2 Capital risk management

The Combined Group manages its capital to ensure that entities in the Combined Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balances, especially through early repayments of debt. The Combined Group's overall strategy remains unchanged from 2010 to 2012.

The capital structure of the Combined Group consists of net debt (financial liabilities as detailed in Note 22 offset by cash and cash equivalents) and equity of the Combined Group (including reserves, retained earnings and non-controlling interests as detailed above and in the combined statements of changes in equity).

22 Financial liabilities

Total financial liabilities are comprised of:

		Current			Non-current		
	Note	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
				(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	22.1	93,187	170,300	186,453	2,707,498	2,701,109	2,953,503
Perpetual subordinated notes	22.2	—	—	—	35,208	32,880	30,710
Financial liabilities under finance leases	29.2	19,432	19,967	9,618	7,886	9,631	14,776
Other financial liabilities	22.4	2,113	1,297	1,097	131,234	125,359	118,316
Total loans and financial liabilities		**114,732**	**191,564**	**197,168**	**2,881,826**	**2,868,979**	**3,117,306**
Interest-rate derivatives		—	—	21,580	—	1,106	6,508
Deposits received from customers	22.3	—	—	—	44,517	42,896	50,712
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities		**114,732**	**191,564**	**218,748**	**2,926,343**	**2,912,981**	**3,174,526**

The schedule of financial liabilities under the *Senior Facility Agreement* has been modified as a result of the renegotiations that occurred in July and August 2013 as described in note 32.

22.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Combined Group entered into a Senior Facility Agreement dated June 6, 2006 (as amended and restated on July 18, 2006, July 28, 2006 and March 2, 2007, as amended by a letter dated June 24, 2008, as amended and restated on December 9, 2009 and September 8, 2011 and as amended by a letter dated January 12, 2012 and accepted by the Agent on January 24, 2012 and amended most recently by a letter dated September 25, 2012 and accepted by the Agent on October 12, 2012) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €3,225 million. The outstanding balance on this loan amounts to €2,347 million as of December 31, 2012.

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

Senior Facility agreement granted to Altice

The Combined Group entered into a Senior Facility Agreement dated August 29, 2007 (as amended and restated on March 12, 2008, on August 12, 2008, on September 30, 2009, on December 10, 2010 and on February 28, 2011) with CALYON as Mandated Lead Arranger and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €551 million. The outstanding balance on this loan amounts to €453 million as of December 31, 2012.

22 Financial liabilities (Continued)

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

Refinancing of the debt in 2012

In 2012, as disclosed in the Significant Events note, the Group issued three bonds in order to refinance part of its existing short-term debt under the SFA. The issuer of the bonds is Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg).

The proceeds from the notes have been used by Numericable Finance & Co. to fund three new loans issued by the Lending Bank (JP Morgan) under the Senior Facility Agreement to Ypso France SAS:

- a C-One facility of €360 million;
- a C-Two A facility of €225 million;
- a C-Two B facility of €275 million.

In 2012, the September 2011 Senior Facility Amendment and Restatement became effective. This Amendment and Restatement split all the Facilities in two, with non-extended and extended facilities referred to Facility I and Facility II respectively. Extended and non-extended facilities have different maturity dates (extended facilities maturities are two year later than the ones of the non-extended maturities) and a different pricing (see table below).

Facility	Maturity
A (Recap) I	June 15, 2013
A (Recap) II	June 6, 2015
A (Acq) I	June 15, 2013
A (Acq) II	June 6, 2015
B (Recap) I	June 15, 2014
B (Recap) II	June 6, 2016
B (Acq) I	June, 15, 2014
B (Acq) II	June 6, 2016
C (Recap) I	December 31, 2015
C (Recap) II	December 31, 2017
C (Acq) I	December 31, 2015
C (Acq) II	December 31, 2017
Capital Investment I	June 15, 2013
Capital Investment II	June 6, 2015
Additional Revolving Facility	No earlier than March 31, 2016

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several bases by each guarantor under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge over the shares of Ypso France SAS and certain of its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 22.1 is not dependent upon the Combined Group's credit ratings but rather is conditioned upon its compliance with a financial covenant related to the capacity of the Combined Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain

22 Financial liabilities (Continued)

agreed exceptions, including covenants restricting the ability of the Combined Group to, among other things:

- amalgamate, merge or consolidate with any other person or be the subject of any reconstruction or materially change the nature of the business of the Combined Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or all or any part of its undertaking or agree to do so;
- enter into a material transaction that would not be on an arm's length basis and for full market value;
- make acquisitions or investments;
- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Combined Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total debt service;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when we release our consolidated financial statements under French GAAP. Since the SFA was established, the Combined Group has complied every year with the financial covenants included in the agreement.

As required under the SFAs, the covenants are based on financial measures that are determined in accordance with French GAAP and not IFRS and, as a result, the definition of ''Annualized EBITDA'' set forth in the SFA is different from the EBITDA as it appears in the combined statement of income in accordance with IFRS.

Annualized EBITDA is calculated by adding EBITDA for the last two quarters and multiplying the result by two, and thus cannot be reconciled with EBITDA disclosed in the financial statements prepared under French GAAP.

22.2 Perpetual subordinated notes (''TSDI'')

In 2006, €23.7 million of perpetual subordinated notes (''Titres Subordonnés à Durée Indéterminée'' or ''**TSDI**'') were issued by a subsidiary of the Combined Group, NC Numericable to a single subscriber, the GDF Suez Group (Vilorex) (excluding capitalized interest). The proceeds of this borrowing are to be used for financing the construction of connectors in towns in the southern part of the SIPPEREC (''Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication''), which is a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to €11.6 million and €9.2 million as of December 31, 2012 and 2011, respectively, and has been classified as non-current in the table above in Note 22.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Combined Group to reimburse the notes according to the terms of the

22 Financial liabilities (Continued)

contract. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Combined Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost according to IAS 32.

22.3 Deposits received from customers

Deposits received from customers amount to €44.5 million, €42.9 million and €50.7 million as of December 31, 2012, 2011 and 2010 respectively. These deposits are made when customers receive equipment from the company and are reimbursed when customers terminate their subscriptions only if the customers have paid all outstanding invoices and have returned the equipment. For each year end, the guarantee deposits were recorded as items due within more than one year.

22.4 Other financial liabilities

As of December 31, 2012, other financial liabilities are mainly comprised of the following:

- Debt of €128,962 thousand owed by Ypso Holding Lux S.a.r.l. to the shareholders. This subordinated shareholder debt is planned to be entirely reimbursed when the shares of the Company are admitted for negotiations on Euronext Paris.
- Debt of €2,374 thousand owed by Numericable to several banks (mainly *Caisse d'Epargne d'Alsace-Lorrraine*).

23 Provisions and contingent liabilities

The nature and change in provisions for the years ended December 31, 2012, 2011 and 2010 are as follows:

	January 1, 2012	Increase	Utilization	Reversal	Reclass.	December 31, 2012
			(in thousands of euros)			
Provisions for retirement benefits	6,101	2,357	—	(3)	—	8,455
Provisions for litigation with employees	3,604	1,183	(719)	—	—	4,068
Provisions for commercial litigation	21,935	6,252	(8,829)	(1,315)	—	18,043
Tax contingencies*	26,977	212	(2,093)	—	—	25,096
Other	13,227	1,395	(3,902)	—	—	10,720
	71,845	11,399	(15,543)	(1,318)	—	66,382

* Refer to Note 11.5.

23 Provisions and contingent liabilities (Continued)

	January 1, 2011	Increase	Utilization	Reversal	Reclass.*	December 31, 2011
			(in thousands of euros)			
Provisions for retirement benefits	5,545	576	—	(20)	—	6,101
Provisions for litigation with employees	7,789	749	(689)	(3,495)	(750)	3,604
Provisions for commercial litigation	865	11,441	(215)	(2,068)	11,912	21,935
Tax contingencies	16,224	10,861	(108)	—	—	26,977
Other	18,254	6,135	—	—	(11,162)	13,227
	48,677	29,762	(1,012)	(5,583)	—	71,845

* this reclassification made in 2011 mainly relates to Commercial risks that were classified as ''Other'' at January 1, 2011 and reclassified as ''Provisions for commercial litigation'' at December 31, 2011.

	January 1, 2010	Increase	Utilization	Reversal	Reclass.	Disposal of Coditel	December 31, 2010
			(in thousands of euros)				
Provisions for retirement benefits	10,697	1,078	—	(21)	1	(6,210)	5,545
Provisions for litigation with employees	6,396	3,598	(1,003)	(1,411)	209	—	7,789
Provisions for commercial litigation	9,219	197	(162)	(5,102)	(3,287)	—	865
Tax contingencies	13,045	4,959	—	(1,395)	—	(385)	16,224
Other	7,841	9,558	(1,373)	—	3,078	(851)	18,253
	47,198	19,390	(2,538)	(7,929)	1	(7,446)	48,677

Provisions are primarily non-current as of December 31, 2012, 2011 and 2010.

The Combined Group is involved in legal and administrative proceedings that have arisen in the ordinary course of business.

A provision is recorded by the Combined Group when there is a sufficient probability that such disputes will lead to costs that the Combined Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Combined Group are involved in a certain number of disputes in the ordinary activities of the Combined Group. Only the most significant disputes and proceedings in which the Combined Group is involved are described below.

Other than as discussed below, the Combined Group does not expect the legal proceedings in which it is involved, or with which it has been threatened, to have a material adverse effect on its business or on its combined financial position.

23.1 Tax matters

The French tax authorities have conducted audits on various companies of the Combined Group since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Combined Group allocates a price reduction compared to the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the Combined Group had deemed the price reduction to apply primarily to the television services portion of our packages.

23 Provisions and contingent liabilities (Continued)

The French tax authorities assert that these price reductions should have been computed pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Combined Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Combined Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Combined Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for fiscal years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.3 million (except penalties of 40%) for fiscal years 2006 to 2009, were communicated to the Combined Group at the end of August 2012.

Furthermore, in 2012, the Tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, for a total amount of €6.1 million (except penalties of 40%). The Combined Group contested the proposed assessments at the end of August 2013.

The Tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million). The Combined Group asked for a payment deferral and deposited a complaint in September 2012 which was rejected by the Tax authorities on June 27, 2013. The Combined Group filed an additional request on August 20, 2013.

As of December 31, 2012, a tax provision of €25.1 million was recognized, including all the risks related to VAT (except the penalties of 40% which represents €7.1 million) related to the reassessments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The Group contested the proposed notifications on August 21, 2013. Fiscal year 2011 is not subject to a tax audit.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

23.2 Commercial disputes

23.2.1 Dispute with Orange relating to certain IRUs

The Combined Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by the Combined Group of certain companies which operated cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Combined Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years. Following the ARCEP's decision 2008-0835 of July 24, 2008, Orange published on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll-out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Combined Group benefit from under the Orange IRUs. As a result, Orange requested the Combined Group to comply with the general rules regarding accessing Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated and both the ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. We appealed the decision before the French Supreme Court (Cour de Cassation) but it upheld, for the most significant part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against the Combined Group, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, the Combined Group executed Orange amendments to the IRUs in order to comply with the

23 Provisions and contingent liabilities (Continued)

November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not stopped by the execution of the amendments to the IRUs and we were sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with the ARCEP November 4, 2010 decision. The Combined Group appealed this decision before the Conseil d'Etat. The case is still pending. Within the framework of this appeal, Numericable raised a constitutionality question, that was sent back to the Constitutional Council, on the conformity with the Constitution of the Article L. 36-11 of the CPCE which plans the powers of penalty of the ARCEP. On July 5, 2013, the Constitutional Council granted Numericable's request and invalidated paragraphs 1 to 12 of the Article L. 36-11 of the CPCE on the foundation of which the decision of penalty of the ARCEP of December 20, 2011 mentioned above was returned. Numericable asked the Council of State to give effect to this decision and to accordingly invalidate the decision of the ARCEP of December 20, 2011.

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of €2.7 billion for breach and modification of the IRUs by Orange.

On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Combined Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims damages of €50 million. The Paris Court of Appeal is expected to render its decision during the second quarter of 2014.

23.2.2 Dispute with Free relating to the advertising of mobile services

On August 3, 2011, a claim was filed against Numericable SAS and NC Numéricable before the Commercial Court of Paris by telecommunication operator Free in relation to the launch of the mobile offer by the Combined Group in spring 2011 through an advertising campaign entitled ''The mobile revolution''.

Free, who used the term ''revolution'' to refer to its initial launch of mobile phone services and whose latest offering was named the ''Freebox Revolution'', argues that our campaign led to customer confusion and damaged its brand and image. Free claims damages of €10.0 million. The case is currently pending before the Paris commercial court. After the hearing, the Court asked for an opinion of the ''direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF)'' as to whether the assertions of Free were justified with regards to the laws of advertising. The DGCCRF issued an opinion in which it indicated that the questions raised by Free did not constitute a fault under unfair competition law. The ruling of the Commercial Court of Paris is expected during the second half of 2013.

23.2.3 Dispute with Orange relating to unpaid invoices

Orange filed a claim against Numericable before the Paris Commercial Court on September 6, 2011. Orange claimed that invoices in the amount of €3.1 million remained unpaid. These invoices related to physical infrastructure occupied by Numericable between 2005 and 2007, following the sale by Orange of its cable networks for Numericable. Numericable argued that Orange prevented the Combined Group from moving out of these infrastructures and therefore that the litigation's invoices were not due. Orange filed another claim against Numericable before the Paris Commercial Court on February 1, 2012 and, for similar grounds, claiming that invoices in the amount of €0.5 million remained unpaid. These cases are still pending before the Paris Commercial Court. The date of the hearing has not been settled yet.

23 Provisions and contingent liabilities (Continued)

23.2.4 Disputes with various providers of value-added services (VAS)

By related complaints dated February 10th, 2013, five providers of value-added telephony services which offer their services to the public through surcharged numbers (0899), commenced litigation against Completel before the Commercial Court of Nanterre. Those companies asked for the condemnation of Completel to the payment of €350,000 for the repayment of sums corresponding to restraints made by Completel from the amounts it collected on their behalf.

Completel withheld these amounts in response to the practices of these these companies which in Completel's view violate their agreements with Completel as well as the industry's ethics rules. They seek damages of a global amount of €12 million.

Furthermore, in November 2012, Completel decided to terminate this activity, and suspended certain repayments and applied various contractual penalties to companies marketing this kind of value-added telephony services. Some of these companies assigned Completel before several Commercial Courts and asked for its condemnation to the payment of the sums retained by Completel and/or the cancellation of the penalties applied by Completel. The global claim amounts to approximately €900 000, including €850,000 in amounts collected on behalf of these companies.

23.2.5 Dispute with Orange relating to access to the DSL market

On August 5, 2010, Completel filed a claim against Orange before the Paris Commercial Court, claiming damages of approximately €500 million resulting from anticompetitive practices from Orange which would have delayed the access to the DSL market for the competitors of Orange during the years 1999 to 2003. On December 13, 2011, the Paris Commercial Court rejected the request of Completel. Completel appealed this decision. The decision of the Paris Court of Appeal should intervene during the course of the year 2014.

23.2.6 Labor disputes

The Group is involved in a certain number of labor disputes, of which a significant amount result from the last period of substantial mergers in 2006-2007 involving UPC-Noos, which until 2009 gave rise to potentially contentious adjustments and harmonization in labor practices . The claims related to these disputes could amount to approximately €4 million. These disputes largely consist of employees contesting the reasons or the form of their dismissals.

24 Employee benefits

In France, employees of the Combined Group benefit from a retirement indemnity plan. Accordingly, the Combined Group participates in mandatory social security plans organized at the state level, for which contributions expenses correspond to the contributions due to the French state. The plan is considered to be a defined contribution plan as defined in IAS 19. Employees of the Combined Group are covered by the Telecom Industry Branch Social Agreement (''Convention Collective Nationale des Télécommunications'', which determines the amount of retirement indemnity to be paid to the employee upon retirement).

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Combined Group and salary, according to the terms of their employment agreement.

24 Employee benefits (Continued)

24.1 Assumptions used for defined benefit plans

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Discount rate	3.0%	4.75%	4.75%
Expected salary increase rate	3.0%	3.0%	3.0%
Inflation rate	2.0%	2.0%	2.0%
Turnover—managers (mean)	7.0%	7.0%	7.0%
Turnover—other employees (mean)	15.0%	15.0%	15.0%

The turnover rate can vary significantly depending on length of service.

24.2 Components of Net Periodic Benefit (Cost)

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Service cost	713	660	555
Interest cost	287	263	221
Expected return on plan assets	—	—	—
Recognition of actuarial net (gain) loss	1,496	(244)	281
Past service cost	—	—	—
Amounts recognized due to plan combinations	—	22	58
Curtailments/Settlements	(57)	(145)	—
Net periodic (benefit) cost	**2,439**	**556**	**1,115**
Experience loss (gain) on plan liabilities	1,496	(244)	281
Percentage of present value of plan liabilities	17.7%	(4.0%)	5.1%

Actuarial gains and losses arising from changes in actuarial assumptions are recognized in profit and loss when they are incurred.

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

24.3 Change in defined benefit obligation

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Defined benefit obligation—beginning of year	**6,101**	**5,545**	**3,936**
Service cost	713	660	555
Interest cost	287	263	221
Contributions paid	—	—	—
Amortization of actuarial net gain (loss)	1,496	(244)	281
Benefits paid	(87)	—	—
Past service cost	—	—	—
Amounts recognized due to plan combinations	—	22	58
Curtailments/Settlements	(57)	(145)	—
Defined benefit obligation—end of year	**8,455**	**6,101**	**5,545**

25 Other non-current liabilities

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Non-current deferred revenue (more than one year)	105,791	94,777	101,402
Non-current trade payables	5,175	5,906	6,634
Non-current tax and social security payables	300	300	2,303
Other non-current liabilities	**111,266**	**100,983**	**110,339**

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements (''IRUs'') and connection fees. For these arrangements, the revenue is generally recognized reliably over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in ''Trade payables and other payables''.

26 Trade payables and other payables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Trade payables—general	416,183	424,334	392,170
Trade payables—acquisition of assets	87,145	65,640	69,492
Advances and down payments received	19,884	30,564	34,703
Current accounts payables	21,219	13,062	232
Liabilities related to tax and duties	87,358	64,353	58,927
Corporate and social security contributions	45,871	39,937	38,490
Current deferred revenue (less than one year)	45,319	37,574	36,189
Other payables	3,054	23,206	53,670
Trade payables and other payables	**726,033**	**698,670**	**639,282**

27 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

27.1 Fair value of financial instruments

Valuation techniques and assumptions applied to measure fair value for derivative instruments

The fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

27 Financial instruments (Continued)

In accordance with the amendments to IFRS 7, the Combined Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy):

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 fair value measurements have been used for interest-rate derivatives. There are no significant financial instruments for which level 1 or level 3 measurements have been used and no transfer of financial instruments between levels have occurred.

Fair value measurement other financial assets

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other payables, approximates the net carrying amount.

Investments in entities not included in the combination are unquoted equity securities. As a result, their fair value cannot be measured reliably and accordingly, these investments are measured at cost.

Financial guarantees and collaterals

Under the SFA, the assets of the Combined Group have been given as collateral to the bank lenders.

27.2 Financial assets

	December 31, 2012				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	35	6,791	—	5	6,831
Trade receivables and other receivables	—	442,020	—	—	442,020
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	7,996	—	—	7,996
Financial assets	**35**	**456,807**	**—**	**5**	**456,847**

27 Financial instruments (Continued)

	December 31, 2011				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	52	7,396	—	313	7,761
Trade receivables and other receivables	—	362,981	—	—	362,981
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	40,580	—	—	40,580
Financial assets	**52**	**410,957**	**—**	**313**	**411,322**

	December 31, 2010				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	71	4,920	—	2,380	7,371
Trade receivables and other receivables	—	357,090	—	—	357,090
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	30,897	—	—	30,897
Financial assets	**71**	**392,907**	**—**	**2,380**	**395,358**

27.3 Financial liabilities

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Interest-rate derivatives held for trading are measured at fair value through profit and loss.

27.4 Financial risk management objectives

Objective of the Corporate Treasury function

The Combined Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Combined Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Combined Group's activities does not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Combined Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Combined Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports monthly to the Group's chief operating decision maker, which monitors risks and policies implemented to mitigate risk exposures.

27 Financial instruments (Continued)

Interest rate risk management

The Combined Group is exposed to interest rate risk because the Combined Group borrows funds, mostly at floating interest rates. The risk is managed by the Combined Group through the use of interest rate swap contracts and caps interest rate contracts. Even though the Combined Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Combined Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Combined Group's net income (loss) for the year ended December 31, 2012 would decrease/increase by €13 million. This is mainly attributable to the Combined Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Combined Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Combined Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Combined Group.

Financial instruments that could potentially subject the Combined Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Combined Group's maximum exposure to credit risk.

As mentioned in Note 19, the Combined Group considers that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of credit risk on net trade receivables past due is provided in Note 19.

The Combined Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A−/A3 or above. The Combined Group's enters into interest rate contracts with leading financial institutions and currently believes that

27 Financial instruments (Continued)

the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Combined Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. There is currently a claim with Lehman Brothers for a total amount of approximately €11.2 million. In 2012, the Combined Group received a first payment €2.8 million in relation to this claim. Thus a contingent gain of €8.4 million remains for the Company but has not been recognized as at December 31, 2012.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Combined Group's short-, medium- and long-term funding and liquidity management requirements. The Combined Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Combined Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Combined Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Combined Group may be required to pay.

	December 31, 2012			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	93,187	1,851,552	855,946	2,800,686
Perpetual subordinated notes	—	—	35,208	35,208
Financial liabilities under finance leases	19,432	6,359	1,527	27,318
Other financial liabilities	2,113	2,012	129,222	133,347
Total bonds and loans	**114,732**	**1,859,23**	**1,021,903**	**2,996,559**
Interest-rate derivatives	—	—	—	—
Deposits received from customers	—	44,517	—	44,517
Bank overdrafts	—	—	—	—
Total financial liabilities	**114,732**	**1,904,440**	**1,021,903**	**3,041,075**

27 Financial instruments (Continued)

Because of the renegotiations that occurred in July and August 2013 as described in Note 32, the schedule of Financial liabilities under the *Senior Facility Agreement*.

	December 31, 2011			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	170,300	2,701,109	—	2,871,409
Perpetual subordinated notes	—	—	32,880	32,880
Financial liabilities under finance leases	19,967	7,919	1,712	29,598
Other financial liabilities	1,297	124,931	428	174,214
Total bonds and loans	**191,564**	**2,833,959**	**35,020**	**3,060,543**
Interest-rate derivatives	—	1,106	—	1,106
Deposits received from customers	—	42,896	—	42,896
Bank overdrafts	—	—	—	—
Total financial liabilities	**191,564**	**2,877,961**	**35,020**	**3,104,545**

	December 31, 2010			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	186,453	2,870,711	82,792	3,139,956
Perpetual subordinated notes	—	—	30,710	30,710
Financial liabilities under finance leases	9,618	12,384	2,393	24,395
Other financial liabilities	1,097	3,249	115,067	119,413
Total bonds and loans	**197,168**	**2,886,344**	**230,962**	**3,314,474**
Interest-rate derivatives	21,580	6,508	—	28,088
Deposits received from customers	—	50,712	—	42,895
Bank overdrafts	—	—	—	—
Total financial liabilities	**218,748**	**2,943,564**	**230,962**	**3,393,274**

The Combined Group considers that its available cash and cash equivalent balances and the expected operating cash flows to be generated are sufficient to cover its operating expenses, capital expenditures and its financial debt requirements for the next twelve months.

28 Related party transactions

The ultimate shareholders of the Combined Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Combined Group have been eliminated in preparing the Combined Financial Statements and are not disclosed herein. Details of transactions between the Combined Group and other related parties are disclosed below.

28 Related party transactions (Continued)

28.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Combined Group:

	Purchase of goods and services			Amounts owed by related parties			Amounts owed to related parties		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(in thousands of euros)								
Shareholders									
Cinven	610	622	641	—	—	—	—	185	748
Altice	1,214	10,287	13,410	—	—	—	—	—	2,091
Carlyle	600	600	600	—	—	—	450	—	875
Associate									
Alsace Connexia Participation SAS	—	—	—	2,235	2,574	2,518	—	—	—

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (€2,424 thousands in 2012 compared to €11,509 thousands in 2011 and €14,651 thousands in 2010).

The shareholders of the Combined Group also provided several subordinated shareholder financings.

28.2 Related party relationships

(1) Relationships with our Shareholders

Relationships with Altice

On June 30, 2011, we completed the sale of Coditel Belgium and Coditel Luxembourg to a consortium of investors, including Altice, for a purchase price of €369.2 million.

Altice owns cable networks in the French West Indies (*Antilles*). We pay telephony termination fees to such networks for the calls originating from our subscribers to subscribers of such networks, and receive telephony termination fees from such networks for the calls originating from their subscribers to our subscribers.

Finally, Altice owns Auberimmo which is a company that rents infrastructures to the Combined Group. Auberimmo has a sole client, Completel SAS which is a member of the Combined Group.

Relationships with Carlyle

Sagemcom, one of our key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

(2) Relationships with Coditel

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, we entered into a services agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations

Services Agreement

On June 30, 2011, Numericable SAS entered into a services agreement (the ''Coditel Services Agreement'') with Coditel. Pursuant to the Coditel Services Agreement, we will continue to provide Coditel with all the services we were providing prior to its sale, including:

- VOD platform services and VOD content services;

28 Related party transactions (Continued)

- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over our backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in our premises or currently supported from our systems.

In consideration of the services provided, Coditel agreed to pay to us a total of €100,000 per year. In addition, Coditel will pay to us 10% of its monthly VOD revenues.

Trade Mark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the ''Trade Mark Agreement''). Pursuant to the Trade Mark Agreement, we will provide Coditel with a license to use our trademark ''Numericable'', registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement.

28.3 Compensation of key management personnel

Compensation of directors and other members of key management personnel (i.e. members of our Executive Committee) during the year was €2,100 thousands, €2,039 thousands and €2,325 thousands for 2012, 2011 and 2010 respectively. These amounts only comprise short-term benefits such as wages, salaries and bonuses.

The Combined Group does not offer any share-based arrangement and employment benefits related to key management personnel are insignificant in aggregate.

29 Leases arrangements

29.1 The Combined Group as a lessor

Finance leases

The Combined Group has not contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Combined Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

29 Leases arrangements (Continued)

Future minimum rental income under non-cancellable operating leases is as follows:

	Future minimum rental income		
	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Not later than 1 year	45,318	38,815	35,459
Later than 1 year and not later than 5 years	40,930	30,621	34,848
Later than 5 years	64,545	62,381	64,214
	150,793	**131,817**	**134,521**

29.2 The Combined Group as a lessee

Finance leases

The Combined Group entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The most significant finance lease arrangements relate to network equipment bought from Cisco and to the property lease for the headquarters offices of the Combined Group in Champs-sur-Marne for which the Combined Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(in thousands of euros)			
Not later than 1 year	11,685	20,219	11,302	19,529
Later than 1 year and not later than 5 years	13,883	7,229	12,830	6,621
Later than 5 years	721	928	595	753
	26,288	**28,376**	**24,728**	**26,903**
Less future finance charges	(1,560)	(1,473)	—	—
Present value of minimum lease payments	24,728	26,903	24,728	26,903
Financial liabilities related to finance leases—current portion			11,302	19,529
Financial liabilities related to finance leases—non-current portion			13,426	7,374

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.24% and 3.53% per annum for 2012 and 2011 respectively.

Operating leases

The Combined Group also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicle under operating lease is 3 years.

As part of the networks business, leases involving equipment and networks IRUs (usage rights on local loop, backbone) or other rental contracts (rights of way) were not considered material.

29 Leases arrangements (Continued)

In connection with its entertainment business activities, the Combined Group has also entered into operating leases and agreements to purchase TV programs.

As of December 31, 2012, non-cancellable operating lease commitments amounted to:

(in thousands of euros)	December 31, 2012
Not later than 1 year	5,554
Later than 1 year and not later than 5 years	19,513
Later than 5 years	5,717
	30,784

30 Non current assets held for sale and discontinued operations

This section provides details of the contents of the items relating to the activities of the Combined Group in Belgium and Luxembourg classified as discontinued operations as reported in the Combined Statement of Income and Combined Statement of Cash Flows. As explained in Note 4, discontinued operations correspond to the Coditel subsidiaries in Belgium and Luxembourg.

Details of statement of income items included in discontinued operations in 2011 and 2010 are as follows:

	2011 6 months	2010 12 months
	(in thousands of euros)	
Revenue	31,978	62,256
Operating income	**16,525**	**42,290**
Finance costs, net	(4,074)	(7,800)
Profit (loss) of discontinued operations before tax	**12,451**	**34,490**
Income tax expense	(1,296)	(3,252)
Net income (loss)	**11,154**	**31,237**
Proceeds from the sale of Coditel	118,486	—
Fees paid in connection with the sale of Coditel	(3,580)	—
Net income (loss) from discontinued operations	**126,059**	**31,237**

30 Non current assets held for sale and discontinued operations (Continued)

As at December 31, 2010, assets and liabilities held for sale were presented separately on the face of the statement of financial position and may be analyzed as follows:

	(in thousands of euros)
ASSETS	
Goodwill	210,195
Other intangible assets	1,852
Property, plant and equipment	43,142
Other non-current financial assets	71
Non-current assets	**225,260**
Inventories	539
Trade receivables and other receivables, net	11,095
Income tax receivable	—
Cash and cash equivalents	3,655
Current assets	**15,289**
TOTAL ASSETS	**270,549**
EQUITY AND LIABILITIES	
TOTAL EQUITY	**59,122**
Non-current portion of financial liabilities	156,735
Non-current provisions	2,137
Deferred tax liabilities	3,958
Other non-current liabilities	113
Non-current liabilities	**162,943**
Current portion of financial liabilities	18,765
Current provisions	—
Trade payables and other current liabilities	29,719
Current liabilities	**48,484**
TOTAL LIABILITIES	**211,427**
TOTAL EQUITY AND LIABILITIES	**270,549**

30 Non current assets held for sale and discontinued operations (Continued)

Details of cash flows from discontinued operations in 2011 and 2010 are as follows:

	December 31, 2011 6 months	December 31, 2010 12 months
	(in thousands of euros)	
Net income from discontinued operations	**126,060**	**31,237**
Depreciation and amortization	3,887	4,858
Gains and losses on disposals	(118,501)	116
Other non-cash operating gains and losses	130	—
Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax	**11,577**	**36,210**
Finance costs, net	4,105	7,828
Income tax paid	84	628
Changes in working capital	(15,246)	2,271
Net cash provided (used) by operating activities	**519**	**46,937**
Capital expenditures	(4,776)	(9,696)
Proceeds from disposal of tangible and intangible assets	19	147
Decrease (increase) in loans and other non-current financial assets	—	17
Net cash provided (used) by investing activities	**(4,758)**	**(9,532)**
Cash received from the sale of Coditel	350,184	
Issuance of debt	1,101	2,654
Repayment of debt	(186,684)	(17,035)
Interest paid	(4,105)	(7,828)
Net cash provided (used) by financing activities	**160,497**	**(22,209)**
Net cash flow from discontinued operations	**156,258**	**15,196**

31 Commitments and contractual obligations

31.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the Combined Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Combined Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Combined Group is committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Combined Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Combined Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the company has also entered into outsourcing contracts, particularly for certain network maintenance services.

31 Commitments and contractual obligations (Continued)

In 2010, the Combined Group entered into several long-term MVNO agreements for voice and data transmission with Bouygues Telecom, pursuant to which we provide mobile telephony services to residential customers under our own brand but through the nationwide network of Bouygues Telecom. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission services are due to expire in 2013, and each of these will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiry dates. Pursuant to the financial terms of each of these agreements, we are under obligation to pay Bouygues Telecom a flat fee corresponding to a minimum level of consumption by our end-customers of the relevant voice or data transmission services.

Lease commitments in relation to business operations

As disclosed in Note 29, the Combined Group has entered into various lease arrangements.

Contractual obligations

	< 1 year	Maturity 1–5 years	> 5 years	Total December 31, 2012
		(in thousands of euros)		
Loans and financial liabilities	114,732	1,904,440	1,021,903	3,041,075
Operating leases arrangements	5,554	19,513	5,717	30,784
Total	**120,286**	**1,923,953**	**1,027,620**	**3,071,859**

31.2 Commitments received

The Combined Group has received a commitment of a total amount of €25 million from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Combined Group has already received €23.8 million in principal from GDF Suez as at December 31, 2012.

Within the framework of the transfer of NC Numericable on March 31, 2005 by the groups France Télécom, TDF and Vivendi / Canal+, the transferors granted specific guarantees until 2014 to the Combined Group, including in particular fiscal and social risks as well as specific risks connected to cable networks exploited by NC Numéricâble.

32 Events after the end of the reporting period

Refinancing of the debt in July 2013

In July and August 2013, the Combined Group amended its debt under the Senior Facility Agreements which allowed the Combined Group to reschedule a large portion of its debt.

The new scheduling of the debt under Senior Facility Agreements is as follows:

Maturity	2013	2014	2015	2016	2017	2018	2019	Total
				(in millions of euros)				
	41.7	26.3	63.1	102.2	1,246.7	698.4	584.4	2,762.8

The scheduling of the debt under Senior Facility Agreements before the refinancing which occurred in July and August 2013 was as follows:

Maturity	2013	2014	2015	2016	2017	2018	2019	Total
				(in millions of euros)				
	54.0	125.0	453.9	808.7	465.2	271.6	584.4	2,762.8

32 Events after the end of the reporting period (Continued)

As part of the refinancing of the debt of August 2013, the Combined Group also obtained a new Revolving Credit Facility (the *Revolving Credit Facility)* of €24 million. Thus, the total available under the revolving facilities amounts to €89 million.

In-depth inquiry of the European Commission into transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission indicated that it decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was in line with European Union State aid rules. At this stage, the European Commission has doubts that such aid could be found compatible with EU rules because of the economic advantage that would have resulted from these transfers, depending on their conditions.

SFR

COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

INTERIM COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES
30 SEPTEMBER 2014

SFR—SIG 50, AND THEIR SUBSIDIARIES

NUMERICABLE-SFR S.A.

Statutory auditor's review report on the condensed combined financial statements of the companies SFR, SIG 50 and subsidiaries for the period from January 1st to September 30, 2014

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France.

Period from January 1st, to September 30, 2014

To the Executive Director,

In our capacity as Statutory Auditors of Numéricâble-SFR and in response to your request, in the framework of the implementation by Altice, the principal shareholder of Numéricâble-SFR, of the planned issuance of bonds to finance the acquisition by Altice of the Portuguese assets of the Brazilian telecom group Oi, we have reviewed the condensed combined financial statements of the companies SFR, SIG 50 and subsidiaries (hereinafter 'the Group') for the period from January 1st to September 30, 2014 (hereinafter 'the Combined Financial Statements') as attached to this report.

Please note that your company prepared the Combined Financial Statements of the Group for the first time at September 30, 2014. The comparative information relating to the period from January 1st to September 30, 2013 has not been audited or reviewed.

These Combined Financial Statements have been prepared by your Management Board. Our role is to express an opinion on these statements, based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Combined Financial Statements are not prepared in all material respects in accordance with IAS 34—the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without qualifying our opinion above, we draw your attention to note ''Basis of preparation'' which describes the particular context, the scope of combination and accounting policies used in the preparation of the Combined Financial Statements.

Paris La Défense, January 8, 2015

KPMG Audit
Département de KPMG S.A.

Grégoire Menou
Partner

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Combined Income Statement

(in millions of euros)	Note	September 2014	September 2013
Revenue	3.1	**7 396**	**7 616**
Cost of sales		(4 640)	(4 431)
Commercial and distribution costs		(1 415)	(1 605)
Selling, general and administrative expenses	3.2	(716)	(515)
Other operating income	3.3	2	1
Other operating expense	3.3	(117)	(76)
Operating results		**510**	**989**
Interest income		3	2
Interest expense		(150)	(188)
Net financing cost		***(147)***	***(186)***
Other financial income	4	2	1
Other financial expense	4	(9)	(13)
Financial income		**(155)**	**(198)**
Income from equity affiliates		(7)	(6)
Pre-tax income from continuing operations		**348**	**785**
Income tax		(164)	(314)
Net earnings from continuing operations		**184**	**471**
Net earnings from discontinued operations		**—**	**—**
Net earnings		**184**	**471**
of which			
Attributable to the Group:		**178**	**465**
Net earnings from continuing operations		178	465
Attributable to non-controlling interests		**6**	**6**
Net earnings from continuing operations		6	6

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Comprehensive Income

(in millions of euros)	September 2014	September 2013
Net earnings	**184**	**471**
Foreign currency translation adjustments	(0)	0
Other	(1)	—
Related taxes	—	—
Other items related to equity affiliates	0	2
Items to be subsequently reclassified to earnings	**(0)**	**2**
Actuarial differences on post-employment benefits	(1)	(1)
Related taxes	0	0
Items not to be subsequently reclassified to	**(1)**	**(0)**
Combined comprehensive income	**183**	**473**
of which		
Comprehensive income attributable to the shareholders of the Group	177	467
Comprehensive income attributable to non-controlling interests	6	6

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Balance Sheet

(in millions of euros)	Note	September 2014	December 2013
ASSETS			
Goodwill	5	5,266	5,188
Intangible assets	6	3,757	3,931
Tangible assets	6	4,413	4,532
Investments in equity affiliates		155	152
Deferred tax assets		112	127
Other non-current assets	7	160	185
Non-current assets		**13,863**	**14,115**
Inventories		277	240
Trade accounts receivable and other receivables	8	2,817	2,558
Other current financial assets	7	8	2
Cash and cash equivalents	9	135	394
Current assets		**3,237**	**3,194**
TOTAL ASSETS		**17,100**	**17,309**
LIABILITIES			
Combined reserves		6,252	1,860
Earnings		178	420
Shareholders' equity		**6,430**	**2,281**
Non-controlling interests		10	11
Combined equity		**6,440**	**2,291**
Non-current provisions	10	175	156
Long-term borrowings and other financial liabilities	11	33	1,248
Deferred tax liabilities		5	2
Other non-current liabilities	13	501	540
Non-current liabilities		**714**	**1,947**
Current provisions	10	407	335
Short-term borrowings and financial liabilities	11	4,889	7,846
Trade accounts payable and other payables	12	4,629	4,874
Other current financial liabilities	13	22	17
Current liabilities		**9,947**	**13,071**
TOTAL LIABILITIES		**17,100**	**17,309**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Cash Flow Statement

(in millions of euros)	Note	September 2014	September 2013
Net earnings attributable to the Group		**178**	**465**
Adjustments			
Non-controlling interests		6	6
Income tax (current / deferred)		164	314
Other expenses (including capital gain or loss on divestiture of financial assets)		40	1
Financial earnings	4	155	198
Earnings from equity affiliates		7	6
Amortization, depreciation and operating provisions		1 290	1 113
Gains or losses on tangible or intangible assets		9	3
Tax paid		(187)	(286)
Change in working capital		(323)	(404)
Net cash flow from (used in) operating activities		**1 339**	**1 416**
Purchase of tangible and intangible assets	6	(931)	(1 012)
Purchases of combined companies, after acquired cash		(35)	(2)
Purchase of other financial assets		(9)	(31)
Investments		***(976)***	***(1 045)***
Proceeds from sales of property, plant, equipment and intangible assets	6	22	3
Proceeds from sales of combined companies, after divested cash		—	10
Sale of other financial assets		38	1
Divestitures		***60***	***14***
Change in working capital related to PPE and intangible assets		(329)	(233)
Cash flow of investing activities		***(329)***	***(233)***
Net cash flow from (used in) investing activities		**(1 244)**	**(1 265)**
Interest paid	4	(150)	(188)
Interest received	4	3	2
Dividends paid		(7)	(985)
Borrowings (including bonds)	11	—	0
Repayments of borrowings (including bonds)	11	(358)	(10)
Change in shareholder advances	11	239	895
Change in other financial liabilities	11	(47)	131
Other cash flow related to financing activities		(33)	(6)
Net cash flow from (used in) financing activities		**(354)**	**(161)**
Change in cash and cash equivalents		**(259)**	**(10)**
Cash and cash equivalents:			
Opening balance	9	394	267
Closing balance	9	135	257
Change in cash and cash equivalents		**(259)**	**(10)**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Changes in Equity

(in millions of euros)	Combined reserves including earnings	Items of comprehensive income[(a)]	Equity (group share)	Non-controlling interests	Combined equity
BALANCE AS AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	—	*(982)*	*(3)*	***(985)***
Other transactions	*0*	—	*0*	—	***0***
Dividends and other transactions	**(982)**	**—**	**(982)**	**(3)**	**(985)**
Net income	*465*	—	*465*	*6*	***471***
Income and expenses recognized directly in shareholders' equity	—	*2*	*2*	—	***2***
Combined statement of comprehensive income	**465**	**2**	**467**	**6**	**473**
Total changes over the period	**(517)**	**2**	**(515)**	**3**	**(513)**
BALANCE AS AT SEPTEMBER 30, 2013	**2,347**	**(18)**	**2,329**	**10**	**2,339**
Dividends paid	—	—	—	—	**—**
Other transactions	*(0)*	—	*(0)*	—	***(0)***
Dividends and other transactions	**(0)**	**—**	**(0)**	**—**	**(0)**
Net income	*(45)*	—	*(45)*	*0*	***(45)***
Income and expenses recognized directly in shareholders' equity	—	*(3)*	*(3)*	—	***(3)***
Combined statement of comprehensive income	**(45)**	**(3)**	**(48)**	**0**	**(48)**
Total changes over the period	**(45)**	**(3)**	**(48)**	**0**	**(48)**
BALANCE AS AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**
Dividends paid	*0*	—	*0*	*(7)*	***(7)***
Other transactions[(b)]	*3,973*	—	*3,973*	*(0)*	***3,973***
Dividends and other transactions	**3,973**	**—**	**3,973**	**(7)**	**3,965**
Net income	*178*	—	*178*	*6*	***184***
Income and expenses recognized directly in shareholders' equity	—	*(1)*	*(1)*	—	***(1)***
Combined statement of comprehensive income	**178**	**(1)**	**177**	**6**	**183**
Total changes over the period	**4,150**	**(1)**	**4,149**	**(1)**	**4,148**
BALANCE AS AT SEPTEMBER 30, 2013	**6,452**	**(22)**	**6,430**	**10**	**6,440**

(a) Details in the statement of comprehensive income

(b) Contribution of Vivendi by offsetting receivable in connection with the assignment of SPT; refer to Basis for Preparation of Combined Accounts

The Accompanying Notes are an integral part of the Combined Financial Statements

Notes to the Condensed Interim Combined Financial Statements

Basis of Preparation

These interim combined financial statements have been drawn up on December 23, 2014 by Numericable-SFR S.A. (hereinafter referred to as Numericable) in its capacity as new controlling shareholder of the companies SFR S.A. and SIG 50 S.A. (hereinafter referred to respectively as SFR and SIG 50).

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, for the 9 months ended as of September 30, 2014, as reported in the quarterly consolidation packages provided to Vivendi SA until the takeover of SFRS.A., SIG 50 S.A. and their subsidiaries by Numericable-SFR S.A. (previously Numericable Group S.A.).

They must be read in conjunction with the annual combined statements as at the end of December 2013 and the condensed interim combined financial statements as at the end of June 2014 which are attached to the Numericable Group Reference Document update filed with the French Autorité des Marchés Financiers on October 28, 2014.

Context

During its meetings on April 4 and 5, 2014, the Supervisory Board of Vivendi learned the result of the negotiations with Altice/Numericable, in the context of the reciprocal exclusivity granted on March 14, with a view to a partnership between SFR and Numericable, and unanimously decided to select the bid of Altice/Numericable.

In the context of a new reciprocal exclusivity undertaking with Altice/Numericable, and after obtaining the advisory opinion of the staff representative bodies of Numericable, Vivendi and SFR on this plan, the deal was signed on June 20, 2014.

The completion of this agreement was subject to certain conditions, in particular obtaining the approvals of the competent regulatory authorities. On October 27, 2014 the Competition Authority, after an in-depth examination of the file, authorized, subject to conditions, the purchase of SFR by Numericable Group. This operation was finalized on November 27, 2014.

Altice main shareolder of Numericable-SFR, has announced that it has signed a definitive agreement to purchase the Portuguese assets of the Brazilian telecom group Oi. These assets comprise the existing business of Portugal Telecom outside of Africa and excludes others, among which Portugal Telecom's Rio Forte debt securities. The transaction, net of financial debt, accrued post-retirement liabilities and other purchase price adjustments will be financed by new debt and existing cash from Altice.

To finance this acquisition, Altice plans to carry out a bond issue. These interim combined financial statements have been drawn up so as to be included in the corresponding offering memorandum.

Combination scope

The arrangement that constitutes the combined group (hereinafter referred to as the ''Group'') has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi on September 30th 2014.

As of September 30, 2014, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR and its subsidiaries,
- the entities held directly or indirectly by SIG 50 and its new subsidiary, Groupe Telindus France S.A.

The combination scope presented in Note 27—List of Entities Combined of the accompanying notes to the 2013 annual combined accounts—includes in particular three new subsidiaries as of September 30, 2014. These are the companies Groupe Telindus France S.A., Telindus France S.A.S. and Telindus Morocco S.A.S.

As a reminder, the combination scope as at December 31, 2013 excluded SPT, held by SFR and owner of the interest in Maroc Telecom. This company was sold to Etisalat on May 14, 2014.

Terms of treatment of the holding company SPT owning the interest in Maroc Telecom:

As a reminder, in the historical combined accounts:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax, were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR to Vivendi.

In the interim combined statements as of September 30, 2014,

- the proceeds of sale, net of the tax on the capital gain generated in the sum of 4 billion euros, was recorded in exchange for the combined equity, insofar as it is considered as a contribution by offsetting of receivables of the shareholder Vivendi,
- the amount received on the sale reduces the Vivendi current account.

Presentation of the business

The business in France comprises mainly:

- the telephony business of SFR in France, which develops mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France,
- the business of telecoms and network integration, in particular via Telindus

Conventions used when preparing the combined accounts

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts. All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The transactions with the other entities of the Vivendi Group are presented in Note 24—Transactions with Related Parties of the annual combined statements as of December 31, 2013. The main changes concern the financial debts to Vivendi presented in Note 11—Borrowing and Financial Debts.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry-forward losses recorded during the period of tax consolidation will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles and Valuation Methods

1.1. Interim financial statements

The condensed interim financial statements of the nine months period ending September 30th 2014 are presented and have been prepared on the basis of standard IAS 34—*Interim Financial Reporting*, as

Note 1. Accounting Principles and Valuation Methods (Continued)

adopted in the European Union (EU) and published by the IASB (*International Accounting Standards Board*). Thus, with the exception of the elements described in paragraph 1.2, the combined group applied the same accounting methods as in its combined financial statements for the financial year ended December 31, 2013 (refer in particular to Note 1—Accounting Principles for Combined Financial Statements), and the following provisions have been upheld:

- The calculation of the tax for the period is the result of the product of the annual effective rate of estimated tax, applied to the pre-tax accounts result for the period,
- The expenditure recorded over the period in remunerations paid in shares, staff benefits and employee profit sharing corresponds to the proportion of the estimated expenses for the year, possibly restated with non-recurring events that have occurred over the period.
- Actuarial assumptions used for post-employee benefits accounted for the nine-months ended September 30, 2014 are based on actuarial studies done for the year 2013; meaning no significant impact related to actuarial assumptions has been recorded in shareholders' equity during that period.

1.2. New IFRS standards and interpretations applicable from January 1, 2014

From the first quarter of 2014, the Group applied the IFRIC 21—*Levies* interpretation, published by the IFRIC on May 20, 2013, adopted in the EU on June 13, 2014, and published in the Official Journal of the EU on June 14, 2014. This clarifies certain accounts treatments applicable to levies, in compliance with IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*.

IFRIC 21 specifically deals with the accounting of liabilities in respect of a levy or tax payable imposed by the public authorities on companies in accordance with legal or regulatory provisions, with the exception, specifically, of income tax and VAT. The application of this interpretation could therefore lead to changes in the timing of recognition of liabilities for taxes. This interpretation, mandatory from January 1, 2014 with retrospective effect to January 1, 2013, had no material impact on the financial statements of SFR

Furthermore, and as a reminder, with retrospective effect to January 1, 2012, the Group chose to apply early the standards on the consolidation methods: IFRS 10—*Consolidated Financial Statements*, IFRS 11—*Joint Arrangements*, IFRS 12—*Disclosure of Interests in Other Entities*, IAS 27—*Separate Financial Statements*, and IAS 28—*Investments in Associates and Joint Ventures*, the impacts of which are described in note 1 accompanying the combined financial statements for the financial year ended December 31, 2013. The application of these standards had no material impact on the financial statements of the Group.

1.3. Presentation of the combined financial statements

1.3.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income, share of profit of companies accounted for under the equity method, income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

Note 1. Accounting Principles and Valuation Methods (Continued)

1.3.2. Other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and are shown separately according to whether or not they will be subsequently reclassified to income.

1.3.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.3.4. Statement of cash flows

Net cash flow from operating activities

To determine the net cash flow from operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from investing activities

Net cash flow from investing activities includes, in particular, acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from financing activities

Net cash flow from financing activities includes, in particular, increases and decreases in loans, changes in amounts owed to Vivendi S.A., dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.3.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

Note 1. Accounting Principles and Valuation Methods (Continued)

1.3.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief decision-maker on operations verifies results and operating plans and decides on the allocation of resources at Group level. The Group has therefore identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

Note 2. Significant events over the period

Purchase of SFR by Altice / Numericable

During its meetings of April 4 and 5, 2014, the Supervisory Board of Vivendi unanimously decided to select the purchase bid of Altice/Numericable for SFR.

The transaction was signed on June 20, 2014. Closing took place on November 27, 2014 (see Note 17—Post-Closing Events).

Acquisition of Groupe Telindus France

On April 30, 2014, SIG 50 acquired all shares of Groupe Telindus France from the Belgacom Group for a total amount of €88 million, net of the cash acquired for €6 million. The main subsidiary, Telindus France, is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Thanks to this transaction, SFR will thus considerably strengthen its presence in the adjacent market of telecoms integration and this will enable it to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Note 3. Operating Income

3.1. Breakdown of Revenues

(in millions of euros)	September 2014	September 2013
Sales of goods	376	357
Sales of services	7,020	7,259
Revenues	**7,396**	**7,616**

3.2. Selling, general and administrative expenses

Excluding a non-recurring charge of €196 million, and excluding Telindus France, which entered the scope of consolidation on May 1, 2014, Selling, general and administrative expenses decreased by €31 million in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

Note 3. Operating Income (Continued)

3.3. Other Operating Income and Expenses

(in millions of euros)	September 2014	September 2013
Other operating income	**2**	**1**
Amortization of customer bases recognized in business combinations[(a)]	(50)	(50)
Restructuring costs[(b)]	(15)	(22)
Other[(c)]	(53)	(5)
Other operating expenses	**(117)**	**(76)**

(a) The amortization of customer bases recognized in business combinations represents the amortization of the customer bases recognized at the time of the acquisition of the Neuf Cegetel Group in 2008.

(b) The restructuring costs include the settlement payments and other costs linked to GPEC (Provisional Jobs and Skills Management).

(c) This amount includes, among other things, an additional profit sharing and incentive payment totaling €26 million, paid to employees of SFR's EEU (Economic and Employee Unit) as part of the planned sale of SFR to Numericable.

Note 4. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

(in millions of euros)	September 2014	September 2013
Other financial income	**2**	**1**
Effect of undiscounting liabilities[(a)]	(5)	(5)
Effect of undiscounting provision for risks and liabilities[(b)]	(2)	(2)
Other	(2)	(7)
Other financial expenses	**(9)**	**(13)**

(a) Principally concerns the debt related to the GSM license.

(b) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 10—Provisions.

Note 5. Goodwill

5.1. Net Change in Goodwill

The net change in goodwill can be analyzed as follows:

(in millions of euros)	September 2014	December 2013
Gross value at opening balance	**5,194**	**5,194**
Acquisitions[(a)]	77	0
Transfers	—	—
Gross value at closing balance	**5,272**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**
Change	—	—
Impairment losses at closing balance	**(6)**	**(6)**
Net value at end of period	**5,266**	**5,188**

(a) Concerns the provisional goodwill (before works allocating the purchase price) generated by the acquisition of Groupe Telindus France. The allocation of the price of acquisition will be finalized within 12 months of the date of acquisition, in compliance with IFRS standards. The value of the goodwill will only become final after this period.

Note 5. Goodwill (Continued)

5.2. Goodwill Impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

As at September 30, 2014, the Group has not identified any indication of loss of value that may require a goodwill impairment test.

Note 6. Tangible and Intangible Assets

6.1. Net intangible assets

	September 2014			December 2013		
(in millions of euros)	**Gross**	**Amort and impairment losses**	**Net**	**Gross**	**Amort and impairment losses**	**Net**
Acquired software	2,020	(1,726)	294	2,061	(1,737)	323
Software developed internally	2,418	(1,588)	830	2,695	(1,854)	841
Licenses[a]	2,505	(724)	1,781	2,505	(620)	1,885
Customer databases[b]	568	(526)	42	562	(476)	86
Other[c]	1,592	(783)	810	1,532	(736)	796
	9,103	**(5,346)**	**3,757**	**9,355**	**(5,424)**	**3,931**

(a) The gross amount includes in particular:

- the UMTS license for €619 million acquired in 2001, commissioned in June 2004, and amortizable until the end of the period granting the right (August 2021). The frequencies acquired in June 2010 for €300 million are amortizable over 20 years;
- the GSM license for €278 million acquired in March 2006, recorded at the discounted value at 4% of the annual fixed royalty of €25 million, and amortizable until the end of the period granting the right (March 2021);
- the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 GHz band, commissioned in November 2012 and amortizable until the end of the period granting the right (October 2031);
- the LTE license for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band, commissioned on 3 June 2013 and amortizable until the end of the period granting the right (January 2032).

(b) Includes in particular:

- the Neuf Cegetel customer base, valued upon acquisition at €464 million,
- the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

The analysis of the change of intangible assets is as follows:

(in millions of euros)	**September 2014**	**December 2013**
Opening balance	**3,931**	**4,082**
Amortization and impairment losses	(556)	(729)
Acquisitions	358	586
Disposals / Write-down	(2)	(4)
Changes in combination scope	9	0
Other	17	(4)
Closing balance	**3,757**	**3,931**

Note 6. Tangible and Intangible Assets (Continued)

6.2. Net tangible assets

(in millions of euros)	September 2014 Gross	September 2014 Amort and impairment losses	September 2014 Net	December 2013 Gross	December 2013 Amort and impairment losses	December 2013 Net
Land	80	(1)	79	78	(1)	76
Buildings	2,971	(1,682)	1,289	2,900	(1,614)	1,286
Equipment and machinery	5,488	(3,467)	2,021	5,326	(3,267)	2,058
Work in progress	255	—	255	301	—	301
Other	2,496	(1,726)	770	2,397	(1,587)	810
	11,291	**(6,877)**	**4,413**	**11,002**	**(6,470)**	**4,532**

Analysis of the changes in tangible assets is as follows:

(in millions of euros)	September 2014	December 2013
Opening balance	**4,532**	**4,468**
Amortization and write-off	(648)	(932)
Acquisitions / Increase	573	1,079
Disposal	(28)	(21)
Changes in combination scope	5	(61)
Other	(20)	(2)
Closing balance	**4,413**	**4,532**

Note 7. Other Current and Non-Current Assets

(in millions of euros)	September 2014	December 2013
Non-current operating assets	**79**	**79**
Advances to equity-accounted and non-combined companies	44	65
Non-combined equity securities	10	12
Other	27	29
Non-current financial assets	**81**	**106**
Total other non-current assets	**160**	**185**
Other current financial assets	**8**	**2**

The decrease of non-current financial assets is due to the repayment of shareholder advances of the Foncière Rimbaud 1 and Foncière Rimbaud 2 companies, following the sale of these companies' assets.

Note 8. Trade Accounts Receivable and Other Receivables

(in millions of euros)	September 2014	December 2013
Accounts receivable	2 256	2 147
Bad debt allowance[(a)]	(460)	(465)
Net accounts receivable	**1 796**	**1 681**
Receivables from suppliers	183	228
Employee and tax receivables	454	529
Prepaid expenses	186	103
Income taxes	8	3
Receivables linked to tax integration[(b)]	186	9
Other non-operating receivables	5	5
Accounts receivable and other receivables	**2 817**	**2 558**

(a) The Group considers that there is no significant collectability risk for unprovisioned overdue receivables.

(b) In the interim financial statements receivables and payables linked to tax integration are not offset (See. Note 12—Trade Accounts Payable and Other Payables).

Note 9. Cash and Cash Equivalents

(in millions of euros)	September 2014	December 2013
Cash	40	297
Cash equivalents	95	98
Cash and cash equivalents	**135**	**394**

Note 10. Provisions

(in millions of euros)	Opening Balance Dec. 2013	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance Sep. 2014
Staff benefit schemes	76	7	(0)	—	4	87
Restructuring[(a)]	85	0	(41)	(0)	—	44
Site renovation costs[(b)]	61	—	(1)	—	—	60
Litigation and other[(c)]	269	214	(63)	(39)	11	391
Provisions	**491**	**221**	**(105)**	**(40)**	**15**	**582**
Current provisions	*335*	*214*	*(104)*	*(40)*	*2*	*407*
Non-current provisions	*156*	*7*	*(1)*	*(0)*	*13*	*175*

(a) Restructuring: the recovery of €41 million only concerns the voluntary redundancy plan provisioned in 2012 and 2013.

(b) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(c) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned (refer to Note 16—Litigation).

Note 11. Borrowing and Financial Debt

11.1. Analysis of borrowing and financial debt

(in millions of euros)	September 2014	December 2013
Shareholder debt[a]	—	1,200
Debt relative to finance leasing	6	8
Other financial debt	27	40
Non-current borrowing and financial debt	**33**	**1,248**
Shareholder debt[a]	4,855	7,472
Bond loan[b]	—	300
Bank loans	13	50
Debt relative to finance leasing	3	3
Other financial debt	18	20
Current borrowing and financial debt	**4,889**	**7,846**
Borrowing and financial debt	**4,923**	**9,094**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi:
  - to SFR in June 2011. This facility was drawn to the level of €7.5 billion as of December 31, 2013 and €3.6 billion as of September 30, 2014 respectively. This advance is denominated almost entirely in euros. The interest rate has been variable since January 1, 2014 (Euribor 1 month +3%);
  - to SIG 50 in 2002. This facility, not drawn as of December 31, 2013, was drawn to the level of €96 million as of September 30, 2014;
- shareholder loan: the loan, entered into with SFR in December 2011 for €1.2 billion at the Euribor +0.825% rate with maturity in June 2015, has been reclassified in current financial debts.

(b) Bond loan (net of amortized cost): the Group issued a bond loan of €300 million in July 2009 at the rate of 5%, with maturity on July 9, 2014 (repaid on time).

11.2. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis, as of September 30, 2014. The interest payable is calculated on the basis of the debt and the interest rates on that date.

The annual effective percentage rate over the period is 2.92%.

		September 2014		
		Schedule of repayments		
(in millions of euros)	Book value	Under one year	Two to five years	Over five years
Shareholder debt	4 855	4 855	—	—
Bond loan	—	—	—	—
Borrowing in respect of leasing	9	3	5	1
Other financial debts	58	31	22	5
Borrowing and financial debts	**4 923**	**4 889**	**27**	**6**

Note 12. Trade Accounts Payable and Other Payables

(in millions of euros)	September 2014	December 2013
Trade accounts payable	2 644	2 878
Customer's credit balances	374	622
Tax debts	520	508
Social security debts	326	338
Prepaid income	525	524
Income tax	3	3
Tax integration debt[(a)]	236	1
Other	1	1
Trade accounts payable and other payables	**4 629**	**4 874**

(a) In the interim financial statements receivables and payables linked to tax integration are not offset (See. Note 8—Trade Accounts Receivable and Other Receivables).

Note 13. Other Current and Non-Current Liabilities

(in millions of euros)	September 2014	December 2013
Deferred income[(a)]	302	309
GSM license	110	136
Other	25	28
Other non-current liabilities	**437**	**473**
Uncalled share capital (Numergy)	63	63
Other	1	5
Non-current financial liabilities	**64**	**68**
Total other non-current liabilities	**501**	**540**
Uncalled share capital (Numergy)	16	16
Other	6	1
Other current financial liabilities	**22**	**17**

(a) Including linked to IRU (Irrevocable Rights of Use) contracts: €248 million as of end of September 2014.

Note 14. Transactions with Related Parties

During the first nine months, no transaction with related parties had any significant effect on the financial situation or the profitability of the Group, with the exception of the transactions presented in Note 11—Borrowing and Financial Debts.

Note 15. Contractual Commitments

15.1. New significant commitments of the period

The new significant contractual commitments made and/or received by the Group during the first nine months are detailed hereunder:

Commitments related to the sharing of the networks with Bouygues Telecom

The network sharing agreement signed with Bouygues Telecom on January 31, 2014, and its amendment dated October 24, 2014 (see Note 17—Post-Closing Events), represents given commitments for approximately €1,830 million and received commitments for approximately €2,210 million, representing a net commitment received by SFR of approximately €380 million, which applies over the entire duration of the long-term agreement.

Note 15. Contractual Commitments (Continued)

Commitments related to the signing of the Oise THD contract on March 27, 2014

As part of the public service delegation (DSP) in the Oise area, the SFR Group has launched a new ''Oise Very High Speed Internet'' project for the operation and marketing of 280,000 FTTH plugs. The related investment commitment amounts to €125 million over 15 years.

Commitments related to the signing of the Eure-et-Loire Digital on May 27, 2014

As part of the public service delegation (DSP) in the Eure-et-Loire area, the SFR Group has launched a new ''Eure-et-Loire Very High Speed Internet'' project for the operation and marketing of 90,000 FTTH plugs by 2020. The related commitment amounts to €28 million.

15.2. Other Commitments

Apart from the commitments indicated above, the net contractual commitments made by the combined Group are described in the notes to the condensed interim combined financial statements as of June 30, 2014.

Note 16. Litigations

Legal Proceedings

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings.

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there is no lawsuit, arbitration and governmental or other proceedings, or exceptional event (including any proceedings of which the issuer is aware which are pending or threatened) which may have or which have had a significant impact on the company's and on its group's financial position, profit, business and property during the previous nine months, other than those described below.

Are mentioned in the present note all significant litigations in which SFR is in request and defense.

Claim of Orange Against SFR and Bouygues Telecom

On April 29, 2014, Orange brought a claim before the Competition Authority on the subject of an agreement for sharing part of the mobile access networks between Bouygues Telecom and SFR, signed on January 31, 2014. Orange considers that this agreement constitutes a collusive practice, through concerted action and horizontal agreement, between rival companies. Orange demanded the immediate suspension of its implementation as an interim measure. The Competition Authority rejected Orange's demand of interim measures on September 25th, 2014. Orange filed an appeal before the Paris court of Appeal against this decision. In parallel, the case is still under investigation by the Competition Authority, on the merits.

Bouygues Telecom's Complaint against SFR and Orange in connection with the wholesale mobile call termination and retail mobile telephony markets

Claim Before the French Competition Council

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets (''price scissoring''). On May 15, 2009, the French Competition Authority resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13,

Note 16. Litigations (Continued)

2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014. The Paris Court of Appeal gave its deliberation on June 19, 2014, under the terms of which it dismissed SFR's procedural arguments, demanded *Amicus Curiae* at the European Commission on the economic and legal matters raised in this case, and postponed its decision on the merits of the case pending the opinion of the Commission.. The Commission gave its opinion on December 1st, 2014. A new hearing by the Court of Appeal is expected on February 25, 2014. On July 9, 2014, SFR filed an appeal before the Cour de Cassation (French Supreme Court) regarding the procedural claims.

Third-Party Damages Litigation

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. In compliance with the settlement agreed between SFR and Bouygues Telecom in June 2014, the hearing to close the mediation process was held on September 5, 2014. Notification of the decision on September 11, 2014 did put an end to the litigation between the two companies.

Regarding OMEA and El Telecom's claims, SFR asked the court to stay the damages proceedings pending a final decision or at least the decision of the Paris Court of Appeal. On October 14th, 2014, the Court decided to stay the proceeding until the Paris Court of Appeal decision.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.

Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

On June 25, 2013, all of SFR's claims were dismissed. On July 25, 2013, SFR filed an appeal against the judgment of the Commercial Court.

Complaint by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority of alleged unfair price differentiation practices implemented by SRR on the Consumer market and on the Business market. On September 16, 2009, the Competition Authority delivered interim measures against SRR, pending its decision on the merits.

SRR had to put an end to a price difference exceeding that of the costs borne by SRR according to the on-net/off-net network. As the Competition Authority found that SRR had not fully respected the order it had delivered, on January 24, 2012 it fined it €2 million. With regard to the procedure on the merits, on July 31, 2013 SRR signed a statement of non-contestation of grievances and a letter of commitments. Consequently, the general reporting judge proposed a reduction in the fine incurred by SRR to the board of the Authority.

Following the Authority's decision of September 16, 2009, Outremer Telecom brought action for damages against SRR on June 17, 2013 before the Commercial Court of Paris for the loss it alleges it suffered owing to the practices of SRR. On November 13, 2013, the Court postponed its decision until the decision on the merits by the Competition Authority.

Note 16. Litigations (Continued)

On June 13, 2014, the Authority handed down its decision on the ''Consumer'' portion of the complaint, fining SFR and its subsidiary SRR €45.9 million. The ''Business'' portion is still under investigation by the Competition Authority.

On October 8, 2014, Orange brought action for damages against SRR and SFR before the Commercial Court for the loss it alleges it suffered owing to the practices of SRR. Orange is seeking damages of €135.2 million

Complaint against Orange before the French Competition Authority regarding the mobile telephony services to professionals market

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange Against SFR (''Overflow'' Case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair ''overflow'' of interconnection to their respective networks.

On December 10, 2013, SFR was ordered to pay €22.1 million to Orange. On January 10, 2014, SFR appealed against this decision.

Complaint against Orange (Abuse of Dominant Position on the Retail Mobile Telephony Secondary Home Market)

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the secondary residence market. On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51 million in damages.

Orange appealed against this judgment. On April 2, 2014, Orange also asked for suspension of the provisional execution of the decision of the Commercial Court. On July 4, 2014, this request was rejected. The Paris Court of Appeal cancelled to commercial court's decision on October 8th 2014. On November 19, 2014, SFR brought the case to the French Supreme Court.

Litigation with Free

On May 21, 2012, Free filed a complaint against SFR before the Paris Commercial Court. Free is challenging the subsidy model associated with SFR's *Carrées* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and that, as such, SFR is guilty of unfair practices by not respecting the provisions inherent to consumer credit, including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

Litigation with the UFC

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (*Tribunal de Grande Instance*) against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain unfair clauses. The UFC is seeking the removal of these clauses and damages.

Complaint against Orange (Unbundled Zones Case)

On November 26, 2012, SFR notified the French Competition Authority of practices constituting an abuse of dominant position on the retail high-speed internet access market in non-unbundled areas.

Note 16. Litigations (Continued)

Complaint against Iliad, Free and Free Mobile

In June 2014, SFR summonsed Iliad, Free and Free Mobile before the Commercial Court of Paris for acts of unfair competition in order to have it recognized that at the time of the launch of Free Mobile and subsequently, Iliad/Free were guilty of disparagement against the services of SFR.

Litigation with the CLCV

On January 7, 2013, the French consumer protection association, CLCV (Consumption, Housing and Quality of Life) filed a complaint before the Commercial Court of Paris against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be unfair. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon, and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (*conseils des prud'hommes*) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court. On June 18, 2014, the Court of Cassation confirmed the decision of the Court of Appeal of Toulouse.

Disputes with independent distributors (B2C and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically by its former distributors. These recurring disputes revolve around the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as a commercial agent and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR. Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 17. Subsequent Events

Network sharing agreement with Bouygues Telecom

On January 31, 2014, SFR and Bouygues Telecom entered into strategic network sharing agreement. They will roll out a new shared network in an area covering 57% of the French population. This agreement will enable both operators to improve their mobile coverage and generate significant savings over time.

The agreement is based on two principles:

- First, the creation of a joint venture to manage shared radio site assets, in particular passive infrastructure and geographical locations in which the infrastructure and telecom equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecom equipment assets and their frequencies;

Note 17. Subsequent Events (Continued)

- Secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN-sharing service

This network-sharing agreement is similar to numerous arrangements already existing in other European countries. Each operator will retain its own innovative capacity as well as complete commercial and pricing independence. The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

Altice-Numericable Understanding

On 27th November 2014 Altice and Numericable Group announced the closing of the transaction to combine SFR and Numericable. Vivendi received €13.366 billion in cash of which €200 million will be contributed to the financing of the acquisition of Virgin Mobile by Numericable Group. Vivendi will keep a 20% stake in the new combined entity, which it will be free to sell after a one year lock-up period, subject to Altice's pre-emption right. That day, the company Numericable Group changed its name into Numericable-SFR.

SFR

COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

Vivendi S.A.
Registered office: 42, avenue de Friedland—75008 Paris

Statutory auditors' report on the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries for the years ended 31 December 2013, 2012 and 2011

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France.

To the Chairman of the Management Board,

In our capacity as Statutory Auditors of Vivendi S.A. and in response to your request, in the framework of the implementation, if applicable, the unbundling project of Media and Telecoms activities of Vivendi Group, we have audited the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries (hereinafter 'the Group') for the years ended December 31, 2013, 2012 and 2011 (hereinafter 'the Combined Financial Statements') as attached to this report.

These Combined Financial Statements have been approved by your Management Board. Our role is to express an opinion on these statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Combined Financial Statements present fairly in all material respects the financial position of the Group as at 31 December 2013, 2012, 2011 and of its financial performance for each of the years then ended, in all material aspects and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Without qualifying our opinion above, we draw your attention to note ''Basis of preparation'' which describes the particular context, the scope of combination and accounting policies used in the preparation of the Combined Financial Statements.

Paris La Defense, April 11, 2014

The statutory auditors

French original signed by

KPMG Audit
Département de KPMG S.A.

Frédéric Quélin

ERNST & YOUNG et Autres

Jean-Yves Jégourel

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Combined Income Statement

	Note	2013	2012	2011
		(in millions of euros)		
Revenues	4.1	**10,199**	**11,288**	**12,183**
Cost of sales		(6,129)	(6,299)	(6,857)
Commercial and distribution costs		(2,199)	(2,222)	(1,932)
Selling, general and administrative expense		(699)	(978)	(1,102)
Other operating income	4.2	2	11	14
Other operating expense	4.2	(169)	(270)	(84)
Operating result		**1,005**	**1,530**	**2,222**
Interest income		3	3	1
Interest expense		(232)	(220)	(209)
Net financing cost		***(229)***	***(217)***	***(208)***
Other financial income	5	2	2	8
Other financial expense	5	(24)	(34)	(70)
Financial income		**(251)**	**(249)**	**(270)**
Income from equity affiliates		(12)	(13)	(17)
Pretax income from continuing operations		**742**	**1,267**	**1,935**
Income tax	6.1	(315)	(516)	(535)
Net earnings		**426**	**752**	**1,400**
of which				
Attributable to shareholders		**420**	**746**	**1,399**
Net earnings from continuing operations		420	746	1,399
Attributable to non-controlling interests		**6**	**6**	**1**
Net earnings from continuing operations		6	6	1

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements.

SFR

Combined Statement of Comprehensive Income

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings		**426**	**752**	**1,400**
Foreign currency translation adjustments		0	—	(1)
Financial instruments/currency hedges		—	—	(2)
Financial instruments/interest rate hedges		—	—	67
Other		—	—	2
Deferred tax		—	—	(23)
Other items related to equity-affiliates		2	(2)	(3)
Items to be subsequently reclassified to earnings		**2**	**(2)**	**40**
Actuarial differences on post-employment benefits	19.2	(7)	(15)	0
Linked taxes		3	5	(0)
Items not to be subsequently reclassified to earnings		**(4)**	**(10)**	**0**
Combined comprehensive income		**424**	**740**	**1,440**
Of which				
Comprehensive income attributable to the shareholders of the Group		418	734	1,439
Comprehensive income attributable to non-controlling interests		6	6	1

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Balance Sheet

	Note	2013	2012	2011
		(in millions of euros)		
ASSETS				
Goodwill	8	5,188	5,188	5,188
Intangible assets	9	3,931	4,082	3,117
Tangible assets	10	4,532	4,468	4,244
Investments in equity affiliates	11	152	138	49
Deferred tax assets	6	127	157	109
Other non-current assets	12	185	161	149
Non-current assets		**14,115**	**14,194**	**12,855**
Inventories	13	240	245	356
Trade accounts receivable and other receivables	14	2,558	2,544	3,015
Other current financial assets	12	2	2	2
Cash and cash equivalents	15	394	267	228
Current assets		**3,194**	**3,057**	**3,601**
TOTAL ASSETS		**17,309**	**17,252**	**16,456**
EQUITY AND LIABILITIES				
Combined reserves		1,860	2,098	1,248
Earnings		420	746	1,399
Shareholders' equity		**2,281**	**2,844**	**2,647**
Non-controlling interests		11	8	4
Combined equity	16	**2,291**	**2,852**	**2,651**
Non-current provisions	18	156	173	137
Long term borrowings and other financial liabilities	20	1,248	1,561	4,490
Deferred tax liabilities	6	2	1	0
Other non-current liabilities	22	540	597	633
Non-current liabilities		**1,947**	**2,333**	**5,259**
Current provisions	18	335	408	236
Short term borrowings and financial liabilities	20	7,846	6,506	2,896
Trade accounts payable and other payables	21	4,874	5,136	5,412
Other current financial liabilities	22	17	17	3
Current liabilities		**13,071**	**12,067**	**8,546**
TOTAL EQUITY AND LIABILITIES		**17,309**	**17,252**	**16,456**

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Cash Flow Statement

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings attributable to the Group		**420**	**746**	**1,399**
Adjustments				
Non-controlling interests		6	6	1
Income tax (current/deferred)	6.1	315	516	535
Other expenses (including capital gain or loss on financial assets divestitures)		2	5	(11)
Net financial expense	5	251	249	270
Earnings from equity-affiliates		12	13	17
Amortization, depreciation and operating provisions		1,549	1,745	1,569
Gains or losses on tangible or intangible assets		8	7	7
Tax paid	6.1	(299)	(537)	(643)
Change in working capital		(305)	143	54
Inventories	13	6	111	(41)
Trade accounts receivable	14	69	203	126
Other receivables	14	(84)	198	(48)
Trade accounts payable	21	(84)	(191)	(80)
Other payables	21	(212)	(178)	97
Net cash flow from (used in) operating activities		**1,960**	**2,892**	**3,197**
Purchase of tangible and intangible assets	9, 10	(1,665)	(2,765)	(1,845)
Purchases of combined companies, after acquired cash		(3)	(30)	(48)
Increase in financial assets		(37)	(15)	(68)
Investments		***(1,705)***	***(2,809)***	***(1,962)***
Proceeds from sales of property, plant, equipment and intangible assets	9, 10	17	13	13
Proceeds from sales of combined companies, after divested cash		10	13	20
Decrease in financial assets		3	3	2
Divestitures		***29***	***30***	***35***
Change in working capital related to PPE and intangible assets		38	15	23
Cash flow from investing activities		38	15	23
Net cash flow from (used in)investing activities		**(1,638)**	**(2,765)**	**(1,903)**
Interest paid	5	(232)	(219)	(209)
Interest received	5	3	3	1
Dividends paid	16	(985)	(538)	(1,458)
Repayments of borrowings (incl. Bonds)	20	(15)	(1,019)	(447)
Change in shareholder advances	20	1,066	2,144	2,142
Change in other financial liabilities	20	(25)	(455)	(1,144)
Other cash flow related to financing activities		(7)	(5)	(40)
Net cash flow from (used in)financing activities		**(195)**	**(89)**	**(1,155)**
Change in cash and cash equivalents		**128**	**38**	**139**
Cash and cash equivalents				
Opening balance	15	267	228	89
Closing balance	15	394	267	228
Change in cash and cash equivalents		**128**	**38**	**139**

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Statement of Changes in Equity

	Combined reserves including earnings	Items of comprehensive income(a)	Equity (Group share)	Non-controlling interests	Combined equity
		(in millions of euros)			
BALANCE AT DECEMBER 31, 2010	**2,583**	**(48)**	**2,535**	**10**	**2,545**
Dividends paid	*(454)*	—	*(454)*	*(4)*	***(458)***
Other transactions	*(874)*	—	*(874)*	*(3)*	***(877)***
Dividends and other transactions	**(1,328)**	**—**	**(1,328)**	**(7)**	**(1,335)**
Net income	*1,399*	—	*1,399*	*1*	***1,400***
Income and expenses recognized directly in shareholder's equity(a)	—	*40*	*40*	—	***40***
Combined statement of other comprehensive income	**1,399**	**40**	**1,439**	**1**	**1,440**
Total changes over the period	**71**	**40**	**111**	**(6)**	**105**
BALANCE AT DECEMBER 31, 2011	**2,654**	**(8)**	**2,647**	**4**	**2,651**
Dividends paid	*(536)*	—	*(536)*	*(2)*	***(538)***
Dividends and other transactions	**(536)**	**—**	**(536)**	**(2)**	**(538)**
Net income	*746*	—	*746*	*6*	***752***
Income and expenses recognized directly in shareholder's equity(a)	—	*(12)*	*(12)*	—	***(12)***
Combined statement of other comprehensive income	**746**	**(12)**	**734**	**6**	**740**
Total changes over the period	**209**	**(12)**	**197**	**4**	**201**
BALANCE AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	—	*(982)*	*(3)*	***(985)***
Dividends and other transactions	**(982)**	**—**	**(982)**	**(3)**	**(985)**
Net income	*420*	—	*420*	*6*	***426***
Income and expenses recognized directly in shareholder's equity(a)	—	*(2)*	*(2)*	—	***(2)***
Combined statement of other comprehensive income	**420**	**(2)**	**418**	**6**	**424**
Total changes over the period	**(562)**	**(2)**	**(564)**	**3**	**(561)**
BALANCE AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**

(a) Details in the statement of comprehensive income

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Notes to the Combined Financial Statements

Basis of Preparation

These combined financial statements have been prepared by Vivendi, in its capacity of controlling shareholder of the companies SFR and SIG 50, in the context of potential implementation of the plan to separate the Media and Telecoms businesses of the Vivendi Group.

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, as approved for their financial years ending on December 31, 2011, 2012 and 2013, and prepared for the purpose of preparing the consolidated accounts of the Vivendi Group.

These combined financial statements of SFR and SIG 50 and their subsidiaries were approved by the Management board of Vivendi at its meeting on April 8th, 2014.

Context

As they informed the shareholders regularly in 2012 and 2013, Vivendi's Management Board and Supervisory Board have instigated a review of the Group's strategic orientations. In 2013, Vivendi sold the majority of its interest in Activision Blizzard and finalized an agreement with Etisalat for the sale of its shares in Maroc Telecom. The Group decided to concentrate on its media and content businesses, which are in leader positions and are benefiting from a strongly growing digital market. It has strengthened its interest in Canal+ France, in which it now holds 100% of the share capital. Vivendi is also working on the reconfiguration of SFR. The operator is experiencing the first positive effects of its transformation plan, reflecting its benefits at a commercial level while reducing its costs. A network sharing agreement has been concluded with Bouygues Telecom, on part of the mobile network, which will enable it to offer its customers better coverage and improved quality of service. On these bases the Group intends to position the future Vivendi as a dynamic player in media and content. With SFR, it wishes to participate in the reshaping of the telecommunications sector in France by actively exploring all opportunities.

On November 26, 2013, the Supervisory Board approved the appropriateness of the plan to separate the Group into two separate companies: firstly, a new international media group based in France, with very strong positions in music (where it is the worldwide leader), in movies in Europe, in pay-TV in France, Africa, Vietnam and Poland, and in Internet and associated services in Brazil; and secondly the **Telecoms business France**.

Presentation of Telecoms business in France

Telephony business in France comprises mainly:

- the telephony business of SFR SA in France, which is developing mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR SA operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France.

In order to present the historic financial information of the Group for financial years 2013, 2012 and 2011, combined accounts have been drawn up.

Combination scope

The arrangement that constitute the new autonomous group (hereinafter referred to as the ''Group'') has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi.

As of January 1, 2011, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR SA and its subsidiaries,
- the interest of Vivendi, through SIG 50, in the businesses of distribution of telecommunications products and services, owing to their operational attachment to the business of the Group.

The scope of combination thus excludes the company SPT, held by SFR SA and holder of Maroc Telecom.

The combination scope is presented in Note 27—List of Entities Combined.

Accounting for related to the holding company SPT owning the interest in Maroc Telecom:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR SA to Vivendi SA.

Conventions used when preparing the combined accounts

The combination of entities under common control as envisaged were recorded in the combined financial statements of the Group at historic book values. These historic combined financial statements of the Group were drawn up on the basis of the values presented in Vivendi's Consolidated Financial Statements, restated for consolidation adjustments and the accounting impact of operations to acquire stakes in the France telephony business by Vivendi.

In the absence of a specific IFRS text dealing with combined financial statements, the Group defined the principles and conventions for combination presented hereunder.

The net debt level accepted in these combined financial statements reflects the debt level and its historic compensation levels with regard to the Vivendi Group or third parties of the entities included in the combined accounts.

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts.

All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The operations with the other entities of the Vivendi Group are presented in Note 24—Transactions with Related Parties.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry-forward losses recorded during the period of tax consolidation, and up to December 31, 2013, will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles

1.1. General framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the basis for preparation set out above describes how the International Financial Reporting Standards (IFRS) as adopted by the European Union were applied to prepare the historic combined financial statements as of December 31, 2011, December 31, 2012 and December 31, 2013.

The new Group has never prepared IFRS financial statements, nor has it published financial statements for previous financial years.

Consequently, as a first-time adopter, the Group has prepared its combined financial statements for the financial year ended December 31, 2013 in accordance with IFRS 1—*First-Time Adoption of International Financial Reporting Standards*.

Under IFRS 1, if a subsidiary adopts IFRS after its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured:

- either at the carrying amounts based on the subsidiary's contribution to the parent company's historic consolidated financial statements, after restating adjustments relating to the consolidation and to the impacts of accounting for the business combination as a result of which the parent acquired the subsidiary; or
- at the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the IFRS 1 options applied by the subsidiary may differ from those applied by the parent.

In compliance with the option available under IFRS 1, the Group has chosen to draw up its first IFRS combined financial statements on the basis of the carrying amounts of its assets and liabilities as per its contribution to Vivendi's historic financial statements, taking account of the date of Vivendi's transition to IFRS, after eliminating adjustments relating to the Vivendi group consolidation and to the impacts of accounting for the business combinations as a result of which Vivendi acquired interests in SFR and in distribution activities in France.

The transitional provisions for first-time adoption used by the Group are therefore identical to those applied by the Vivendi group upon its transition to IFRS, i.e.:

- Business combinations: business combinations carried out by Group entities prior to January 1, 2004 (the date of Vivendi's transition to IFRS) are not restated.
- Employee benefits: any unrecognized actuarial gains and losses existing at January 1, 2004 are recognized within consolidated equity.
- Share-based payment: IFRS 2 was retrospectively applied as from the opening balance sheet at January 1, 2004. Accordingly, all share-based payment plans for which the rights had not yet vested at January 1, 2004 are recognized in accordance with IFRS 2.
- Cumulative translation differences: gains and losses resulting from the translation into euros of the financial statements of subsidiaries with a functional currency other than the euro were transferred to consolidated reserves as of January 1, 2004.

Vivendi chose not to adopt the exemption available under IFRS 1 allowing certain intangible assets and property, plant and equipment to be remeasured at fair value on its transition to IFRS.

Standards, amendments and interpretations in force

The combined financial statements of the Group as of December 31, 2013 were drawn up in compliance with IFRS as adopted in the European Union (EU) and in compliance with IFRS as published by the International Accounting Standards Board (IASB), effective as of December 31, 2013.

Note 1. Accounting Principles (Continued)

In its 2013 combined financial statements, the Group applied the following new standards and amendments adopted by the European Union with a mandatory effective date of January 1, 2013:

- Amendments to IAS 1—*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. These amendments deal with the presentation of other comprehensive income (''income and expenses recognized in other comprehensive income'' in the combined statement of comprehensive income), which are now shown according to whether or not they are to be subsequently reclassified to the income statement.
- Amendments to IAS 19—*Employee Benefits*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. The accounting principles and basis of measurement for employee benefits are presented in Note 1.3.15—Employee benefits.
- IFRS 13—*Fair Value Measurement*, providing a definition of fair value in terms of measurement and prescribing required fair value disclosures, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. Its application has no material impact on the bases of measurement used by the Group or on the information disclosed in the notes to its financial statements.
- Amendments to various IFRS standards contained in the Annual Improvements to IFRS 2009-2011, published by the IASB in May 2012, adopted by the EU on March 27, 2013, and published in the EU Official Journal on March 28, 2013.

In its combined financial statements as of December 31, 2013, the Group decided to early adopt the new standards on consolidation: IFRS 10—*Consolidated Financial Statements*, IFRS 11—*Joint Arrangements*, IFRS 12—*Disclosure of Interests in Other Entities*, and IAS 28—*Investments in Associates and Joint Ventures*, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. These standards are effective as of January 1, 2014 in the European Union.

The principles relative to methods of combination introduced by these new standards are presented below in Note 1.3.2—Basis of combination.

New IFRS standards and IFRIC interpretations published but not yet in force

The other main IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC but not yet in force, which the Group has not early adopted and which are likely to affect the Group, include IFRIC 21—*Levies*, published by the IFRS IC on May 20, 2013. The effective date of IFRIC 21 is not yet known since it has not yet been adopted by the EU. The application of this interpretation could lead to changes in the timing of recognition of liabilities for taxes.

The Group is in the process of analyzing the potential impacts of IFRIC 21 on its combined financial statements and on the contents of the notes to the combined financial statements.

Furthermore, the Group is monitoring changes to IFRS 9—*Financial Instruments*, which is intended to replace IAS 39. The IASB has provisionally decided to defer the mandatory effective date of the standard (initially planned for 2015), without deciding on another date.

1.2. Presentation of the combined financial statements

1.2.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income (expenses), share of profit of associates (companies accounted for under the equity method), income tax and profit.

Note 1. Accounting Principles (Continued)

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.2.2. Combined other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and shown separately according to whether or not they will be subsequently reclassified to income.

1.2.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.2.4. Combined statement of cash flows

Net cash flow from (used in) operating activities

To determine the net cash flow from (used in) operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from (used in) investing activities

Net cash flow from (used in) investing activities includes acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from (used in) financing activities

Net cash flow from (used in) financing activities includes increases and decreases in loans, changes in amounts owed to Vivendi SA, dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.2.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

Note 1. Accounting Principles (Continued)

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.2.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief operating decision-maker verifies results and operating plans and decides on the allocation of resources at Group level. The Group has identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

1.3. Basis of preparation of the combined financial statements

1.3.1. Use of estimates

Preparation of the combined financial statements in compliance with IFRS requires the Group to make certain estimates and assumptions that it deems reasonable and realistic. Even though these estimates and assumptions are regularly reviewed, particularly on the basis of past experience and forecasts, certain facts and circumstances may lead to changes in these estimates and assumptions, which could affect the carrying amount of the Group's assets, liabilities, equity and profit.

The main estimates and assumptions used relate to the measurement of:

- Provisions: risks are estimated on a case-by-case basis, on the understanding that developments in current events may require the risks to be reassessed at any time (see Notes 1.3.14 and 18).
- Employee benefits: assumptions are updated annually, such as the probability that employees will remain employed by the Group up to their retirement, expected changes in future compensation, discount rate and inflation rate, and life expectancy (see Notes 1.3.15 and 19).
- Goodwill: intangible assets with indefinite useful lives and fixed assets under construction: assumptions are updated annually within the framework of impairment tests and relate to cash-generating units (CGUs), future cash flows and discount rates (see Notes 1.3.6 and 8).
- Deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually on the basis of the Group's expected future taxable income or probable changes in temporary differences for assets and liabilities (see Notes 1.3.16 and 6).
- Revenues: the separable elements of a bundled offer must be identified and allocated according to the fair values of each component; the period over which revenues linked to costs of accessing

Note 1. Accounting Principles (Continued)

services should be recognized is to be determined based on the type of product and duration of the contract; and revenues are to be presented either on a net or gross basis according to whether the Group acts as agent or principal (see Notes 1.3.4 and 4.1).

- Intangible assets and property, plant and equipment: estimates of useful lives are based in particular on the effective obsolescence of fixed assets and the use made of those assets (see Notes 1.3.7 and 9, and Notes 1.3.8 and 10).

1.3.2. Basis of combination

The list of combined entities is presented in Note 27—List of combined companies.

Controlled entities

The new model of control introduced by IFRS 10 to replace the revised IAS 27—*Consolidated and Separate Financial Statements* and interpretation SIC 12—*Consolidation—Special Purpose Entities*, is based on the following three criteria, which must be met simultaneously to conclude that control is exercised by the parent company:

- The parent company holds power over the investee when it has effective rights giving it the current ability to direct the relevant activities of the investee, namely activities which have a significant impact on the investee's profitability. Power may result from existing and/or potential voting rights and/or contractual agreements. Voting rights must be substantial, i.e., they must be able to be exercised at any time without limitation, and particularly in connection with decisions relating to key activities. The assessment of whether or not an entity exercises control depends on the nature of the investee's relevant activities, the investee's decision-making process, and the distribution of rights of other shareholders of the investee.
- The parent company is exposed to, or has rights, to variable returns from its involvement with the investee, which may vary according to the investee's performance. The concept of returns is defined broadly, and includes dividends and other types of economic benefit distributed, changes in the value of the investment, cost savings, synergies, etc.
- The parent company has the capacity to exercise its power in order to influence the returns. Power which does not lead to such influence over these returns cannot be defined as control.

Controlled entities are combined in accordance with the full consolidation method.

Full consolidation method

This consists of including in the combined financial statements the asset, liability, income, expense and cash flow items of the companies controlled within the meaning of IFRS 10; making the necessary restatements; and eliminating intragroup transactions and accounts along with intragroup gains and losses. Equity and profit are allocated between the portion attributable to owners of the parent company and the portion attributable to non-controlling interests.

The combined income statement includes the results of subsidiaries acquired during the financial year as from the date of their acquisition. The results of subsidiaries sold during the same period are taken into account up to the date of their sale.

Non-controlling interests in the net assets of the subsidiaries are presented on a separate line of equity under ''Non-controlling interests''. They include the amount of non-controlling interests at the date control was acquired and the share of non-controlling interests in changes in equity as from this date. Except in the case of a contractual agreement specifying otherwise, losses of subsidiaries are systematically divided between equity attributable to owners of the parent company and non-controlling interests, on the basis of their respective percentages of interest, even if these are negative.

Note 1. Accounting Principles (Continued)

Joint Arrangements

IFRS 11—*Joint Arrangements,* which replaces IAS 31—*Interests in Joint Ventures* and interpretation SIC 13—*Jointly Controlled Entities—Non-Monetary Contributions by Venturers*, aims to establish the principles for financial reporting by entities with interests in jointly controlled companies (joint arrangements).

In a joint arrangement, the parties are bound by a contractual agreement that gives them joint control of the arrangement. An entity that is party to an arrangement must therefore determine whether the contractual agreement gives all or certain parties joint control of the arrangement. The existence of joint control is then determined if decisions concerning the relevant activities require the unanimous consent of the parties jointly controlling the arrangement.

Joint arrangements are classified into two categories:

- Joint operations: these are joint arrangements whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangements. Those parties are called joint operators. The joint operator recognizes the full amount of its assets, liabilities, income and expenses, including the share of any such elements held jointly. These arrangements concern joint investment contracts signed by the Group.
- Joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement. Those parties are called joint venturers. Each venturer accounts for its interest in the net assets of the venture in accordance with the equity accounting method (see the section dealing specifically with the equity accounting method).

Associates

Associates over which the Group exercises significant influence are accounted for by the Group under the equity method (see the section dealing specifically with the equity accounting method).

Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, except where it is clearly demonstrated that this is not the case. Significant influence can also be indicated by representation on the board of directors or on the management board of the entity held, by participation in its policy-making process, by material transactions with the entity, or by interchange of managerial personnel between the Group and the entity.

Equity accounting method

According to the equity accounting method, interests in associates and joint ventures are recorded on the balance sheet at their cost of acquisition, including goodwill and transaction costs. Earn-outs initially measured at fair value and subsequent adjustments are recorded as part of the cost of the investment, when their payment can be measured with sufficient reliability.

The Group's share in the profit or loss of associates and joint ventures is recognized in the income statement, and its share in movements of reserves after the acquisition is recognized in reserves. Movements after the acquisition are recorded as an adjustment to the value of the investment. The Group's share in the losses recorded by an associate and joint venture is recorded to the extent of its investment, except where the Group has a legal or implicit obligation to support the company.

Goodwill is recognized if the acquisition cost exceeds the Group's share in the net fair value of the associate's identifiable assets, liabilities, and contingent liabilities at the date of acquisition. Goodwill is included in the carrying amount of the investment and is taken into consideration in the impairment test relative to this asset.

Note 1. Accounting Principles (Continued)

1.3.3. Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currency are initially recorded in the functional currency of the entity at the exchange rate in force on the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. All resulting translation differences are taken to profit or loss for the period.

Translation of financial statements of foreign companies

The financial statements of foreign companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate;
- income statement and cash flow items are translated at the average exchange rate for the financial year.

The resulting translation adjustments are recorded directly in ''Cumulative translation adjustments'' under equity. When the net investments in foreign operations are subsequently sold, the related cumulative translation differences carried in equity are taken to profit or loss.

1.3.4. Revenues

Group revenues are recognized as soon as future economic benefits are likely to flow to the Group and the revenues can be measured reliably.

Group revenues principally comprise sales of equipment, provision of services and rental of telecommunications equipment.

Sales of equipment

Proceeds from the sale of handsets are recognized in revenues when the risks and rewards inherent to ownership are transferred to the buyer.

Separable elements of a bundled offer

Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the points of sale and the costs of activation.

Other acquisition and retention costs, consisting in particular of premiums not associated with sales of handsets as part of telephone packages and commissions paid to distributors, are recorded in administrative and commercial expenses.

When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

Provision of services

Revenues from internet access subscriptions or telephone call plans (fixed or mobile) are recorded on a straight-line basis over the duration of the corresponding service.

The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.

Note 1. Accounting Principles (Continued)

Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.

Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.

The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.

Revenues linked to switched services are recognized each time traffic is routed.

Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

Access to telecommunications infrastructures

The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use (''IRU''). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified—generally long—period. The Group remains the owner of the asset. Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.

In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non-refundable, are recorded in prepaid income and amortized over the expected term of the related agreements. Amortization is provided over a period of between 10 years and 25 years for IRUs and between 1 year and 25 years for rentals and service agreements.

Sales of infrastructure

The Group builds infrastructure on behalf of certain clients. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

Loyalty programs

Pursuant to interpretation IFRIC 13, the Group measures the fair value of the incremental benefit granted under loyalty programs. Since this fair value was not material for the periods presented, no revenues have been deferred in this respect.

1.3.5. Cost of sales, and commercial and distribution costs

Cost of sales comprises the purchase cost of goods acquired (including handsets), interconnection costs, network costs and the share of personnel costs and related taxes and duties.

Commercial and distribution costs represent advertising and marketing costs, commercial costs, and customer loyalty and management costs, and are recorded in expenses as incurred.

Note 1. Accounting Principles (Continued)

1.3.6. Goodwill and business combinations

Business combinations after January 1, 2009

Business combinations are recorded under the acquisition method.

The acquisition price (also called ''consideration transferred'') of a subsidiary is the sum of the fair values of the assets transferred and the liabilities assumed by the purchaser on the date of acquisition and the equity instruments issued by the purchaser. The acquisition price includes any earn-outs recognized and measured at acquisition-date fair value.

Earn-outs are recorded initially at fair value, with subsequent changes in fair value taken to profit or loss.

Any costs directly attributable to the acquisition are recorded in expenses in the period in which they are incurred.

At the date of acquisition, goodwill is determined as the difference between:

- the fair value of the consideration transferred, plus any non-controlling interest in the company acquired; and
- the net balance of identifiable assets acquired and liabilities assumed at their acquisition-date fair value.

The initial valuation of the acquisition price and the fair values of the assets acquired and liabilities assumed must be finalized within 12 months of the date of acquisition (measurement period), and any adjustment is recorded as a retroactive adjustment to goodwill. Beyond the measurement period, adjustments are recorded directly in profit or loss. For each business combination, the Group can decide whether to recognize the share of non-controlling interests:

- at fair value on the date of acquisition, whereby goodwill is recognized on these non-controlling interests (full goodwill method); or
- on the basis of its share in the net identifiable assets of the acquired company measured at fair value, whereby only goodwill attributable to owners of the parent company is recognized (partial goodwill method).

Negative goodwill is recorded directly in profit or loss on the income statement.

Goodwill is not amortized but is tested for impairment whenever there is an indication that it may be impaired, and at least once a year at the reporting date. Subsequently, goodwill is measured at its original amount, less any cumulative impairment losses recorded (see Note 8.3—Goodwill impairment tests).

The following principles apply to business combinations:

- In the event of a business combination carried out in stages (step acquisition), the purchaser must remeasure any previously-held equity interest at its fair value on the date of acquisition, and record the resulting gain or loss in the income statement.
- In the event of the acquisition of an additional interest in a subsidiary, the Group records the difference between the acquisition price and the carrying amount of the non-controlling interests within changes in equity attributable to owners of the parent.

Business combinations prior to January 1, 2009

In compliance with IFRS 1, the Group has chosen not to restate business combinations that took place prior to January 1, 2004. The acquisition method of accounting for business combinations was already

Note 1. Accounting Principles (Continued)

accepted by IFRS 3 as published by the IASB in March 2004. However, there are several key differences with the revised standard:

- Minority (non-controlling) interests are measured on the basis of their share in the net identifiable assets of the entity acquired and no fair value option exists.
- Any adjustments to the acquisition price are recorded in the cost of the acquisition only if they are likely to occur and the amounts can be measured reliably.
- Costs directly attributable to the acquisition are recorded as part of the cost of the combination.
- In the event of the acquisition of an additional interest in a combined subsidiary, the difference between the cost of the acquisition and the carrying amount of the minority (non-controlling) interests acquired is recorded in goodwill.

1.3.7. Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recorded at their historical cost less accumulated amortization and impairment losses.

Intangible assets acquired as part of a business combination are recorded at their fair value on the date of acquisition. After initial recognition, intangible assets are recorded at historical cost.

Operating licenses

Operating licenses for telephony services on French territory are recorded based on the fixed amount paid upon acquisition of the license. The variable portion of the license fees, amounting to 1% of the revenues generated by these activities, cannot be reliably measured and is therefore recorded in expenses for the period in which it is incurred.

- The UMTS license is recorded at its historical cost and is amortized on a straight-line basis as from June 2004 (when the service starts) until the end of the licensing period (August 2021), which is its expected useful life.
- The GSM license, renewed in March 2006, is recorded at present value based on 4% of the annual fixed fee of €25 million and is amortized on a straight-line basis from this date until the end of the licensing period (March 2021), which is its expected useful life.
- The LTE license is recorded at its historical cost and is amortized on a straight-line basis as from the date the service starts until the end of the licensing period. The license concerning the 2.6 GHz band, acquired in October 2011, has been amortized since the end of November 2012 (end of licensing period: October 2031). The license concerning the 800 MHz band, acquired in January 2012, was activated on June 3, 2013 and will be amortized over a residual period of 18 years (end of licensing period: January 2032).

Other intangible assets acquired

The costs of identifying sites for relay antennas are capitalized and amortized over their useful life, which is generally ten years and corresponds to the estimated average duration of a lease.

Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12. The ''intangible asset'' model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.

Note 1. Accounting Principles (Continued)

Intangible assets also comprise rights of way or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.

DSL connection costs (service access costs or SAC) billed by the local network operator on setting up unbundling for a customer are capitalized and amortized over the estimated period in which the economic benefits are expected to be consumed, i.e., between two and four years.

Intangible assets generated internally

Intangible assets generated internally are recorded at their historical cost less accumulated amortization and impairment losses.

Research costs are expensed as incurred. Development expenses are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset;
- its intention to complete the asset and use or sell it;
- the availability of adequate technical and financial resources to complete the asset;
- its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Trademarks and market shares generated internally are not recognized as intangible assets.

Capitalized development costs relating to computer software represent the costs incurred in developing products in-house. Development costs relating to computer software are capitalized when the technical feasibility can be demonstrated and the costs are considered to be recoverable.

Internal and external direct costs incurred to develop software for internal use are capitalized during the software's development phase. The costs resulting from the software's development phase generally include configuration of the software, coding, installation and testing. The costs of major upgrades and improvements that result in additional functionalities are also capitalized. These capitalized costs are amortized over four to eight years.

Subsequent expenses relative to intangible assets are capitalized only if they increase the future economic benefits associated with the corresponding specific asset. Other costs are expensed as incurred.

Borrowing costs

Since the method of rolling out intangible assets in stages does not generally involve a long period of preparation, the Group does not generally capitalize the borrowing costs incurred during the acquisition or production of intangible assets.

1.3.8. Property, plant and equipment

Property, plant and equipment are recorded at their historical cost less accumulated depreciation and impairment losses. Historical cost includes acquisition or production cost, any costs directly attributable to bringing the asset to the necessary location and condition, and the estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent of the obligations incurred. Borrowing costs that are directly attributable to assets requiring over one year to be ready for their intended use are capitalized as part of the cost of property, plant and equipment.

Note 1. Accounting Principles (Continued)

However, subsequent upkeep costs (repairs and maintenance) relating to property, plant and equipment are recorded in profit or loss. Other subsequent expenditure that helps to increase the productivity or useful life of the asset are recorded as part of the cost of that asset.

When an item of property, plant and equipment consists of significant components with different useful lives, the components are recorded and depreciated separately. Depreciation is calculated on a straight-line basis over the useful life of the asset.

In the specific case of Netcenter buildings, the depreciable amount takes account of a residual value at the end of the useful life.

Property, plant and equipment principally comprise network equipment.

Useful lives are as follows:

Buildings, incl. technical buildings	15 to 25 years
Fixtures, fittings and furniture	5 to 10 years
Equipment and industrial tools	5 years
Set-top boxes and access costs	4 years
Network equipment:	
—Fiber optic/FTTH	50 years
—Pylons	20 years
—Other network equipment	4 to 8 years
Miscellaneous equipment	3 to 5 years

The estimated useful lives are regularly reviewed and any changes to estimates are recorded on a prospective basis.

Depreciation expense is recorded in either cost of sales, commercial and distribution costs, or general expenses according to the function of the asset to which it relates.

Telecommunications equipment and hardware are investments which are largely affected by technological developments: retirements or accelerated depreciation may be recorded if the Group has to retire certain technical models earlier than expected or if it has to review the estimated useful life of certain categories of equipment.

The costs of links and connections are classified as property, plant and equipment. These costs are depreciated over their useful life, i.e., eight years.

Commercial contracts under which the Group supplies telecommunications capacity are analyzed in light of interpretation IFRIC 4—*Determining Whether an Agreement Contains a Lease*:

- Indefeasible Rights of Use (''IRU'') contracts grant the use of an asset over a specified term. IRU contracts that grant a specific right of use over a determined part of the underlying asset in the form of fibers or dedicated wavelengths are treated as leases. IRU contract costs are capitalized if the duration of the right granted is for the majority of the useful life of the underlying asset, and are depreciated over the term of the contract.
- Some commercial contracts to provide capacity are defined as service agreements since in general no specific asset is made available in such contacts. Contractual fees are recorded in expenses over the period.

FTTH rollout

Decision No. 2009-1106 of the *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) [French Post and Electronic Communications Regulation Authority] dated December 22, 2009 governs the rollout of fiber optic in very densely populated areas by creating joint investment rules for telephone operators. The reference offers published by the operators in compliance with the provisions of this decision are covered by IFRS, specifically IFRS 11—*Joint Arrangements*. Thus, when the Group is

Note 1. Accounting Principles (Continued)

joint investor from the outset, only its share of the assets is kept in property, plant and equipment, and when it is an investor *a posteriori*, the IRU or right of use is recorded in property, plant and equipment. The same treatment is applied to joint investments in less dense populated areas as defined by the ARCEP.

Finance lease agreements

Lease agreements for property, plant and equipment for which substantially all risks and rewards inherent to ownership are transferred to the Group are considered as finance lease agreements.

Property, plant and equipment acquired under finance leases are recorded in property, plant and equipment with a matching entry to a liability account. Assets acquired under finance leases are capitalized based on the lower of the present value of future lease payments and market value, and the corresponding liability is recorded in ''Borrowing and other financial liabilities''. These assets are generally depreciated on a straight-line basis over their estimated useful life, corresponding to the useful life applied to assets of the same type owned outright, or, if the duration of the lease is shorter than the useful life of the asset leased and if it is not reasonably certain that ownership of the asset will be transferred to the lessee at the end of the lease term, over the duration of the lease.

Site dismantling and restoration

The Group has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. In light of this obligation, site restoration costs are capitalized on the basis of:

- an average unit cost of restoring sites;
- assumptions concerning the lifespan of the dismantling asset; and
- a discount rate.

Investment subsidies

Investment subsidies received are recorded on the balance sheet as a deduction from the property, plant and equipment to which they relate. Investment subsidies are taken to profit or loss in line with the depreciation charged against the assets financed.

1.3.9. Impairment of goodwill, property, plant and equipment and intangible assets

The Group reviews the carrying amount of goodwill, other intangible assets, property, plant and equipment and assets under construction each time events or changes in the market environment indicate that they may be impaired. Goodwill, intangible assets with indefinite useful lives and intangible assets under development are tested for impairment in the fourth quarter of each financial year.

The impairment test consists of comparing the recoverable amount of a fixed asset or cash-generating unit (CGU) with its carrying amount. If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the impairment loss is immediately recorded in the income statement under other operating expenses. In testing goodwill allocated to a CGU or group of CGUs for impairment, the impairment loss is charged first to the carrying amount of goodwill and then to the other assets pro rata to their carrying amount.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. If an asset does not generate cash inflows that are largely independent of cash inflows generated by other assets or groups of assets, recoverable amount is determined by reference to cash-generating units.

Note 1. Accounting Principles (Continued)

Group management monitors the return on investment relating to its acquisitions on an aggregate basis at Group level. This operating entity is the only CGU at the level of which the impairment tests are carried out.

Recoverable amount is determined as the higher of value in use and fair value less costs to sell.

The value in use of each asset or group of assets is determined using the discounted cash flows method (DCF), based on cash flow projections consistent with the most recent budget and business plan approved by management over periods spanning one to six years. The growth rates used to value the CGU are those used when preparing the CGU's budget and the business plan. For subsequent periods, the growth rates are estimated by the Group by extrapolating the rates used in the budgets and business plans. These rates do not exceed the medium- to long-term growth rates for the markets in which the Group operates. The discount rates used reflect current assessments by market participants of the time value of money and the risks specific to each asset or group of assets.

Fair value less costs to sell corresponds to the amount that could be obtained from the sale of an asset or group of assets between knowledgeable, willing parties in an arm's length transaction, less the costs of the sale. These amounts are determined by reference to market data (comparison with similar listed companies, with the value attributed to similar assets or companies during recent transactions, or stock market prices) or otherwise using the discounted cash flow method.

Impairment losses recorded against property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later date if the recoverable amount becomes once again higher than the carrying amount. However, the increased carrying amount attributable to the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. Impairment losses recorded against goodwill are irreversible.

1.3.10. Non-derivative financial assets

In accordance with IAS 39, financial assets are classified in one of the following four categories:

- assets at fair value through profit or loss;
- held-to-maturity assets;
- loans and receivables;
- financial assets available for sale.

In accordance with IFRS 7, the information provided in the notes to the financial statements concerning financial instruments enables:

- the items to be reconciled with those presented in the balance sheet;
- the importance of financial instruments to be assessed in light of the Group's situation and financial performance;
- the nature and extent of the Group's exposure to risks arising on financial instruments to be assessed at the end of the reporting period.

Purchases and sales of financial assets are recorded at the transaction date, which is the date on which the Group has committed to the purchase or sale of assets. A financial asset is derecognized if the contractual rights to the related cash flows expire or if the asset is transferred.

At the time of initial recognition, financial assets are recorded on the balance sheet at their fair value, plus any transaction costs directly attributable to the acquisition or issuance of the asset (except for financial assets at fair value through profit or loss, for which transaction costs are recorded in profit or loss).

The fair value of the principal financial assets and liabilities on the Group's balance sheet was calculated as detailed in Note 23—Financial instruments.

Note 1. Accounting Principles (Continued)

A financial asset is defined as current when the maturity of the cash flows expected to derive from the instrument is less than one year.

Financial assets at fair value through profit or loss

These are financial assets held for trading purposes and intended to be resold in the near term.

Gains and losses resulting from changes in the fair value of financial assets in this category are recorded in profit or loss in the period in which they occur.

The main financial assets at fair value through profit or loss include UCITS.

The large majority of these assets are classified on the balance sheet under cash and cash equivalents.

Held-to-maturity financial assets

Financial assets held until maturity are non-derivative financial assets other than loans and receivables that have fixed or determinable payments and fixed maturity and which the Group has the intention and ability to hold to maturity. After their initial recognition, they are carried at amortized cost using the effective interest rate method.

The main held-to-maturity financial assets include financial assets linked to the Qualified Technology Equipment (QTE) operations settled in 2012. These assets are classified on the balance sheet as non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These assets are recognized at amortized cost using the effective interest rate method.

This category principally includes trade accounts receivable and other receivables detailed in Note 14—Trade accounts receivable and other receivables, along with the other assets such as guarantee deposits and advances to associates mentioned in Note 12—Other current and non-current assets.

Trade accounts receivable and other receivables are initially recorded on the balance sheet at their fair value. Due to their fairly short maturities, the fair value of these items generally corresponds to their nominal value, except when the impact of discounting is material.

Trade accounts receivable resulting from the Group's commercial offers include certain past-due receivables that have been impaired according to the rules defined by the Recovery and Litigation department. The impairment rates used differ according to the category of clients and/or offers, and are regularly updated to reflect the latest trends and in particular, recovery history. Where applicable, impairment may be recognized against other receivables based on the estimated risk of non-recovery.

Financial assets available for sale

Financial assets available for sale include non-derivative financial assets which are designated as available for sale or are not allocated to other categories of financial assets.

Financial assets available for sale are recorded at their fair value. Gains and losses on financial assets available for sale are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that it has suffered a material and other-than-temporary loss in value, on which date the cumulative gains and losses carried in other comprehensive income are reclassified to the income statement.

This category includes non-combined equity securities. These assets are classified on the balance sheet under non-current financial assets.

Note 1. Accounting Principles (Continued)

Impairment of non-derivative financial assets

An impairment loss is recorded on an asset or a group of financial assets if there is an objective indication of impairment resulting from one or more events occurring after the initial recognition of the asset, and these events have a negative impact on the future cash flows expected to derive from the financial asset or group of financial assets.

Impairment recognized against a financial asset at amortized cost corresponds to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective original interest rate.

Impairment recognized against a financial asset available for sale is calculated by reference to its fair value.

An impairment test is carried out on each material financial asset. Other assets with similar risk characteristics are grouped together for impairment testing purposes.

Impairment losses are recognized in profit or loss. Where impairment is charged against assets available for sale, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

Impairment is reversed if the reversal can be objectively linked to an event occurring after it was recognized. Reversals of impairment charged against financial assets carried at amortized cost and financial assets available for sale representing interest rate instruments are recognized in profit or loss. Reversals of impairment charged against financial assets available for sale representing equity instruments are recorded directly in equity.

Impairment relative to assets recognized at cost may not be reversed.

1.3.11. Inventories

Inventories principally comprise packs (mobiles associated with a right to access SFR services), individual mobile phones, ADSL boxes and accessories.

Inventories are carried at the lower of cost and net realizable value. Cost principally comprises purchase costs and other supply costs, and is calculated in accordance with the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to complete the sale.

1.3.12. Cash and cash equivalents

The ''Cash and cash equivalents'' caption includes bank balances, monetary UCITS which meet the specifications of AMF position No. 2011-13 and highly liquid short-term investments with an initial maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

Marketable securities are carried at fair value through profit or loss.

1.3.13. Non-derivative financial liabilities

Financial liabilities include bond debt, amounts payable to Vivendi SA, commitments to purchase non-controlling interests, and other borrowings such as commercial paper, syndicated loans and finance lease liabilities. Financial liabilities also include other non-derivative financial liabilities.

Borrowings

The loans taken out by the Group are initially recorded at their fair value less any directly attributable costs. Subsequent to initial recognition, they are carried at amortized cost using the effective interest rate method. Issue premiums and issue costs are presented under liabilities on the balance sheet as a

Note 1. Accounting Principles (Continued)

deduction of the nominal amount of the liability. Under this method, interest expense is recognized on an actuarial basis over the duration of the loan.

Other non-derivative financial liabilities

Other non-derivative financial liabilities comprise trade accounts payable and other payables, which are carried at their fair value on initial recognition. In light of their fairly short maturities, the fair value of other non-derivative financial liabilities mostly corresponds to their nominal value. These items are subsequently carried at amortized cost.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risk of changes in foreign exchange rates. These instruments include foreign exchange futures. All derivative financial instruments are recorded on the balance sheet at their fair value at the transaction date and are remeasured to fair value at the end of each reporting period.

The principal hedging instruments and the calculation of the fair value of derivative instruments are detailed in Note 23—Financial instruments.

1.3.14. Provisions

Provisions are recorded when, at the end of the period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events; it is probable that an outflow of resources representing economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

If the effect of the discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money. If no reliable estimate of the amount of the obligation can be made, no provision is recorded and information is provided in the notes.

Provisions mainly include:

- provisions intended to cover disputes and litigation arising in the ordinary course of the Group's operations. The estimated amount of these provisions is based on assessment of the level of risk on a case-by-case basis. The occurrence of events during proceedings may require these provisions to be re-estimated at any time;
- provisions for restructuring, which are booked when the restructuring has been announced and a detailed plan has been drawn up or its implementation begun. These provisions are not generally discounted owing to their short-term nature;
- provisions for site dismantling and restoration, which are assessed on the basis of the number of sites in question, an average unit cost of restoring sites and assumptions regarding the useful life of the dismantling asset and discount rate. When a site is dismantled, the corresponding provision is written back;
- provisions for employee benefits, which are detailed in the section below.

1.3.15. Employee benefit schemes

Pursuant to obligations resulting from French legislation and company agreements, the Group offers its employees retirement benefits that can take the form of an indemnity payment upon retirement, or pensions.

For defined benefit schemes, a net liability is recorded on the balance sheet. This liability is determined by independent actuaries using the projected unit credit method. This method is based on assumptions which are updated annually, such as the probability that beneficiaries will continue to be employed by

Note 1. Accounting Principles (Continued)

the Group on retirement, expected changes in future compensation and associated contributions, and an appropriate discount rate.

In terms of funding for these schemes, the Group has taken out insurance contracts aimed at outsourcing some or all of its obligations.

If these plan assets exceed the obligations recorded, a financial asset is recognized within the limit of the present value of future repayments and expected reductions in future contributions to the plan.

The Group records de facto employee benefit assets and liabilities together with the corresponding net expense over the entire estimated service lives of employees. Actuarial gains and losses relative to post-employment benefits are recognized in full in ''Other comprehensive income'' when they arise.

The cost of the schemes is recorded in operating profit, with the exception of the cost of unwinding the discount and the theoretical return on plan assets, which are recorded in other financial income and expenses.

All past service costs relating to plan changes and curtailments are immediately recorded on the income statement.

1.3.16. Income Tax

The Group calculates its income taxes in compliance with the tax legislation in force in the countries where earnings are taxable.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable profit. Management periodically evaluates the tax positions taken with regard to applicable tax legislation when this is subject to interpretation, and where appropriate, determines the amounts it expects to pay to the tax authorities.

Differences at the end of the reporting period between the carrying amount of assets and liabilities in the balance sheet and their tax base represent temporary differences. In accordance with the balance sheet liability method, these temporary differences give rise to the recognition of:

- deferred tax assets, when the value of an asset for tax purposes is higher than its carrying amount and when the value of a liability for tax purposes is lower than its carrying amount (expected future tax benefit); or
- deferred tax liabilities, when the value of an asset for tax purposes is less than its carrying amount or when the value of a liability for tax purposes is higher than its carrying amount (expected future tax expense).

Deferred tax assets and liabilities are determined on the basis of the tax rates and tax laws expected to apply in the financial year in which the asset will be realized or the liability settled. These estimates are reviewed at the end of each reporting period in order to reflect any changes to the applicable tax rates.

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards and unused tax credits; to the extent that it is likely taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, where applicable, adjusted to take account of the probability that taxable profit will be available against which they can be utilized. To assess the probability that taxable profit will be available, elements taken into account include the Group's earnings in previous years, future profit forecasts, and non-recurring items that are not likely to recur in the future. Accordingly, any assessment of the Group's ability to utilize its deferred tax assets is largely based on judgment. If the Group's future taxable earnings prove significantly different to those anticipated, the Group would be obliged to adjust the carrying amount of the deferred tax assets and this could have a significant impact on its balance sheet and profit.

Note 1. Accounting Principles (Continued)

The accounting for deferred taxes arising on the taxable earnings of companies included in the scope of Vivendi's tax consolidation is detailed in the ''Corporate income tax'' paragraph within the section describing the basis for preparing the combined financial statements.

Deferred tax assets and liabilities are offset when the following two conditions are met:

- the Group has a legal right to set off current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same tax entity.

Taxes relative to items recognized directly in other comprehensive income are recorded in other comprehensive income and not in the income statement.

1.3.17. Share-based payment

In order to align the interests of directors and employees with those of shareholders by giving them an additional incentive to improve the company's performance and increase the share price over the long term, Vivendi has set up payment plans for Group directors and employees based on the Vivendi share (share purchase plans, performance share plans, free share plans) or other equity-settled equity instruments based on the Vivendi share price (share subscription options). Vivendi's Management Board and Supervisory Board have approved these awards. They have also set performance criteria for the share subscription options and performance shares that determine whether or not these instruments vest. All plans are awarded on condition that the beneficiary continues to be employed by the Group on the vesting date.

The share of plans relative to Group employees is rebilled by Vivendi SA to SFR SA.

Recognition

Equity-settled share-based payment plans are recognized as personnel costs at the fair value of the instruments awarded, with a matching entry to a payables account.

The fair value of the instruments awarded is estimated and fixed at the grant date using a binomial model based on assumptions revised at the measurement date such as the estimated volatility of the shares in question and a discount rate corresponding to the risk-free interest rate and estimated dividend rate. The estimated life of an option is calculated as the average of the vesting period of the rights and the contractual life of the instrument.

1.3.18. Earnings per share

Basic earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period.

Diluted earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period, adjusted for the effect of all existing diluting instruments.

1.3.19. Contractual commitments, contingent assets and liabilities

Each year, the Group draws up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which it is party or to which it is exposed. This list is regularly updated by the competent departments and reviewed by Group management.

Note 2. Changes in Combination Scope

Financial Year 2011

La Poste Telecom

In 2011, SFR and La Poste created a joint subsidiary, La Poste Telecom, owning 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) addressing the mass market

Note 2. Changes in Combination Scope (Continued)

and providing a wide range of mobile telephone services under the brand La Poste Mobile through the La Poste outlet network. This company is accounted under equity method in the combined financial statements of the Group.

Financial Year 2012

Numergy

On August 31, 2012, SFR together with Bull and the Caisse des Dépôts et Consignations created the company Numergy. SFR holds 46.7% stake. Numergy provides to all economic players IT infrastructures capable of hosting remotely accessed and secure data and applications, i.e. ''cloud computing'' services. This company is accounted under equity method in the combined financial statements of the Group.

Note 3. Segment information

As indicated in the basis of preparation of the combined financial statements presented in the introduction of Note 1—Accounting Principles, the Group has only identified a single operating segment in compliance with IFRS 8—*Operating Segments.*

Geographic information

Moreover, as the Group's operations are located in France, a single geographical area is used.

Information on main customers

No customer represents more than 10% of the Group's revenues.

Note 4. Operating Income

The breakdown of the elements included in the operating income is presented in Notes 1.3.4—Revenues, 1.3.5—Cost of sales, commercial and distribution costs, and 1.2.1—Combined income statement.

4.1. Breakdown of Revenues

	2013	2012	2011
	(in millions of euros)		
Sales of goods	540	516	568
Sales of services	9,658	10,772	11,615
Revenues	**10,199**	**11,288**	**12,183**

4.2. Other Operating Income and Expenses

	2013	2012	2011
	(in millions of euros)		
Other operating income	**2**	**11**	**14**
Amortization of customer bases recognized in business combinations[a]	(66)	(66)	(67)
Restructuring costs[b]	(93)	(187)	(12)
Other	(10)	(17)	(6)
Other operating expenses	**(169)**	**(270)**	**(84)**

(a) The amortization of customer bases recognized in business combination represents the amortization of the customer bases recognized at the acquisition of the Neuf Cegetel Group in 2008 (refer to Note 9—Intangible Assets).

Note 4. Operating Income (Continued)

(b) The restructuring costs principally include the voluntary redundancy plan launched by SFR in 2012. In 2013, the Group continued its transformation plan to adapt its business for the changing market environment and maintain its investment in very high-speed fixed and mobile. The voluntary redundancy plan closed in August 2013, and concerned 873 employees.

4.3. Personnel Costs and Average Employee Numbers

	2013	2012	2011
	(in millions of euros, except number of employees)		
Annual average number of full-time equivalents	**13,870**	**14,277**	**14,455**
Of which UES SFR[a]	9,106	9,524	9,529
Of which other combined entities	4,764	4,753	4,926
Salaries and wages[b]	(734)	(652)	(632)
Social security contributions	(301)	(294)	(271)
Capitalized personnel costs	88	79	76
Salaries and related costs	**(947)**	**(867)**	**(828)**
Share-based compensation[c]	(27)	(32)	(23)
Employee benefit[d]	6	(4)	(3)
Other personnel costs[e]	(109)	(153)	(170)
Personnel costs	**(1,077)**	**(1,056)**	**(1,025)**

(a) UES means the social and economic unit.

(b) The 2013 versus 2012 change essentially results from the voluntary redundancy plan.

(c) Re-invoiced in totality by Vivendi (refer to Note 17—Remunerations based on equity instruments).

(d) Cost of services delivered related to pension schemes, of which the detail is presented in Note 19—Post-Employment Benefits.

(e) The other personnel costs include profit sharing, performance-based bonuses, social security and related contributions an other employee benefits (such as contributions to employee welfare schemes, etc.).

Note 5. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

	2013	2012	2011
	(in millions of euros)		
Other financial income[a]	**2**	**2**	**8**
Change in value of derivative instruments	—	0	(40)
Effect of undiscounting liabilities[b]	(7)	(10)	(11)
Effect of undiscounting impairment[c]	(6)	(5)	(5)
Change in impairment on financial assets	(1)	(9)	(0)
Other	(10)	(10)	(12)
Other financial expenses	**(24)**	**(34)**	**(70)**

(a) The other financial income mainly includes, default interest, various proceeds of bank management, and interest on long-term advances granted to equity-accounted companies.

(b) Principally concerns the debt related to the license GSM.

(c) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 18—Provisions.

Note 6. Income Tax

For information, some companies belong to a group integrated under the French Tax Group System for tax purposes as authorized under *Article 223 A du CGI et suivants*:

- SFR S.A., since 2011, and since 2012 a few subsidiaries more than 95% owned, are included in the tax group system, where Vivendi is the head company of the Group. The tax each member company is liable to pay is paid by Vivendi, which is alone liable to the tax authorities.
- CID S.A. formed a tax group system from January 1, 2010 with the subsidiaries more than 95% owned by it. CID is also solely liable for corporate income tax of which it is the parent company.

6.1. Breakdown of income tax

	2013	2012	2011
	(in millions of euros)		
Income tax expense			
Current	(282)	(559)	(566)
Deferred	(33)	43	31
Income tax	**(315)**	**(516)**	**(535)**
Total income tax paid	**(299)**	**(537)**	**(643)**

6.2. Tax proof

	2013	2012	2011
	(in millions of euros)		
Net income	426	752	1,400
Adjustment:			
Income tax	(315)	(516)	(535)
Net income from discontinued operations	—	—	—
Pretax income from continuing operations	**742**	**1,267**	**1,935**
French statutory tax rate	38.0%	36.1%	36.1%
Theoretical income tax	**(282)**	**(458)**	**(699)**
Reconciliation of the theoretical and effective tax rate			
Permanent differences[(a)]	(22)	(40)	(4)
Tax credits/Additional tax demands	(2)	(1)	4
Assessment of deferred tax assets[(b)]	(5)	(7)	169
Net income(loss) of equity-accounted affiliates	(5)	(10)	(6)
Income tax	**(315)**	**(516)**	**(535)**
Effective tax rate	42.5%	40.7%	27.6%

(a) Mainly includes, the impact of consolidating 15% of the financial interest calculated on amounts provided to the Group and the tax loss carry-forwards passed on to Vivendi under the Consolidated Global Profit Tax System.

(b) As of December 12, 2011, an amount of €452 million in tax loss carry-forwards was transferred to SFR SA as part of the merger with VTI. These tax loss carry-forwards, which were not recognized, were entirely used up over financial year 2011. The impact on the reconciliation between theoretical income tax and actual income tax at end 2011 amounted to €163 million.

Note 6. Income Tax (Continued)

6.3. Changes in Deferred Taxes by Type Changes in deferred tax assets/(liabilities)

The breakdown of deferred tax assets and liabilities by nature for years ended 2011 to 2013 is as follows:

Financial year 2013

	Opening Balance	Income statements	Other	Closing Balance
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	65	8	(0)	73
Provisions	134	(45)	3	92
Fixed assets	105	10	(0)	115
Other	67	(7)	(0)	60
Offsetting[(a)]	(136)	—	12	(124)
Gross deferred tax assets	**235**	**(34)**	**15**	**216**
Unrecognized assets				
Tax losses carry forward	(61)	(9)	0	(69)
Other	(17)	(3)	(0)	(20)
Net deferred tax assets	**157**	**(45)**	**15**	**127**
Deferred tax liabilities				
Fixed assets	(104)	23	(0)	(82)
Other	(33)	(10)	0	(44)
Offsetting[(a)]	136	—	(12)	124
Deferred tax liabilities	**(1)**	**12**	**(12)**	**(2)**
Net deferred tax assets (liabilities)	**156**	**(33)**	**2**	**125**

Financial Year 2012

	Opening Balance	Income statement	Other	Closing Balance
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	61	3	0	65
Provisions	60	69	5	134
Fixed assets	127	(21)	0	105
Other	81	(14)	(0)	67
Offsetting[(a)]	(157)	—	20	(136)
Gross deferred tax assets	**173**	**36**	**26**	**235**
Unrecognized assets				
Tax losses carry forward	(51)	(9)	—	(61)
Other	(13)	(4)	(0)	(17)
Net deferred tax assets	**109**	**23**	**26**	**157**
Deferred tax liabilities				
Fixed assets	(133)	30	(1)	(104)
Other	(24)	(10)	0	(33)
Offsetting[(a)]	157	—	(20)	136
Deferred tax liabilities	**(0)**	**20**	**(21)**	**(1)**
Net deferred tax assets (liabilities)	**108**	**43**	**5**	**156**

Note 6. Income Tax (Continued)

Financial Year 2011

	Opening Balance	Income statement	Other	Closing Balances
	(in millions of euros)			
Deferred tax assets				
Tax losses carry forward	55	(156)	162	61
Provisions	57	5	(2)	60
Fixed assets	131	(8)	4	127
Other	124	(18)	(25)	81
Offsetting[(a)]	(195)	—	38	(157)
Gross deferred tax assets	**171**	**(176)**	**178**	**173**
Unrecognized assets				
Tax losses carry forward	(42)	153	(162)	(51)
Other	(29)	17	(1)	(13)
Net deferred tax assets	**100**	**(7)**	**15**	**109**
Deferred tax liabilities				
Fixed assets	(151)	17	0	(133)
Other	(46)	21	2	(24)
Offsetting[(a)]	195	—	(38)	157
Deferred tax liabilities	**(2)**	**38**	**(36)**	**(0)**
Net deferred tax assets (liabilities)	**98**	**31**	**(21)**	**108**

(a) In accordance with IAS 12, the deferred tax assets and liabilities of the same tax entity are offset insofar as they are related to income taxes levied by the same tax authority. The company has the legal right to offset its tax assets and liabilities.

Note 7. Earnings Per Share

As the combined group was not constituted on this date, the number of shares in circulation is not determinable. Consequently, no earnings per share are presented in the Combined Financial Statements.

Note 8. Goodwill

8.1. Goodwill

	2013	2012	2011
	(in millions of euros)		
Goodwill, Gross	5,194	5,194	5,194
Impairment	(6)	(6)	(6)
Goodwill	**5,188**	**5,188**	**5,188**

This amount includes notably the goodwill generated on the goodwill of Neuf Cegetel, which was €4,837 million.

Note 8. Goodwill (Continued)

8.2. Net change in Goodwill

	2013	2012	2011
	(in millions of euros)		
Gross value at opening balance	**5,194**	**5,194**	**5,212**
Acquisitions	0	1	—
Decreases	—	—	(18)
Gross value at closing balance	**5,194**	**5,194**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**	**(6)**
Change	—	—	—
Impairment losses at closing balance	**(6)**	**(6)**	**(6)**
Net value at end of period	**5,188**	**5,188**	**5,188**

8.3. Goodwill impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

Main assumptions applied to determine the recoverable values

The recoverable value is determined upon the basis of the usual valuation methods, particularly the value in use, based upon the DCF approach.

In this respect, for 2013 the projected cash flow and the financial parameters used are the most recent approved by Management and updated to take account of the strong impact on revenues from the pricing policies decided by the Group in a tougher competitive environment, partially offset by cost savings in line with expectations under the company transformation plan, while maintaining a high level of investments, principally due to the increasing rate of investment in very high-speed mobile.

The projection is based on the 2014-2019 business plan established by Management, which has been projected over five additional years.

The assumptions used for discounting rates and the perpetual growth rate are presented as follows:

	2013	2012	2011
Basis used for recoverable value	Value in use	Value in use	Value in use
Methodology	DCF & comparables model	DCF & comparables model	DCF & comparables model
Discount rate after tax	7.30%	7.30%	7.00%
Perpetual growth rate	0.5%	0.5%	1.0%

On the basis of these assumptions, Management, with the help of independent evaluators, has implemented an impairment test for goodwill, and concluded that the recoverable value of the Group exceeded its book value as of December 31, 2013. The Group therefore did not record any impairment loss as of December 31, 2013 or during the previous periods presented.

Note 8. Goodwill (Continued)

Sensitivity of recoverable amounts

Over the periods analyzed, the recoverable amount would be equal to the carrying amount if the main assumptions evolved as follows:

	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (%)	Increase in the discount rate in order for the recoverable amount to be equal the carrying amount (in number of points)	Applied rate (%)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (%)
2013	7.30%	0.60 pt	0.50%	−1.25 pt	−10%
2012	7.30%	3.00 pt	0.50%	−7.00 pt	−34%
2011	7.00%	5.30 pt	1.00%	−14.03 pt	−51%

Note 9. Intangible Assets

9.1. Intangible Assets by nature

The breakdown of intangible assets by nature is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Acquired software	2,061	(1,737)	323
Software developed internally	2,695	(1,854)	841
Licenses[a]	2,505	(620)	1,885
Customer databases[b]	562	(476)	86
Other[c]	1,532	(736)	796
	9,355	**(5,424)**	**3,931**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Acquired software	1,967	(1,653)	314	1,870	(1,527)	343
Software developed internally	2,438	(1,629)	810	2,135	(1,417)	719
Licenses[a]	2,505	(503)	2,002	1,244	(430)	814
Customer databases[b]	562	(410)	152	562	(344)	218
Other[c]	1,451	(646)	805	1,541	(516)	1,024
	8,923	**(4,841)**	**4,082**	**7,352**	**(4,235)**	**3,117**

(a) The gross amount includes notably:

- the UMTS license for €619 million (acquired in 2001 for the provision of third-generation mobile telephone services in France) and the new frequencies, acquired in June 2010 for €300 million, amortizable over 20 years;
- the GSM license for €278 million. In March 2006, the French government granted SFR S.A. the right to continue to operate this license for 15 years. The license is recorded for its present value (refer to Note 1.3.7—Intangible Assets);

Note 9. Intangible Assets (Continued)

- the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 Ghz band, and for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band.

(b) Includes:

- the Neuf Cegetel customer base, valued upon acquisition at €464 million,
- the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

9.2. Net Changes in Intangible Assets

The analysis of the change of intangible assets is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,082**	**3,117**	**3,077**
Amortization and impairment losses	(729)	(709)	(661)
Acquisitions	586	1,685	718
Disposals/Write-down	(4)	(4)	(6)
Changes in combination scope	0	—	(5)
Other	(4)	(8)	(5)
Closing balance	**3,931**	**4,082**	**3,117**

The LTE license in the 800 MHz band was activated on June 3, 2013 and will be amortized over a remaining duration of 18 years (end of licensing: January 2032).

9.3. Breakdown of Net Allocations to Amortizations and Impairment Losses

The changes in amortizations and impairment losses are included by destination in the various components of the operating income.

They concern:

	2013	2012	2011
	(in millions of euros)		
Acquired software	(144)	(162)	(178)
Software developed internally	(229)	(215)	(194)
Licenses	(117)	(73)	(72)
Customer bases	(66)	(66)	(67)
Other intangible assets	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Expenses incurred during the development phases of the Network service projects and the information system development projects are eligible for capitalization. The capitalized amount under intangible assets amounted to €249 million in 2013, as compared with €263 million in 2012 and €264 million in 2011.

Note 10. Tangible Assets

10.1. Property, plant and equipment by nature

The breakdown of Property, plant and equipment is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Land	78	(1)	76
Buildings	2,900	(1,614)	1,286
Equipement and machinery	5,326	(3,267)	2,058
Work in progress	301	—	301
Other	2,397	(1,587)	810
	11,002	**(6,470)**	**4,532**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Land	98	(1)	97	84	(1)	83
Buildings	2,744	(1,563)	1,182	1,938	(1,083)	855
Equipement and machinery	5,237	(3,207)	2,030	5,532	(3,310)	2,221
Work in progress	315	—	315	284	—	284
Other	2,218	(1,374)	844	2,168	(1,367)	801
	10,613	**(6,145)**	**4,468**	**10,005**	**(5,762)**	**4,244**

The buildings are principally composed of the hosting of technical sites, buildings and their respective fittings. Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions.

Work in progress, among other things, equipment and network infrastructures.

10.2. Net Changes in Property, plant and equipment

Analysis of the changes in Property, plant and equipment is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,468**	**4,244**	**4,041**
Amortization and write-off	(932)	(868)	(914)
Acquisitions/Increase	1,079	1,080	1,127
Disposal	(21)	(17)	(15)
Changes in combination scope	(61)	12	(1)
Other	(2)	17	6
Closing balance	**4,532**	**4,468**	**4,244**

10.3. Breakdown of Depreciation and Impairment Losses

The changes in depreciation and impairment losses are included by destination in the various components of the operating income.

Note 10. Tangible Assets (Continued)

They concern:

	2013	2012	2011
	(in millions of euros)		
Buildings	(118)	(115)	(124)
Equipment and machinery	(395)	(393)	(420)
Other property, plant and equipment	(419)	(361)	(369)
	(932)	**(868)**	**(914)**

10.4. Property, plant and equipment held under finance leases

The breakdown of property, plant and equipment held under finance leases is as follows:

	2013	2012	2011
	(in millions of euros)		
Lands	5	5	5
Buildings	90	90	90
Technical plant, machinery and equipment	176	176	176
Property, plant and equipment held under finance leases	**270**	**270**	**270**

The minimum future lease payments for Property, plant and equipment held under finance leases is detailed as follows:

	2013	2012	2011
	(in millions of euros)		
Under one year	3	4	9
Two to five years	7	8	12
Over five years	1	3	4
Minimum future lease payments	**11**	**15**	**25**

Note 11. Equity-Accounted Affiliates

11.1. Main Equity-Accounted Affiliates

	2013	2012	2011
	(in millions of euros)		
Numergy[(a)]	95	103	—
La Poste Telecom[(b)]	—	—	17
Other associates	23	19	24
Associates	**119**	**123**	**41**
Synerail[(c)]	—	—	—
Foncière Rimbaud[(d)]	33	15	7
Joint ventures	**33**	**15**	**7**
	152	**138**	**49**

(a) SFR, Bull and the Caisse des Dépôts created the company Numergy, which offer secure IT infrastructures capable of hosting remotely accessible and secure data and applications, i.e.''cloud computing'' services (cf. Note 2—Changes in consolidation scope). Only 25% of the Group's share (in the total amount of €105 million), has been paid up. The remaining unpaid portion was recognized as Liabilities in the amount of €79 million (cf. Note 22—Other current and non-current liabilities).

Note 11. Equity-Accounted Affiliates (Continued)

(b) SFR and La Poste created La Poste Telecom, holding 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) in the retail market under the La Poste Mobile brand name (cf. Note 2—Changes in Consolidation scope).

The negative value of the equity-accounted associated of La Poste Telecom was recognized at zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €14 million at end 2013.

(c) On February 18, 2010, a consortium formed with SFR, Vinci and AXA (each at 30%) and TDF (10%) signed the GSM-R public/private partnership agreement with Réseau Ferré de France. This agreement, of a duration of 15 years and a total amount of €1 billion, covers the financing, construction, operation and maintenance of a digital telecommunications network that enables to conference mode communications (voice and data) between train drivers and team on the ground. It will be rolled out progressively over 14,000 km of conventional and high-speed railway lines in France. The negative value of the equity-accounted associated of Synerail was recognized at reduced to zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €5 million at end 2013.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four equally owned joint subsidiaries, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4, within the framework of construction of the registered office of SFR in Saint-Denis. This project, which may change over time, will be undertaken in two stages, and works will be staggered until the end of 2015. The first stage of buildings (surface area of 74,000 m^2) carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered at end 2013. The second stage carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.

Foncière Rimbaud 3 and 4, which used to be fully consolidated, have been equity-accounted since April 2013.

The group % interests of these main equity-accounted affiliates are indicated in Note 27—List of combined entities.

11.2. Condensed Financial Information

The condensed financial information relative to equity-accounted affiliates is presented in the following tables.

	Numergy		La Poste Telecom		
	2013	2012	2013	2012	2011
	(in millions of euros)				
Revenues	1	—	147	141	76
Net Income[a]	(18)	(3)	(19)	(19)	(62)
Total Equity	204	222	(62)	(43)	(24)
Cash (−)/Net debt (+)	(20)	(56)	48	34	27
Total assets	208	228	36	42	58

(a) Including depreciation of the goodwill of La Poste Telecom recorded in 2011 but communicated to SFR post its consolidation process (€27 million).

	Synerail	
	2013	2012
	(in millions of euros)	
Revenues	153	119
Net Income	2	1
Total Equity	(16)	(26)
Cash (−)/Net debt (+)	288	148
Total assets	344	221

Note 12. Other Current and Non-Current Assets

	2013	2012	2011
	(in millions of euros)		
Non-current operating assets	**79**	**78**	**1**
Advances to equity-accounted and non-combined companies	65	38	34
Non-combined equity securities	12	13	20
Other[(a)]	29	32	94
Non-current financial assets	**106**	**83**	**148**
Total other non-current assets	**185**	**161**	**149**
Other current assets	**2**	**2**	**2**

(a) In 2011, included €53 million related to deposits as guarantee of pre-financing of the arrangement fees for QTE lease/sub-lease agreements set up in 2001 by Neuf Cegetel. The latest QTE contract was early repaid in December 2012.

Note 13. Inventories

	2013	2012	2011
	(in millions of euros)		
Inventories of handsets and accessories	259	256	364
Other	2	7	13
Inventories—gross value	**262**	**263**	**377**
Total depreciations	**(22)**	**(18)**	**(21)**
Inventories—net value	**240**	**245**	**356**

The handset inventories include handsets under consignment with distributors in the amount of €122 million in 2013 (€132 million in 2012 and €151 million in 2011).

Note 14. Trade Accounts Receivable and Other Receivables

	2013	2012	2011
	(in millions of euros)		
Accounts receivable	2,147	2,225	2,349
Bad debt allowance[(a)]	(465)	(477)	(398)
Net accounts receivable	**1,681**	**1,748**	**1,951**
Receivables from suppliers	228	276	283
Employee and tax receivables[(b)]	529	407	681
Prepaid expenses	103	105	88
Income taxes	3	6	7
Other receivables	14	0	4
Total account receivable and other receivables	**2,558**	**2,544**	**3,015**

(a) The Group considers that there is no significant uncollectibility risk for unprovisioned overdue receivables (refer to Note 23.6—Credit and counterparty risks—paragraph ''Accounts receivable and other receivables'').

(b) At end 2013, employee and tax receivables were principally made up of the following elements:

- Value-added tax: €355 million
- Territorial economic tax (CET): €71 million
- Tax on electronic communications (TCE—Copé): €61 million
- Tax on television services (TST—COSIP): €26 million

Note 15. Cash and Cash Equivalents

	2013	2012	2011
	(in millions of euros)		
Cash	297	187	165
Cash equivalents	98	79	63
Cash and cash equivalents	**394**	**267**	**228**

Note 16. Information on Equity

Dividends paid to shareholders during financial years 2011, 2012 and 2013:

The dividends paid for financial year 2010 amounted to €1,000 million. These dividends were paid in the form of an interim dividend in January 2011.

The dividends paid for financial year 2011 amounted to €1,423 million. These dividends were paid in the form of an interim dividend in June 2011 in the amount of €454 million, and the balance in April 2012 in the amount of €968 million.

The dividends paid for financial year 2012 amounted to €982 million. These dividends were paid in March 2013.

The Group does not plan to distribute dividends for financial year 2013.

Management of capital risk:

The financial structure of the Group comprises borrowing and financial debts, cash and cash equivalents and equity, which includes reserves and equity attributable to non-controlling interests as detailed in the statement of change of equity.

Note 17. Remunerations based on Equity Instruments

17.1. Plans allocated by Vivendi to Employees of SFR

17.1.1. Characteristics of the Various Plans Allocated by Vivendi

Vivendi has granted several share-based compensation plans founded on the Vivendi share and intended for employees of SFR.

During 2012 and 2011, Vivendi granted stock option and performance share plans, wherever the fiscal residence of the beneficiaries and bonus share plan for employees of all the group's French subsidiaries.

In 2013, the Supervisory Board decided, upon the recommendation of the Management Board and General Management and the advice of the Human Resources Committee, that all grants would be made in the form of performance shares, wherever the fiscal residence of the beneficiaries.

In addition, in 2013, 2012 and 2011, Vivendi granted stock purchase plans to its employees and retirees (employee stock purchase and leveraged plans).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.18—Remunerations paid in shares. More specifically, the risk-free interest rate applied is the rate of French ''Obligations Assimilables du Trésor'' (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date, and the expected dividend yield at grant date is based on Vivendi's dividend distribution policy.

As a reminder, the volatility applied in valuing the stock option plans granted by Vivendi in 2012 and 2011 was calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5-year period and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

Note 17. Remunerations based on Equity Instruments (Continued)

Instruments settled by the issuance of shares

The definitive grant of equity-settled instruments, excluding the 2012 bonus share plan, is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee.

The value of the equity-settled instruments is estimated and set at grant date. For the main 2013, 2012 and 2011 performance share, stock option and bonus share plans, the applied assumptions were as follows:

	2013	2012	2011	
Date of grant	February 22	July 16[a]	April 17	April 13
Data at grant date:				
Option strike price (in euros)[b]	N/A	N/A	13.63	19.93
Share price (in euros)	14.91	15.75	12.53	20.56
Expected volatility	N/A	N/A	27%	25%
Expected dividend yield	6.71%	6.35%	7.98%	7.30%
Performance conditions achievement rate[c]	100%	N/A	100%	100%

N/A: not applicable.

(a) Vivendi granted 50 bonus shares to the employees of all the group's French subsidiaries, including SFR (refer to *infra*).

(b) In accordance with legal requirements, the number and strike price of stock options, as well as the number of performance shares in connection with outstanding plans, were adjusted to take into account the impact, for the beneficiaries of the following distributions by a withdrawal from reserves:

- on May 9, 2012: grant to each shareholder of one bonus share per 30 shares held; and
- on May 17, 2013: dividend distribution with respect to fiscal year 2012.

These adjustments have no impact on share-based compensation expense related to the relevant stock option and performance share plans.

(c) Since 2012, achievement of the objectives underlying the performance conditions has been assessed over two years (each year over two years for the plans allocated in 2011). The final grant is effective according to fulfillment of the following performance criteria:

- internal indicator (70%): EBITA margin as a function of the cumulative income from the past two fiscal years, for the plans allocated in 2013 and 2012 (compared to the adjusted net income (45%), and cash flow from operations (25%) for the plans allocated in 2011);
- external indicators (30%): performance of Vivendi's share price over two years, according to the Dow Jones Stoxx Telecom index (21% for plans allocated in 2013 and 2012, compared to 18% for the plans allocated in 2011) and according to the Media index comprised of a pre-established panel (9% for plans allocated in 2013 and 2012, compared to 12% for plans allocated in 2011).
- The definitive grant of stock options and performance shares of April 17, 2012 became effective as of December 31, 2013. The acquisition of these instruments is conditional upon active employment at the vesting date.

With regard to stock options and performance shares of April 13, 2011, the final grant became effective as of December 31, 2012.

Performance share plans based on the value of Vivendi

Performance shares granted in 2013, 2012 and 2011 will vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders are entitled to the dividends and voting rights attached to these shares from the end of the two-year vesting period. The recognized compensation cost corresponds to

Note 17. Remunerations based on Equity Instruments (Continued)

the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On February 22, 2013, 717,000 performance shares were granted, compared to 552,000 granted on April 17, 2012 and 492,000 granted on April 13, 2011. After taking account of a discount for non-transferability, 8.3% of the share price as of February 22, 2013 (7.1% as of April 17, 2012 and 4.5% as of April 13, 2011), the fair value of each granted performance share was €11.79, as compared with €9.80 per share as of April 17, 2012 and €16.84 as of April 13, 2011, corresponding to a global fair value of €8 million (€5 million in 2012 and €8 million in 2011).

Stock option plans based on the value of Vivendi

Stock options granted in 2012 and 2011 will vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period. In 2013, Vivendi did not grant any stock options. On April 17, 2012, 495,000 stock options were granted, compared to 610,000 options on April 13, 2011. After taking into account a 2.35% risk-free interest rate (3.21% in 2011), the fair value of each option granted was €0.96 (compared to €2.16 per option as of April 13, 2011), corresponding to a global fair value of €0.5 million (€1.3 million in 2011).

Free allocation plan of 50 shares

On July 16, 2012, Vivendi granted a 50 bonus share plan per employee of all the group's French subsidiaries, including SFR. These shares will be issued at the end of a two-year period, i.e., July 17, 2014, subject to the employee being in active employment at this date and without any performance conditions. The compensation cost is therefore recognized on a straight-line basis over this period. The shares will only be available after another two-year period. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders will be entitled to the dividend and voting rights relating to these shares from the end of the two year vesting period.

On July 16, 2012, 500,000 bonus shares were granted. After taking into account a discount for non-transferability of 9.3% of the share price on July 16, 2012, the fair value of each granted bonus share was €12.40, a total of €6 million.

Employee stock purchase and leveraged plans subscribed by the employees of SFR

Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of SFR employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the stock purchase plans granted is estimated and fixed at the grant date.

Note 17. Remunerations based on Equity Instruments (Continued)

For the employee stock purchase and leveraged plans subscribed in 2013, 2012 and 2011, the applied valuation assumptions were as follows:

For the Group savings plans and leverage plans subscribed in 2013, 2012 and 2011, the valuation assumptions used are as follows:

	2013	2012	2011
Grant date	June 28	June 25	June 23
Subscription price (in euros)	12.10	10.31	15.27
Data at grant date:			
Share price (in euros)	14.55	13.57	18.39
Discount to face value	16.82%	24.02%	16.97%
Expected dividend yield	6.87%	7.37%	8.16%
Risk-free interest rate	1.19%	1.37%	2.44%
5-year interest rate in fine	6.08%	6.51%	6.15%
Repo rate	0.36%	0.36%	0.36%

Under the employee stock purchase plans 1,505,000 shares were subscribed in 2013 (compared to 1,541,000 shares in 2012 and 1,381,000 shares in 2011). After taking into account a 15.2% discount for non-transferability to the share price on the grant date (15.3% in 2012 and 10.0% in 2011), the fair value per subscribed share on June 28, 2013 was €0.24, compared to €1.18 per share subscribed on June 25, 2012 and €1.28 per share subscribed on June 23, 2011.

Under the leveraged plans, virtually all employees and retired employees of SFR were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2013, 6,225,000 shares were subscribed under the leverage plan (compared to 6,591,000 shares subscribed in 2012 and 4,537,000 shares subscribed in 2011). After taking into account a 1.5% discount for non-transferability measured after the leveraged impact (unchanged in relation to 2012 and 1.0% in 2011), the fair value per share subscribed on June 28, 2013 amounted to €2.23, compared with €3.05 per share subscribed on June 25, 2012 and €2.94 per share subscribed on June 23, 2011.

In 2013, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €14 million (as compared with €22 million in 2012 and €15 million in 2011).

Note 17. Remunerations based on Equity Instruments (Continued)

17.1.2. Information on outstanding SFR Plans Based on the Value of Vivendi since January 1, 2011

Equity-settled instruments

	Stock options		Performance shares
	Number of outstanding stock options	Weighted average strike price of outstanding stock options	Number of outstanding performance shares
	(in thousands)	(in euros)	(in thousands)
Balance as of December 31, 2010	**12,688**	**21.6**	**538**
Granted	645	19.9	502
Exercised	(25)	13.9	(152)
Cancelled	(377)	20.3	(42)
Balance as of December 31, 2011	**12,931**	**21.5**	**846**
Granted	495	13.6	552
Exercised	(94)	13.0	(344)
Cancelled	(82)	18.3	(32)
Adjusted	460	20.6	36
Balance as of December 31, 2012	**13,710**	**20.6**	**1,058**
Granted	—	N/A	817
Exercised	(734)[a]	14.2	(496)
Forfeited	(85)	12.2	—
Cancelled	(16)	18.2	(6)
Adjusted	1,390	19.4	114
Balance as of December 31, 2013	**14,265**[b]	**19.7**	**1,487**[c]
Exercisable as of December 31, 2013	***12,913***	***20.2***	**—**
Acquired as of December 31, 2013	***12,913***	***20.2***	**—**

N/A: not applicable

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €16.71 (compared to €16.50 for stock options exercised in 2012 and €20.85 for the stock options exercised in 2011).

(b) The total intrinsic value of outstanding stock options was €17 million.

(c) The weighted-average remaining period before issuing shares was 0.8 years.

Regarding the grant of 50 bonus shares in 2012, the remaining number of bonus shares was 455,000 as of December 31, 2013 (474,000 as of December 31, 2012). During 2013, 19,000 shares were cancelled (26,000 in 2012).

Note 17. Remunerations based on Equity Instruments (Continued)

Information on stock options as of December 31, 2013 is as follows:

Range of strike price	Outstanding stock options: Number	Outstanding stock options: Weighted average strike price	Outstanding stock options: Weighted average remaining contractual life	Vested stock options: Number	Vested stock options: Weighted average strike price
	(in thousands)	(in euros)	(in years)	(in thousands)	(in euros)
Under €15	624	13.6	8.6	—	—
€15-€17	3,613	16.8	5.7	3,613	16.8
€17-€19	3,107	17.6	2.2	2,379	17.5
€19-€21	1,944	20.0	1.3	1,944	20.0
€21-€23	1,613	21.3	4.3	1,613	21.3
€23-€25	1,771	24.1	2.3	1,771	24.1
€25-€27	1,593	26.1	3.3	1,593	26.1
Over €27	—	—	—	—	—
	14,265	**19.7**	**3.6**	**12,913**	**20.2**

17.2. Impact on Income Statement

	2013	2012	2011
	(in millions of euros)		
Stock options, performance shares and bonus shares	*12.3*	*9.7*	*7.8*
Employee stock purchase plan	*14.2*	*21.9*	*15.1*
Charges/(income) relative to compensation based on equity-settled instruments	**26.5**	**31.6**	**22.9**

Note 18. Provisions

	2013: Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
	(in millions of euros)					
Staff benefit schemes[(a)]	72	7	(10)	—	8	76
Restructuring[(b)]	170	67	(152)	(1)	—	85
Site renovation costs[(c)]	65	4	(4)	—	(4)	61
Litigation and other[(d)]	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	**10**	**491**
Current provisions	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Non-current provisions	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Staff benefit schemes: refer to Note 19—Post-employment benefits

(b) Restructuring: refer to Note 4.2—Other operating income and expenditure

(c) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(d) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned.

Note 18. Provisions (Continued)

The tables of the previous financial years are presented below:

	2012					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
	(in millions of euros)					
Staff benefit schemes	50	7	(0)	(1)	15	72
Restructuring	9	170	(0)	—	(8)	170
Site renovation costs	55	3	(3)	—	10	65
Litigation and other	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Current provisions	*236*	*256*	*(30)*	*(54)*	—	*408*
Non-current provisions	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
	(in millions of euros)					
Staff benefit schemes	45	6	(0)	(1)	0	50
Restructuring	1	—	(1)	(6)	14	9
Site renovation costs	49	3	(2)	—	4	55
Litigation and other	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Current provisions	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Non-current provisions	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Post-Employment Benefits

All employees of the Group benefit from severance pay in accordance with the collective agreement of the company to which they are attached.

19.1. Assumptions used for Evaluation

The actuarial debt is evaluated using the following assumptions:

	2013	2012	2011
Discount rate	3.00%	3.25%	4.50%
Salary increase rate	2.75%	2.75%	2.75%

The demographic assumptions are specific to each company. The discount rate is based on the ''iBoxx € Corporates AA'' rate.

The proceeds of interest on the hedging assets are determined on the basis of the discount rate.

These hedging assets are invested in the general fund Cardif, which is principally composed of bonds.

Note 19. Post-Employment Benefits (Continued)

19.2. Analysis of Net Benefit obligation under Pensions and Post retirement Benefits

The analysis of the change in net benefit obligations is presented in the tables below:

Changes in the value of Benefit obligations

	2013	2012	2011
	(in millions of euros)		
Benefit obligation at the beginning of the year	73	52	48
Current services cost	7	5	5
Interest cost	2	2	2
Benefits for the period	(0)	(0)	(1)
Scheme reduction[(a)]	(12)	(1)	—
Settlement	—	—	(0)
Curtailment	—	—	(1)
Actuarial differences (profits)/losses	7	15	(0)
Benefit obligation at the end of year	**77**	**73**	**52**
Including commitments not financed	*76*	*71*	*50*
Including commitments totally or partially financed	*0*	*2*	*2*

(a) The scheme reduction of €12 million in 2013 corresponds to the impact of the voluntary redundancy scheme launched by SFR in 2012 (refer to Note 4.2—Other operating income and expenditure).

Changes to fair value of plan assets

	2013	2012	2011
	(in millions of euros)		
Fair value of plan assets at start of year	3	3	3
Benefits paid by the fund	—	—	(1)
Actuarial differences (profits)/losses on return	—	0	—
Return expected from the hedge funds	0	0	0
Fair value of plan assets at end of year	**3**	**3**	**3**

Net liabilities recorded

	2013	2012	2011
	(in millions of euros)		
Net liabilities recorded at start of year	(70)	(49)	(45)
Expenditure for the period	(9)	(7)	(5)
Benefits reducing commitment	0	0	0
Scheme reduction	12	1	—
Scheme settlement	—	—	0
Actuarial differences profits/(losses) in overall earnings	(7)	(15)	0
Net liabilities recorded at end of year	**(74)**	**(70)**	**(49)**

Note 19. Post-Employment Benefits (Continued)

Value of commitments, fair value of assets and financial sub-hedge over 3 financial years

	2013	2012	2011
	(in millions of euros)		
Value of commitments	77	73	52
Fair value of plan assets	3	3	3
Financial sub-hedge	**74**	**70**	**49**

Sensitivities to the discount rate

An increase of 50 base points to the discount rate expected in 2013 (or a fall of 50 base points) would be reflected in a reduction in the commitment of €7 million (or an increase of €7 million).

19.3. Analysis of the Expenditure Recorded on the Income Statement

Expenditure recorded for defined benefit schemes can be broken down as follows:

	2013	2012	2011
	(in millions of euros)		
Current service cost	7	5	5
Interest costs	2	2	2
Expected return on plan assets	(0)	(0)	(0)
Past services cost	—	—	(1)
Expenditure for the financial year	**9**	**7**	**5**
Scheme reduction	(12)	(1)	—
Scheme settlement	—	—	(0)
Total expenditure	**(3)**	**6**	**5**

19.4. Actuarial Differences Recorded in Overall Earnings

	2013	2012	2011
	(in millions of euros)		
Actuarial differences from experience	1	—	2
Actuarial differences from assumptions	6	14	(2)
Actuarial differences recorded in overall earnings	**7**	**15**	**—**
Actuarial differences accumulated in equity	**21**	**14**	**—**

The amount of the 2013 actuarial differences relative to the hedging assets is not significant. The amount relative to the commitments is detailed as follows:

	Total	Commitment	
	(in millions of euros)		
Actuarial differences from experience	1	1	1.0%
Actuarial differences from assumptions	6	6	7.7%
Total	**7**	**7**	

Note 19. Post-Employment Benefits (Continued)

19.5. Allocation of pension plan assets

The allocation of plan assets is presented in the table hereunder:

	2013	2012	2011
Shares	12.6%	11.4%	11.8%
Bonds	80.7%	78.2%	81.5%
Real estate	6.7%	6.5%	6.1%
Other	0.0%	3.9%	0.6%
Total	**100.0%**	**100.0%**	**100.0%**

Apart from real estate investments, all these assets are exchange-listed.

19.6. Schedule of Post-Employment Benefits

The estimated amount (in nominal value) of the benefits to be paid in the next ten years is as follows:

	Under one year	Two to five years	Six to ten years	Total
		(in millions of euros)		
Estimated benefits payable	0	2	12	**14**

Note 20. Borrowing and Financial Debt

20.1. Analysis of the Expenditure Recorded on the Income Statement

	2013	2012	2011
	(in millions of euros)		
Shareholder debt[(a)]	1,200	1,200	3,700
Bond loan[(b)]	—	300	300
Securitization of receivables[(c)]	—	—	422
Debt relative to finance leasing	8	11	15
Other financial debt	40	50	53
Non-current borrowing and financial debt	**1,248**	**1,561**	**4,490**
Shareholder debt[(a)]	7,472	6,409	1,761
Bond loan[(b)]	300	—	996
Bank loan	50	66	48
Debt relative to finance leasing	3	4	9
Other financial debt[(d)]	20	27	83
Current borrowing and financial debt	**7,846**	**6,506**	**2,896**
Borrowing and financial debt	**9,094**	**8,067**	**7,385**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi in June 2011. This facility was drawn respectively to the level of €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate, which was fixed in accordance with market conditions, has remained fixed since January 1, 2013 (2.79%);
- shareholder loan: these are loans or credit facilities entered into between the Group and Vivendi:
  - The Revolving Credit facility entered into in January 2011 for €1 billion, bearing interest at the Euribor rate + 2.5%, matured in 2012,
  - The Revolving Credit facility in the sum of €1.5 billion, entered into in June 2009 at the Euribor interest rate + 2.5%, matured in June 2013,

Note 20. Borrowing and Financial Debt (Continued)

- ○ The loan entered into in December 2011 for €1.2 billion, bearing interest at the Euribor rate + 0.825%, maturity of which is June 2015, was still in force as of December 31, 2013;

(b) Bond loan (net of amortized cost): The Group issued a bond loan of €300 million in July 2009, maturity of which is July 9, 2014, bearing interest at the rate of 5%. Another loan, resulting from several bond issues from 2005 to 2009 for a total of €1 billion, was repaid in full upon maturity in July 2012.

(c) A receivables securitization program was set up in 2011. This program was settled ahead of the original due date in June 2012.

(d) The commercial papers were repaid in full in 2012.

20.2. Breakdown by Interest Rate Type of the Repayment Value of Borrowing and Financial Debt

	2013		2012		2011	
	(in millions of euros)					
Breakdown by type of interest rate:						
Fixed interest rate (after hedge)	7,769	85%	300	4%	1,296	18%
Variable interest rate	1,324	15%	7,767	96%	6,090	82%
Total	**9,094**		**8,067**		**7,385**	

20.3. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis. The interest payable is calculated on the basis of the debt as of December 31, 2013. The variable interest rates are the rates applicable as of December 31, 2013.

The effective annual percentage rate over the year 2013 is 2.80%.

		2013 Schedule of repayments		
	Book value	Under one year	Two to five years	Over five years
	(in millions of euros)			
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to leasing	11	3	6	2
Other financial debts	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

Note 21. Trade Accounts Payable and Other Payables

	2013	2012	2011
	(in millions of euros)		
Trade accounts payable	2,878	2,943	3,114
Customer's credit balances	622	512	478
Tax and social contributions[(a)]	846	1,028	1,100
Short term prepaid income	524	630	710
Income tax	3	9	6
Other	1	13	4
Trade accounts payable and other payables	**4,874**	**5,136**	**5,412**

(a) As of the end of 2013, tax and social contributions can be broken down principally into the following elements:

- Value-added tax payable: €331 million
- Social contributions: €338 million

Note 21. Trade Accounts Payable and Other Payables (Continued)

- Territorial economic tax (CET): €77 million
- Tax on electronic communications (TCE—Copé): €54 million
- Tax on television services (TST—COSIP): €24 million

Note 22. Other Current and Non-Current Liabilities

	2013	2012	2011
	(in millions of euros)		
Deferred income	309	339	346
GSM license	136	154	172
Uncalled share capital (Numergy)	63	63	—
Other[(a)]	33	41	114
Other non-current liabilities	**540**	**597**	**633**
Uncalled share capital (Numergy)	16	16	—
Other current liabilities	1	1	3
Other current financial liabilities	**17**	**17**	**3**

(a) In 2011, includes €53 million QTE settled early in December 2012 (refer to Note 12—Other current and non-current assets).

Note 23. Financial Instruments

23.1. Fair Value of Financial Instruments Recorded in the Balance Sheet and Accounting Categories

The table below presents the net carrying value by category and the fair value of the Group's financial instruments as of December 31, of each year.

		2013						
	Note	Assets/ liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	12	86			106	106
Derivative instruments	12					2	2	2
Other current financial assets	12	0					0	0
Other non-current operating assets	12				79		79	79
Trade accounts receivable and other	14				2,558		2,558	2,558
Cash and cash equivalents	15	394					394	394
Liabilities								
Non-current borrowings and financial debts	20				1,248		1,248	1,248
Current borrowings and financial debts	20				7,844		7,844	7,851
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				4,874		4,874	4,874
Other non-current liabilities	22				540		540	540
Other current financial liabilities	22				17		17	17

Note 23. Financial Instruments (Continued)

For the record, as of December 31, 2012

	Note	2012 Assets/ liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	13	63			83	83
Derivative instruments	12					2	2	2
Other current financial assets	12	1					1	1
Other non-current operating assets	12				78		78	78
Trade accounts receivable and other	14				2,544		2,544	2,544
Cash and cash equivalents	15	267					267	267
Liabilities								
Non-current borrowings and financial debts	20				1,561		1,561	1,578
Current borrowings and financial debts	20				6,505		6,505	6,505
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				5,136		5,136	5,136
Other non-current liabilities	22				597		597	597
Other current financial liabilities	22				17		17	17

Note 23. Financial Instruments (Continued)

For the record, as of December 31, 2011

	Note	2011 Assets/ liabilities at fair value through earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	20	120			148	148
Derivative instruments	12					0	0	0
Other current financial assets	12	2					2	2
Other non-current operating assets	12				1		1	1
Trade accounts receivable and other	14				3,015		3,015	3,015
Cash and cash equivalents	15	228					228	228
Liabilities								
Non-current borrowings and financial debts	20				4,490		4,490	4,504
Current borrowings and financial debts	20				2,895		2,895	2,907
Derivative instruments	20							
Commitments to purchase non-controlling interests	12	1					1	1
Trade accounts payable and other	21				5,412		5,412	5,412
Other non-current liabilities	22				633		633	633
Other current financial liabilities	22				3		3	3

The carrying value of the operating receivables and other, cash and cash equivalents and trade accounts payable and other is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings and financial debts is calculated either from the market price for the bond loan or, for the rest of the debt, by discounting future contractual flows, taking account of market conditions as of December 31 each year.

Valuation method for financial instruments at fair value on the balance sheet

In compliance with IFRS 7, financial assets and liabilities at fair value are classified according to a fair value hierarchy at fair value of the financial instruments (level 1 to 3) as follows:

- the fair value of financial instruments exchanged in active markets (for example monetary UCITS) is based on the market price listed on the date of closure. This valuation method is described as level 1 in the hierarchy defined by IFRS 7;
- the fair value of financial instruments not traded in active markets (for example rate swaps) is determined using valuation techniques. The assumptions used can be observed either directly (i.e. such as prices) or indirectly (i.e. determined from prices). This valuation method is described as level 2 in the hierarchy defined by IFRS 7;
- the fair value of the instruments classified in level 3 (for example, available—for-sale securities) is determined using a valuation technique not based on observable market data.

Note 23. Financial Instruments (Continued)

The tables below present the method of valuation used for the financial assets and liabilities at fair value as of December 31, of each year.

	2013			
	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	20	8		12
of which cash management assets	*8*	*8*		
available-for-sale securities	*12*			*12*
Derivative instruments	2		2	
Other current financial assets	0	0		
Cash and cash equivalents	394	394		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2012

	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	21	8		13
of which cash management assets	*8*	*8*		
available-for-sale securities	*13*			*13*
Derivative instruments	2		2	
Other current financial assets	1	1		
Cash and cash equivalents	267	267		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2011

	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	28	8		20
of which cash management assets	*8*	*8*		
available-for-sale securities	*20*			*20*
Derivative instruments	0		0	
Other current financial assets	2	2		
Cash and cash equivalents	228	228		
Financial liabilities at fair value				
Derivative instruments				
Commitments to purchase non-controlling interests	1			1

23.2. Management of Financial Risks and Derivative Financial Instruments

As part of its business, the Group is exposed to several types of financial risks: market risk, credit (or counterparty) risk and liquidity risk. Market risks are defined as the risks of fluctuation in future cash flow of financial instruments that depend on the changes in financial markets. For the Group, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investment in the stock markets.

Note 23. Financial Instruments (Continued)

As part of the Vivendi Group as of December 31, 2013, the Group follows group policy with regard to management of financial risks and derivative financial instruments, which is centrally managed by Vivendi's Financing and Treasury department.

The Group uses derivative instruments to manage its exposure to market risks. The valuation of these instruments is not significant over the periods presented.

Valuation linked to the credit risk of derivative instruments is calculated from historic probabilities of default, as resulting from the calculations of a leading ratings agency, to which a recovery rate is applied. As of December 31, 2013, the impact of the adjustment recommended by IFRS 13 was not significant.

23.3. Interest Rate Risk

The exposure of the Group to interest rate risk is linked to its net variable rate financial debt level.

As of December 31, 2013 and as of December 31, 2012, this exposure was not hedged by rate derivative instruments.

Sensitivity analysis to interest rate risk

Sensitivity analysis to interest rate changes for variable rate instruments was determined considering all variable rates of financial instruments. The analysis was conducted assuming that the amounts of debts and financial instruments on the balance sheet as of December 31, 2013 will remain constant over a year. For the purposes of this analysis, all other variables, particularly the exchange rates, are assumed to remain constant.

A change of 50 basis points in the interest rate on date of closure would have resulted in an increase (decrease) in the cost of debt of €7 million.

23.4. Foreign Exchange Risk

To hedge its currency purchases, related in particular to the acquisition of telecoms equipment, the Group uses forward contracts which it buys from the Financing and Treasury department of the Vivendi Group.

As of December 31, 2013, the Group held foreign exchange hedge instruments for a notional amount of 115 million US dollars (USD). All contracts are US dollar (USD) forward contracts with a maturity between 1 and 7 months.

The forward contracts are defined as cash flow hedges. Their ineffectiveness over the period is not significant.

The residual exposure of the Group after hedging the USD fluctuations is barely significant over the financial year. As of December 31, 2013, the exposure to foreign exchange risk on the balance sheet of the Group in USD amounts to 2 million, and is completely hedged.

Sensitivity analysis to foreign exchange risk

As of December 31, 2013, an instant change of 10% of the euro in relation to the dollar would, on the assets and liabilities recorded on the balance sheet, have quite a significant impact on the foreign exchange earnings of the Group. For the purposes of this analysis, all other variables, and in particular the interest rates, are assumed to remain constant.

23.5. Liquidity Risk

The Group manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow. As of December 31, 2013, the financial flexibility of the Group was assured by the current account provided by Vivendi.

Note 23. Financial Instruments (Continued)

A liquidity schedule is detailed in Note 20.3—Breakdown by maturity of future cash flow linked to borrowings and financial debts.

23.6. Credit and Counterparty Risk

The main financial assets potentially generating a credit risk for the Group are:

- cash investments,
- trade accounts receivable and other .

The maximum exposure of the financial assets to the credit risk corresponds to their net carrying value.

Cash investments and derivative instruments

The Group makes its cash investments (monetary UCITS that meet the specifications of AMF position No. 2011-13, and other short-term highly liquid investments with an original maturity less than or equal to three months) with leading banking counterparties.

As of December 31, 2013:

- cash investments are made with counterparties enjoying high credit ratings,
- derivative instruments, forward purchases of dollars, were bought from Vivendi and not directly from banking partners.

Trade accounts receivable and other

The concentration of the counterparty risk related to trade accounts receivable is limited because the client portfolio of the Group is highly diversified and not concentrated, considering the large number of clients, in particular the Retail business, with several million individual customers.

With regard to the B2B business, the 20 main clients represent less than 3% of the Group's revenues.

With regard to the Wholesale business, revenues are more concentrated, with the biggest clients being telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile) whose risk is moderate considering the interconnection flows equilibrium. Orange, the first client operator, is also the first supplier of the Group.

Note 24. Transactions with Related Parties

The related parties of the Group are:

- All companies included in the scope of combination, whether fully integrated or accounted for by the equity method,
- Vivendi S.A. and its consolidated entities (the ''Vivendi Group''),
- The Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.,
- All members of the executive committee of SFR S.A.,
- All companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

Note 24. Transactions with Related Parties (Continued)

24.1. Compensation of the Managers

The managers of the combined group include the members of the executive committee of its main entity SFR S.A.

The table below presents the compensation allocated to the people who were, upon closure or during the financial years presented members of the executive committee.

	2013	2012	2011
	(in millions of euros)		
Short-term benefits[(a)]	5	6	6
Post-employment benefits[(b)]	1	1	2
Share-based compensation[(c)]	3	4	3
Compensation of managers	**8**	**10**	**11**

(a) Includes gross salaries, fixed and variable compensations, profit sharing and benefits in kind recorded during the financial year. The variable part includes bonuses provisioned at closure of the financial year. The 2013 bonus for the corporate representatives will be finally approved later by the Supervisory Board of Vivendi S.A. at the recommendation of the Human Resources Committee of Vivendi S.A.

(b) Corresponds to the cost of services delivered.

(c) Expense recorded on the profit and loss account by way of share option plans and offers reserved to employees.

24.2. The Shareholder Companies and Joint Ventures

Shareholder companies and joint ventures, equity-accounted, are presented in Note 11—Equity-accounted securities.

Transactions with the related parties summarized below concern the principal current operations undertaken with shareholder companies and joint ventures.

	Affiliated companies			Joint ventures		
	2013	2012	2011	2013	2012	2011
	(in millions of euros)					
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	—	—	—	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**—**	**—**
Current liabilities	18	16	15	5	—	—
Non-current liabilities	63	63	—	—	—	—
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	—	—	—	(4)	—	—
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	—	—	—	413	228	228
Financial	56	79	70	86	58	50
Pledges	—	—	—	70	34	25

The principal transactions with the equity-accounted companies are with:

- La Poste Telecom as part of telephony business,
- Numergy as part of services relative to ''cloud computing'',
- Synerail as part of the GSM-R Public/Private Partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part construction of the registered office of SFR S.A.

(refer to Note 11—Equity-accounted securities)

Note 24. Transactions with Related Parties (Continued)

24.3. The Historic Shareholders

From 2011 to 2013, the principal operations with the Vivendi Group and the Vodafone Group were as follows:

Financing by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Under balance sheet liabilities			
Shareholder debt[(a)]	8,673	7,609	5,461
On the profit and loss account			
Interest linked to shareholder debt	(212)	(170)	(87)

(a) The breakdown of the shareholder debt is presented in Note 20—Borrowings and financial debts.

Services billed by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Head office costs	(15)	(28)	(26)
Employee benefits	(26)	(32)	(23)
Staff on secondment	(7)	(6)	(6)
Services billed by Vivendi	**(48)**	**(66)**	**(55)**

Operations carried out with the Vodafone Group from January 1 to June 16, 2011

Cooperation with Vodafone: in 2003, Vodafone and SFR S.A. entered into an agreement which enabled them to intensify their cooperation and increase their scale economies in several areas: development and launch of new products and services, reinforcement of operating synergies, notably with regard to purchasing (notably IT and technology) and the sharing of expertise.

SFR S.A. recorded an expense of €21 million for this agreement as of June 30, 2011.

The cooperation agreement with Vodafone was maintained following Vodafone's exit from the share capital of SFR S.A., but no longer falls within the scope of affiliated operations.

Interconnection flow with subsidiaries of the Vodafone Group: as part of the rebilling of flow (''roaming in'' and ''roaming out''), on June 30, 2011 the Group recorded an income of €23 million and an expense of €13 million vis-à-vis the Vodafone Group.

Other operations undertaken with subsidiaries of the Vivendi Group

	2013	2012	2011
	(in millions of euros)		
Total income	25	24	13
Total expenses	(49)	(61)	(57)

The Canal +, UMG and Maroc Telecom Groups are consolidated within the Vivendi Group. These operations fall within the current business of the Group.

Note 25. Contractual Commitments

The significant contractual commitments made or received by the Group are detailed hereunder:

25.1. Commitments related to Fixed Assets

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €888 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Schedule			2012	2011
		Under one year	Two to five years	Over five years		
	(in millions of euros)					
Commitments related to Public Service Concessions	72	27	22	23	262	336
Commitments related to MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the less dense areas.

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

25.2. Commitments related to the Telecommunications Licenses

Commitments given		Amount	Maturity
(a)	UMTS license on French territory	1% of revenues generated	2021-2030
(a)	GSM license on French territory	1% of revenues generated	2021
(a)	LTE license on French territory	1% of revenues generated	2031-2032
(b)	3G network coverage	Not costed	2013
(c)	4G network coverage	Not costed	2023-2027

Commitments received		Amount	Maturity
(a)	Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(refer to Note 1.3.7—Intangible assets; Note 9—Intangible assets).

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.

As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

Note 25. Contractual Commitments (Continued)

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015,
- 60% of the metropolitan population by 11 October 2019,
- 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
  - coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
  - coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;
  - departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.
- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the ‘‘white areas’’ program (above 98% of the population) within a maximum period of 15 years.

Note 25. Contractual Commitments (Continued)

25.3. Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

	Minimum future rents	Schedule: Under one year	Two to five years	Over five years	2012	2011
	(in millions of euros)					
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

The future finance leasing rent amounts are presented in Note 10.3—Tangible assets.

25.4. Commitments related to Long-Term Contracts

Commitments related to long-term contracts principally concern contracts for maintenance of the telecommunications network.

	Minimum future payments 2013	Schedule: Under one year	Two to five years	Over five years	2012	2011
	(in millions of euros)					
Given commitments	178	62	79	37	172	63
Received commitments	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

Note 25. Contractual Commitments (Continued)

25.5. Other Commitments

		2013	Schedule	2012	2011
			(in millions of euros)		
(a)	GSM-R bank guarantees, joint and several guarantees	105	According to construction	92	66
	Other bank guarantees	65	2026	64	90
(b)	Share purchase commitments	16	2026	16	18
	Pledges	84	2017	51	46
	Given commitments	**269**		**223**	**219**
	Other bank guarantees	(1)		(1)	(1)
	Received commitments	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF). (Refer to Note 11—Equity-accounted securities).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

25.6. Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at end 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

25.7. Contingent Assets and Liabilities

Following the successful takeover bid of June 2008 which enabled the Group to acquire a 96.41% stake in Neuf Cegetel, the Group initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure(June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Note 26. Litigation

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as ''Legal Proceedings'').

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had during the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described below.

All material Legal Proceedings in which SFR is a plaintiff or a defendant are disclosed in this note.

Note 26. Litigation (Continued)

Complaint of Bouygues Telecom against SFR and Orange concerning the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets (''price scissoring''). On May 15, 2009, the French Competition Authority (the ''Competition Authority'') resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and EI Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and amount of these claims, which Vivendi believes cannot, in any case, exceed €250 million in total. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and has been suspended.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.

Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court of (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR

On June 6, 2009, Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged on-net/off-net pricing discrimination practices implemented by SRR on the mobile market in Mayotte and Réunion.

On September 16, 2009, the French Competition Authority (the ''Competition Authority'') imposed protective measures on SRR, pending its decision on the merits. Following this decision, on June 17, 2013, Outremer Telecom filed a claim before the Paris Commercial Court against SFR and SRR in respect of the consumer market and the business market for damages it claims to have suffered as a result of the practices reported in the notification to the Competition Authority. The Court has issued a stay of these proceedings. On July 12, 2013, SRR received a notification of grievances concerning its practices on the consumer market and did not contest it. The amount of the fine to be imposed on SRR is currently under review by the Competition Authority.

Complaint against Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Note 26. Litigation (Continued)

Complaint of Orange against SFR before the Paris Commercial Court (overflow case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair ''overflow'' and to order SFR to pay the sum of €309.5 million in penalties established by mutual agreement. SFR is accused of having deliberately organized the overflow onto the Orange network for the purpose of optimizing the economic performance of its own network (undersizing of ''PDB''/[''BPN''] commands). On December 10, 2013, the Court ordered SFR to pay €22.1 million to Orange. SFR and Orange have appealed this decision.

SFR against Orange: abuse of dominant position on the secondary residence market

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the retail market for mobile telephony services to non-residential customers, and seeking damages of between €122 million and €129 million.

On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51.4 million to SFR for abuse of its dominant position on the secondary residence market.

Free against SFR: unfair competition for non-compliance with provisions inherent to consumer credit in respect of offers with subsidies

On May 21, 2012, Free filed a complaint before the Paris Commercial Court against SFR. Free is challenging the subsidy model associated with SFR's *Carrée* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and as such, SFR is guilty of unfair practices, by not respecting the provisions inherent to consumer credit including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

UFC against SFR: abusive clauses

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance) against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain abusive clauses. The UFC is seeking the removal of these clauses and damages.

SFR against Orange (ZND case)

On November 26, 2012, SFR notified the French Competition Authority about practices constituting an abuse of dominant position on the retail high-speed internet access market in non-unbundled areas.

CLCV summons against SFR

On January 7, 2013, the French consumer protection association, CLCV (Consumption housing and quality of life) filed a complaint before the Paris Tribunal of First Instance against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be abusive and is seeking the removal of such clauses. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils des Prud'hommes) of each of these

Note 26. Litigation (Continued)

cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court.

Disputes with independent distributors (Consumers and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR . Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 27. List of Combined Entities

Company	Country Registered office	Group interests			Method[(1)]		
		2013	2012	2011	2013	2012	2011
SFR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SIG 50 SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications BV	Netherlands	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Italie Srl	Italy	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Suisse SA	Suisse	100.0%	100.0%	100.0%	FC	FC	FC
2SID SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
2SIP SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Cinq sur Cinq SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Ariège Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Buzz SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Cap Connexion SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
CID SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Debitex Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Efixo SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Eur@seine SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
FOD SNC	France	100.0%	100.0%	100.0%	FC	FC	FC
Futur Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Gravelines Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Haut-Rhin Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Loiret THD SAS	France	100.0%	—	—	FC	—	—
MACS THD SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Opalys Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rennes Métropole Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rimbaud Gestion B SCI	France	100.0%	—	—	FC	—	—
Foncière Velizy SCI	France	100.0%	100.0%	—	FC	FC	—
SFCM SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Collectivités SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Développement SAS	France	100.0%	100.0%	100.0%	FC	FC	FC

Note 27. List of Combined Entities (Continued)

Company	Country Registered office	Group interests 2013	Group interests 2012	Group interests 2011	Method(1) 2013	Method(1) 2012	Method(1) 2011
SID SCS	France	100.0%	100.0%	—	FC	FC	—
SNBL SA	France	100.0%	100.0%	—	FC	FC	—
SRR SCS	France	100.0%	100.0%	100.0%	FC	FC	FC
SHD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LTBR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network Part. SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Service Client SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Iris 64 SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Manche Telecom SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Medi@lys SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Teloise SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Alsace Connexia Part. SAS	France	61.9%	61.9%	61.9%	FC	FC	FC
Synerail Exploitation SAS	France	60.0%	60.0%	60.0%	FC	FC	FC
Inolia SA	France	60.0%	60.0%	60.0%	FC	FC	FC
Moselle Telecom Part. SAS	France	56.0%	56.0%	56.0%	FC	FC	FC
Comstell SAS	France	50.0%	50.0%	50.0%	FC	FC	FC
Alsace Connexia SAS	France	43.3%	43.3%	43.3%	FC	FC	FC
Moselle Telecom SAS	France	39.2%	39.2%	39.2%	FC	FC	FC
Irisé SAS	France	25.0%	25.0%	25.0%	FC	FC	FC
Foncière Rimbaud 3 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 4 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 1 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Foncière Rimbaud 2 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Dokeo TV SAS	France	50.0%	—	—	EA	—	—
La Poste Telecom SAS	France	49.0%	49.0%	49.0%	EA	EA	EA
Nomotech Finances SAS	France	48.5%	48.5%	48.5%	EA	EA	EA
Numergy SAS	France	46.7%	46.7%	—	EA	EA	—
Synerail Construction SAS	France	40.0%	40.0%	40.0%	EA	EA	EA
VOD Factory SAS	France	40.0%	—	—	EA	—	—
Fischer Telecom SAS	France	34.0%	34.0%	34.0%	EA	EA	EA
Synerail SAS	France	30.0%	30.0%	30.0%	EA	EA	EA
Webwag SAS	France	27.0%	27.0%	27.0%	EA	EA	EA
Buyster SA	France	25.3%	25.6%	26.0%	EA	EA	EA
Ocealis SAS	France	25.0%	25.0%	25.0%	EA	EA	EA
AF 83 SAS	France	24.6%	24.6%	24.6%	EA	EA	EA
Sud Partner SARL	France	24.0%	24.0%	24.0%	EA	EA	EA
Sofialys SAS	France	23.8%	26.0%	24.5%	EA	EA	EA
Idenum SAS	France	21.0%	—	—	EA	—	—
Velizy Invest Eurl	France	nc	100.0%	—	nc	FC	—
Supertec SAS	France	nc	26.2%	26.2%	nc	EA	EA
M2M Solution SAS	France	nc	23.4%	23.4%	nc	EA	EA
FCT TEMA	France	nc	nc	100.0%	nc	nc	FC
Neuf Assistance SAS	France	nc	nc	100.0%	nc	nc	FC
Neuf Center SAS	France	nc	nc	100.0%	nc	nc	FC
Digitick SA	France	nc	nc	27.5%	nc	nc	EA

(1) FC = Full combination; EA = Equity-Accounted; nc = not combined

Note 27. List of Combined Entities (Continued)

At December 31, 2011, there remained one Dutch company (SPADIX BV) specifically created under the lease/sublease agreements entered into in 2001, in which the combined group has no shareholding. This company departed from the scope of combination in 2012.

Note 28. Subsequent Events

On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017. This agreement had no impact on the combined financial statements as of December 31, 2013. Pending its implementation, this agreement represents a net commitment received by SFR of approximately €460 million, which applies over the entire duration of the long-term agreement.

On February 13, 2014, Vivendi announced it had entered into exclusive negotiations with the Belgacom Group in order to acquire 100% of the shares of Groupe Telindus France. Groupe Telindus France is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Telindus France aims to reinforce the Vivendi French telecoms segment alongside SFR, which will thus considerably strengthen its presence on the adjacent market of telecoms integration and will enable to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Within the framework of its public service outsourcing activity since 2004 in Oise département, the Group has committed to launching a new project ''Oise THD'' (''Oise Very High Speed Internet'') for the operation and marketing of 280,000 FTTH outlets. The contract is to be signed in March 2014. The total commitment should amount to €125 million over 15 years.

ORANGE DOMINICANA, S.A.

Unaudited Condensed interim standalone Financial Statements

As of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012

Deloitte.

Deloitte & Associes
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
Telephone:+ 33 (0) 1 40 88 28 00
Telecopieur: + 33 (0) 1 40 88 28 28
www.deloitte.fr

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of Orange Dominicana

We have reviewed the accompanying condensed statement of financial position of Orange Dominicana (the ''Company'') as of September 30, 2013, and the related condensed statements of income, shareholders' equity and of cash flows for the nine-month periods ended September 30, 2013 and 2012 (the ''interim financial statements''). These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with auditing standards generally accepted in the United States of America (''US GAAS'') applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with International Financial Reporting Standards as issued by the IASB.

DELOITTE & ASSOCIES

Deloitte & Associés

Neuilly-sur-Seine, France

November 8, 2013

ORANGE DOMINICANA, S.A.

Unaudited Condensed interim standalone Financial Statements

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UNAUDITED INTERIM INCOME STATEMENT

Income statement	Notes	30 September 2013	30 September 2012
		In Dominican pesos	
Revenues	2.1	**17,953,623,352**	**16,943,056,706**
Cost of equipment sold	3.1	(2,233,113,679)	(2,142,869,777)
Selling, distribution and traffic costs	3.2	(4,634,645,907)	(4,397,888,405)
Advertising and sponsoring costs		(558,839,468)	(694,526,326)
Offices and technical sites costs		(460,915,458)	(420,459,308)
Labor expenses		(913,106,344)	(880,444,330)
Corporate fees		(463,576,479)	(424,899,623)
Maintenance costs		(237,235,126)	(240,420,765)
Other costs and income	3.3	(1,758,774,800)	(1,862,560,142)
Depreciation and amortization		(2,565,020,605)	(2,544,776,512)
Total costs and operating expenses		(13,825,227,867)	(13,608,845,188)
Operating income		**4,128,395,485**	**3,334,211,519**
Bank commissions		(56,524,122)	(53,030,486)
Interest income		10,772,788	28,710,113
Foreign currency exchange gains (losses)		16,451,647	27,756,910
Other		(12,833,299)	(11,290,289)
Non-operating income (expenses)		(42,132,986)	(7,853,751)
Profit before income tax		**4,086,262,499**	**3,326,357,767**
Income tax	5.1	(1,157,726,258)	(678,075,213)
Net income		**2,928,536,241**	**2,648,282,554**
Other comprehensive income		—	—
Total comprehensive income for the period		**2,928,536,241**	**2,648,282,554**

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

Statement of financial position	Notes	30 September 2013	31 December 2012
		In Dominican pesos	
Intangible assets, net		2,083,854,439	2,211,688,949
Property, plant and equipment, net		13,582,224,499	13,873,521,204
Other non-current assets		54,553,673	55,133,105
Deferred tax assets	5.4	1,689,177,934	1,622,149,160
Total non-current assets		**17,409,810,545**	**17,762,492,418**
Inventories		749,343,236	882,961,123
Trade receivables	2.2	2,798,086,600	2,570,781,717
Other receivables	2.3	1,658,008,675	629,454,718
Income tax receivable	5.2	—	235,499,637
Prepaid expenses		380,664,144	197,925,846
Cash and cash equivalents		1,195,762,606	1,159,590,768
Total current assets		**6,781,865,261**	**5,676,213,809**
Total assets		**24,191,675,806**	**23,438,706,227**
Share capital		5,800,000,000	5,800,000,000
Legal reserve		580,000,000	580,000,000
Hyperinflation reserve		1,680,984,200	1,680,984,200
Retained earnings		9,268,872,610	8,182,305,384
Total Shareholders' equity	6	**17,329,856,810**	**16,243,289,584**
Non-current liabilities	4	675,411,098	644,675,778
Total non-current liabilities		**675,411,098**	**644,675,778**
Trade payables	3.4	3,654,539,431	4,138,024,612
Other current liabilities	3.5	639,704,539	697,728,614
Deferred income	2.4	1,621,475,503	1,714,987,638
Income tax payable	5.2	270,688,424	—
Total current liabilities		**6,186,407,898**	**6,550,740,864**
Total equity and liabilities		**24,191,675,806**	**23,438,706,227**

UNAUDITED INTERIM STATEMENT OF CASH FLOWS

Statement of cash flows	30 September 2013	31 December 2012
	In Dominican pesos	
Operating activities		
Net income	2,928,536,241	2,648,282,554
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortization	2,565,020,605	2,544,776,512
Gains (losses) on disposal	—	761,266
Change in provisions (Litigations, dismantling and others)	(46,242,738)	5,697,755
Income tax	(67,028,774)	(315,110,931)
Change in inventories, accounts receivable and payable		
Decrease (increase) in inventories, net	133,617,887	183,581,099
Decrease (increase) in trade receivables, net	(227,304,883)	(57,402,854)
Decrease (increase) in other receivables, net	(1,028,553,957)	(1,708,378,628)
Increase (decrease) in trade payables	(470,104,195)	(1,282,314,308)
Other changes in working capital requirements		
Decrease (increase) in prepaid expenses	(182,738,298)	(17,071,152)
Decrease (increase) in other non-current assets	579,432	(841,696)
Decrease (increase) in other non-current liabilities	23,766,156	11,704,639
Decrease (increase) in other current liabilities	(58,024,074)	213,905,373
Deferred income	(93,512,135)	(111,407,413)
Change in income tax receivable/payable	506,188,061	558,593,269
Net cash provided by operating activities	**3,984,199,326**	**2,674,775,484**
Investing activities		
Purchase of PPE and intangible assets	(2,092,677,488)	(1,928,169,285)
Net cash used in investing activities	**(2,092,677,488)**	**(1,928,169,285)**
Financing activities		
Dividends paid	(1,855,350,000)	(1,137,080,000)
Net cash used in financing activities	**(1,855,350,000)**	**(1,137,080,000)**
Net increase (decrease) in cash and cash equivalents	36,171,837	(390,473,802)
Cash and cash equivalents—opening balance	1,159,590,768	1,144,656,534
Cash and cash equivalents—closing balance	**1,195,762,606**	**754,182,731**

UNAUDITED STATEMENT OF CHANGE IN EQUITY

Statement of changes in equity	Capital	Legal Reserve	Hyperinflation reserve	Retained Earnings	Total
			In Dominican pesos		
Balance at 12/31/2012	**5,800,000,000**	**580,000,000**	**1,680,984,200**	**8,182,305,384**	**16,243,289,584**
Net income	—	—	—	2,928,536,241	2,928,536,241
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	—	—
Dividends paid (note 9.3)	—	—	—	(1,855,350,000)	(1,855,350,000)
Other movement	—	—	—	13,380,986	13,380,986
Capital increase	—	—	—	—	—
Balance at 09/30/2013	**5,800,000,000**	**580,000,000**	**1,680,984,200**	**9,268,872,610**	**17,329,856,810**

Notes to the unaudited condensed interim standalone financial statements

Note 1—Basis of preparation of the condensed interim standalone financial statements

This note describes the changes in accounting policies which were used by Orange Dominicana S.A. (hereafter called ''ODO'') to prepare its condensed interim financial statements as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012 (the ''Interim Financial Statements''). The financial statements as of December 31, 2012 and 2011 and for the two years then ended were audited by Deloitte & Associés and signed off on September 18, 2013 (the Financial Statements).

1.1 Basis of presentation and purpose of the financial statements

The condensed financial statements and notes were prepared for the purpose of the disposal of ODO by the Orange Group.

The Interim Financial Statements were prepared in accordance with IAS 34 ''Interim Financial Reporting'', as issued by the IASB.

The Interim Financial Statements were prepared using the same accounting policies as the Financial Statements, with the exception of the specific requirements of IAS 34 and the application of the new standards presented in note 1.4.

Where a specific transaction is not dealt with any standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- present fairly ODO's financial position, financial performance and cash flows;
- reflect the economic substance of the transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

1.2 Uses of estimates and judgment

In preparing ODO's financial statements, ODO's management is required to make estimates insofar as many elements included in the financial statements cannot be measured with precision. The underlying assumptions used for the main estimates are similar to those described in the Financial Statements. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at September 30, 2013 may subsequently be changed. ODO's management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

1.3 New standards and interpretations

- Standard applied from January 1, 2013

Standard		Consequences for ODO
IFRS 13	Fair Value Measurement	This standard is applicable prospectively and has no effect on the fair value currently measured by ODO: The requirements provided by the standard have no effect on the measurements of the fair value of the Company's financial assets and liabilities.

Note 1—Basis of preparation of the condensed interim standalone financial statements (Continued)

- Interpretation issued but not earlier applied

Standard		Consequences for ODO
IFRIC 21	Levies	The principal issue raised by this interpretation is about when an entity should recognise a liability to pay a levy imposed by government (other than income taxes). The application of this interpretation might impact the interim net income and its effects are currently being analyzed by ODO. This interpretation is applicable retrospectively from January 1, 2014.

Note 2—Sales

2.1 Revenues

Revenues	30 September 2013	30 September 2012
	In thousand Dominican pesos	
Mobile	15,142,964	14,553,765
Wholesale	1,365,315	1,236,343
Internet	459,201	374,726
Equipment	771,756	591,411
Other	214,387	186,812
Revenues	**17,953,623**	**16,943,057**

2.2 Trade receivables

Trade receivables	30 September 2013	31 December 2012
	In Dominican pesos	
Customers (gross)	3,266,636,847	3,058,316,537
Provision for doubtful accounts	(468,550,247)	(487,534,820)
Customers (net of provision)	**2,798,086,600**	**2,570,781,717**

2.3 Other receivables

Other receivables	30 September 2013	31 December 2012
	In Dominican pesos	
Advances to suppliers	185,844,522	296,156,659
VAT	136,103,685	158,393,560
Cash pooling—current account	1,320,953,268	135,623,414
Others	15,107,200	39,281,085
Total	**1,658,008,675**	**629,454,718**

Note 2—Sales (Continued)

2.4 Deferred income

Deferred income	30 September 2013	31 December 2012
	In Dominican pesos	
Prepaid telephone cards	898,858,666	768,069,643
Loyalty program	511,072,839	511,072,839
Monthly fee	114,583,592	130,045,686
Handsets	89,708,698	237,384,310
Sim & Kit and other deferred income	7,251,708	68,415,159
Total	**1,621,475,503**	**1,714,987,638**

Note 3—Purchases and other expenses

3.1 Cost of equipment sold

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

Cost of equipment sold	30 September 2013	30 September 2012
	In Dominican pesos	
Handsets	2,016,771,981	1,920,113,769
SIM cards	84,803,957	99,664,291
Import duties and freight costs	95,389,394	85,955,075
Other (phone cards, accessories)	36,148,347	37,136,642
Total	**2,233,113,679**	**2,142,869,777**

3.2 Selling, distribution and traffic costs

Selling, distribution and traffic costs	30 September 2013	30 September 2012
	In Dominican pesos	
Selling and distribution costs	1,655,106,345	1,659,834,246
National voice mobile terminations	1,340,220,824	1,342,292,409
National voice fixed line terminations	129,579,046	145,237,567
International terminations	372,397,291	366,537,604
Data terminations (SMS)	175,845,298	176,539,347
International roaming	59,495,541	57,510,340
LDB	841,620,155	602,020,596
Other	60,381,407	47,916,298
Total	**4,634,645,907**	**4,397,888,405**

Note 3—Purchases and other expenses (Continued)

3.3 Others

Other costs and income	30 September 2013	30 September 2012
	In Dominican pesos	
Disposal of fixed assets	1,210,715	4,478,401
Cost recovery	2,816,613	6,330,051
Other operating income	144,644,683	95,941,218
Other income	148,672,011	106,749,670
Purchase of services	(349,875,305)	(327,533,002)
Electricity	(166,434,360)	(147,669,887)
Gas	(210,472,642)	(174,103,954)
Network energy	(376,907,002)	(321,773,841)
Consulting, contractors & prof. serv.	(189,576,002)	(228,709,264)
Bad debt expense	(163,196,881)	(149,045,074)
IT expenses	(129,538,136)	(131,518,941)
Temporary staff/interim net[a]	(55,059,865)	(58,282,361)
Purchases of supplies	(99,737,121)	(101,767,006)
Operating tax	(36,813,171)	(119,244,964)
Security	(67,814,720)	(66,430,751)
Spectrum fees	(63,744,900)	(56,462,353)
Storage costs	(55,541,061)	(50,346,727)
Travels	(18,917,142)	(27,762,142)
Other operating provision	30,133,591	24,434,113
Other	(330,859,095)	(354,867,500)
Other	(506,743,327)	(531,435,360)
Total	**(1,758,774,800)**	**(1,862,560,142)**

(a) The temporary labor expenses attributable to the network development are net of costs capitalized.

3.4 Trade payables

Trade payables	30 September 2013	31 December 2012
	In Dominican pesos	
Fixed assets and operating suppliers	2,590,346,613	3,044,652,663
Related companies	368,786,370	314,449,212
Distributors (dealers)	207,869,622	229,265,172
Merchandises suppliers	445,068,152	540,481,470
Others	42,468,675	9,176,095
Total	**3,654,539,431**	**4,138,024,612**

3.5 Other current liabilities

Other current liabilities	30 September 2013	31 December 2012
	In Dominican pesos	
Taxes and VAT	377,696,434	455,803,544
Staff bonuses	155,458,438	213,293,577
Vacations and other	106,549,667	28,631,492
Total	**639,704,539**	**697,728,614**

Note 3—Purchases and other expenses (Continued)

3.6 Intangible assets, property, plant and equipment

Intangible assets	September 2013 Frequencies	Software licenses & IRU	Right of use corporate solutions	Total	2012
	In Dominican pesos				
Gross value (opening balance)	1,192,676,947	4,094,656,073	132,852,964	5,420,185,983	4,782,110,363
Acquisitions	—	322,654,772	17,796,570	340,451,342	696,046,488
Disposals	—	(9,204,595)	—	(9,204,595)	(14,352,199)
Reallocations	(1,213,414)	(81,669,305)	—	(82,882,719)	(43,618,668)
Gross value (closing balance)	**1,191,463,533**	**4,326,436,945**	**150,649,534**	**5,668,550,011**	**5,420,185,983**
Depreciation (opening balance)	(593,324,201)	(2,525,276,116)	(89,896,717)	(3,208,497,034)	(2,534,475,883)
Depreciation expense	(94,331,958)	(388,527,353)	(15,416,067)	(498,275,378)	(688,373,350)
Disposals	—	9,204,595	—	9,204,595	14,352,199
Reallocation	1,213,414	111,658,831	—	112,872,245	—
Depreciation (closing balance)	**(686,442,745)**	**(2,792,940,043)**	**(105,312,784)**	**(3,584,695,572)**	**(3,208,497,035)**
Net total value	**505,020,788**	**1,533,496,902**	**45,336,750**	**2,083,854,439**	**2,211,688,949**

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 70.

Plant, property and equipment	September 2013 Lands	Buildings	Network and transition equipment	IT infrastructure	Others	Total	2012
	In Dominican pesos						
Gross value (opening balance)	158,783,979	1,720,670,474	25,760,775,864	2,159,692,072	188,739,491	29,988,661,879	27,229,194,068
Acquisitions	—	108,198,102	1,416,882,031	217,768,184	9,377,828	1,752,226,145	2,941,068,823
Disposals	—	—	(7,195,915)	(4,462,842)	(12,556)	(11,671,313)	(91,446,590)
Reallocations	17,803,154	(88,563,081)	(1,197,562,201)	(122,953,656)	(3,800,390)	(1,395,076,174)	(90,154,421)
Gross value (closing balance)	**176,587,133**	**1,740,305,495**	**25,972,899,780**	**2,250,043,758**	**194,304,373**	**30,334,140,538**	**29,988,661,879**
Depreciation (opening balance)	—	(814,069,448)	(13,670,410,515)	(1,529,631,424)	(101,029,288)	(16,115,140,675)	(13,384,994,371)
Depreciation expense	—	(157,040,625)	(1,708,852,847)	(189,288,219)	(11,563,537)	(2,066,745,228)	(2,820,831,628)
Disposals	—	—	7,195,915	4,462,842	12,556	11,671,313	90,685,324
Reallocation	—	70,811,451	1,220,784,576	122,953,656	3,748,865	1,418,298,548	—
Depreciation (closing balance)	**—**	**(900,298,622)**	**(14,151,282,871)**	**(1,591,503,145)**	**(108,831,404)**	**(16,751,916,042)**	**(16,115,140,675)**
Net total value	**176,587,133**	**840,006,873**	**11,821,616,909**	**658,540,613**	**85,472,969**	**13,582,224,497**	**13,873,521,205**

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 1,461.

Note 4—Non-current liabilities

Non-current liabilities	30 September 2013	31 December 2012
	In Dominican pesos	
Customer deposit	214,017,203	203,084,345
Provisions	301,104,336	343,923,698
ARO provisions	160,289,559	97,667,735
Total	**675,411,098**	**644,675,778**

Note 5—Income tax

The computation of the income tax for these Interim Financial Statements is similar the one used for the Financial Statements.

5.1 Income tax charge

Income tax	30 September 2013	30 September 2012
	In Dominican pesos	
Current income tax	1,248,913,501	1,103,276,284
Deferred income tax	(67,028,773)	(278,722,960)
Dividends credits	—	(136,102,753)
Tax credit from Law 57-2007 incentives	(24,158,469)	(10,375,358)
Total	**1,157,726,259**	**678,075,214**

5.2 Income tax receivable/liability

Income tax	30 September 2013	31 December 2012
	In Dominican pesos	
Advances of the period	681,466,294	497,442,249
Prior year tax credit carry forward	272,600,314	796,762,816
Tax credit from Law 57-2007 incentives	24,158,469	10,387,949
Credit arising from dividends withholdings	—	329,753,087
Current tax provision	(1,248,913,501)	(1,398,846,464)
Total	**(270,688,424)**	**235,499,637**

5.3 Tax proof

Tax proof	30 September 2013	30 September 2012
	In Dominican pesos	
Profit before income tax	4,086,262,499	3,326,357,767
29% Income tax rate on profit before income tax	1,185,016,125	964,643,752
Tax effect of:		
Dividends credits	—	(136,102,753)
Impact of assets annual reevaluation for tax purpose (inflation)	(128,930,555)	(219,374,058)
Effect of change in tax rate on deferred income tax	(15,965,873)	—
Adjustment to current tax of prior year	(9,418,271)	27,326,457
Other	127,024,833	41,581,815
Effective income tax	**1,157,726,259**	**678,075,213**
Effective tax rate	28.3%	20.4%

Note 5—Income tax (Continued)

5.4 Deferred income tax

Deferred income tax	30 September 2013 Balance Sheet	30 September 2013 Income Statement	31 December 2012 Balance Sheet	31 December 2012 Income Statement
	In Dominican pesos			
Provision for loyalty Program	127,351,697	10,637,970	137,989,667	15,151,457
Depreciable fixed assets	1,169,040,910	(68,145,177)	1,100,895,733	(257,394,884)
Provision for bad debts	133,391,795	14,442,118	147,833,913	(14,097,955)
Provision inventory obsolescence	26,712,489	(4,911,040)	21,801,449	(774,224)
Other provisions	324,773,833	561,173	325,335,006	(77,268,838)
Vacations and incentives provision	8,945,746	765,535	9,711,281	1,119,279
Deferred revenues/cost	1,813,896	64,782	1,878,678	(10,349,938)
Exchange difference	—	—	—	1,554,733
Deferred tax assets	1,792,030,365	(46,584,638)	1,745,445,727	(342,060,370)
Deferred tax liabilities				
Exchange difference	(5,315,111)	4,347,991	(967,120)	—
Effect of IAS 29 adjustment	(97,537,320)	(24,792,127)	(122,329,447)	9,559,672
Deferred tax liabilities	(102,852,431)	(20,444,135)	(123,296,566)	9,559,671
Net deferred tax	**1,689,177,934**	**(67,028,773)**	**1,622,149,161**	**(332,500,699)**

Note 6—Equity

6.1 Share capital

At September 30, 2013, based on the number of issued shares at that date, ODO's share capital amounted to RD$5,800,000,000, comprising 58,000,000 shares with a par value of RD$100 each.

6.2 Legal reserve

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to be used to pay dividends.

6.3 Dividends

ODO's shareholders meeting approved the payment of dividends in May 2013 for a total amount of RD$1,855,350,000.

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity (accounted for as a reduction of equity in accordance with IAS 12—Income Tax). This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period.

Note 7—Litigation and unrecognized contractual commitments

7.1 Litigation

As of September 30, 2013, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

No significant litigation has occurred since December 31, 2012.

Note 7—Litigation and unrecognized contractual commitments (Continued)

7.2 Unrecognized contractual commitments

No event has significantly impacted the unrecognized contractual commitments since December 31, 2012.

Note 8—Subsequent events

None.

ORANGE DOMINICANA, S.A.

Standalone Financial Statements

As of and for the two years ended December 31, 2013

Deloitte & Associes
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
(Téléphone : + 33 (0) 1 40 88 28 00)
Télécopieur : + 33 (0) 1 40 88 28 28
www.deloitte.fr

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Orange Dominicana

We have audited the accompanying balance sheets of Orange Dominicana (the ''Company'') as of December 31, 2013 and 2012, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards (''IFRS'') as issued by the IASB.

DELOITTE & ASSOCIES

Deloitte & Associés

Neuilly-sur-Seine, France
March 7, 2014

ORANGE DOMINICANA, S. A

Financial Statements

December 31, 2013

ORANGE DOMINICANA, S. A.

Financial Statements

Content

Orange Dominicana, S. A.

Income Statement

Years ended December 31, 2013 and 2012

(Amounts expressed in Dominican pesos-RD$)

	2013	2012
Revenues (note 4)	24,404,724,867	22,754,373,505
Cost and operating expenses:		
Cost of equipment sold (note 8)	(3,258,891,193)	(3,000,109,167)
Selling, distribution and traffic costs (note 9)	(6,262,609,226)	(5,861,191,549)
Advertising and sponsoring costs	(875,449,137)	(937,385,613)
Offices and technical sites costs	(623,094,846)	(563,689,755)
Labor expenses (note 14)	(1,233,892,484)	(1,174,728,970)
Corporate fees	(628,491,262)	(582,695,613)
Maintenance costs	(328,775,415)	(331,814,892)
Other costs and income (note 10)	(2,343,587,573)	(2,572,513,250)
Depreciation and amortization (notes 15 and 16)	(3,518,263,738)	(3,509,204,978)
Total cost and operational expenses	(19,073,054,874)	(18,533,333,787)
Income from operations	5,331,669,993	4,221,039,717
Non-operating income (expenses)		
Bank commissions	(75,695,527)	(70,778,482)
Interest income	17,884,697	36,522,740
Foreign currency exchange gains (losses)	26,306,025	69,838,887
Other	(13,204,429)	(20,423,571)
	(44,709,234)	15,159,574
Profit before income tax	5,286,960,759	4,236,199,291
Income tax (note 18)	(1,389,934,101)	(789,931,748)
Net income	**3,897,026,658**	**3,446,267,543**

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.

Statement of Financial Position

As of December 31, 2013 and 2012

(Amounts expressed in Dominican pesos-RD$)

	2013	2012
Non-current assets:		
Intangible assets, net (note 15)	2,113,374,919	2,211,688,949
Property, plant and equipments, net (note 16)	13,689,442,150	13,873,521,204
Other assets	54,734,720	55,133,105
Deferred tax (note 18)	1,806,330,478	1,622,149,160
Total non-current assets	17,663,882,267	17,762,492,418
Current assets:		
Inventories (note 11)	1,034,348,663	882,961,123
Trade receivables (note 5)	1,832,887,111	1,937,408,905
Other receivables (note 6)	2,972,515,059	629,454,718
Income tax receivable (note 18)	—	235,499,637
Prepaid expenses	255,837,525	197,925,846
Cash and cash equivalents (notes 19 and 28)	1,038,925,338	1,159,590,768
Total current assets	7,134,513,696	5,042,840,997
Total assets	**24,798,395,963**	**22,805,333,415**
Shareholders' equity (notes 20, 21 and 22):		
Share capital	5,800,000,000	5,800,000,000
Legal reserve	580,000,000	580,000,000
Retained earnings	11,918,347,226	9,863,289,584
Shareholders' equity, net	18,298,347,226	16,243,289,584
Non-current liabilities (note 17)	632,107,351	644,675,778
Current liabilities:		
Trade payables (notes 12, 24 and 28)	3,252,122,915	3,504,651,801
Other current liabilities (note 13)	721,042,519	697,728,614
Deferred income (note 7)	1,597,303,273	1,714,987,638
Income tax payable (note 18)	297,472,679	—
Total current liabilities	5,867,941,386	5,917,368,053
Total liabilities and shareholders' equity	**24,798,395,963**	**22,805,333,415**

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

Amounts expressed in Dominican pesos-RD$)

	2013	2012
Reconciliation of the net income and net cash provided from operating activities:		
Net income	3,897,026,658	3,446,267,543
Adjustments to reconcile net profit with net cash provided by operating activities:		
Depreciation and amortization	3,518,263,738	3,509,204,978
Gains (losses) on disposals	14,420,020	761,266
Change in provisions (litigations, dismantling and others)	(87,395,724)	67,719,013
Deferred income tax, net	(184,181,318)	(332,500,700)
Changes in inventories, account receivables and payables:		
Inventories, net	(151,387,541)	104,653,055
Trade receivables, net	104,521,795	(59,018,416)
Other receivables	(2,343,060,340)	(2,637,465)
Trade payables, net	(239,147,901)	(483,375,373)
Other changes in working capital requirements		
Prepaid expenses	(57,911,680)	25,398,475
Non-current assets	398,385	(2,114,147)
Non-current liabilities	23,145,409	8,419,337
Other current liabilities	23,313,905	47,427,001
Deferred income	(117,684,366)	41,647,217
Income tax payable	532,972,315	624,977,760
Net cash provided by operating activities	4,933,293,355	6,996,829,544
Cash flows from investment activities:		
Purchase of fixed tangible and intangible assets	(3,198,608,785)	(3,637,115,310)
Net cash used in investing activities	(3,198,608,785)	(3,637,115,310)
Cash flows from financing activities		
Dividends paid	(1,855,350,000)	(3,344,780,000)
Net cash used in financing activities	(1,855,350,000)	(3,344,780,000)
Net increase (decrease) in cash and cash equivalents	(120,665,430)	14,934,234
Cash and cash equivalents at the beginning of the year	1,159,590,768	1,144,656,534
Cash and cash equivalents at the end of the year	**1,038,925,338**	**1,159,590,768**

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.
Statements of Changes in Equity
Years ended December 31, 2013 and 2012
(Amounts expressed in Dominican pesos-RD$)

	Capital	Legal Reserve	Retained Earnings	Total
Balance as of 12/31/2011	**1,752,869,800**	**175,286,980**	**14,213,645,261**	**16,141,802,041**
Net income	—	—	3,446,267,543	3,446,267,543
Dividends paid (note 22)	—	—	(3,344,780,000)	(3,344,780,000)
Transfer to legal reserve	—	404,713,020	(404,713,020)	—
Capital Increase	4,047,130,200	—	(4,047,130,200)	—
Balance as of 12/31/2012	**5,800,000,000**	**580,000,000**	**9,863,289,584**	**16,243,289,584**
Net income	—	—	3,897,026,658	3,897,026,658
Dividends paid (note 22)	—	—	(1,855,350,000)	(1,855,350,000)
Others	—	—	13,380,984	13,380,984
Balance as of 12/31/2013	**5,800,000,000**	**580,000,000**	**11,918,347,226**	**18,298,347,226**

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.

Notes to the Financial Statements

December 31, 2013 and 2012

(Amounts expressed in Dominican pesos-RD$)

1 Description of business and basis of preparation of the standalone financial statements

1.1 Description of business

Orange Dominicana, S.A. (hereafter called ''ODO''), a Company incorporated in accordance with the Dominican Republic laws, began operations on November 13th, 2000. ODO is an indirectly wholly owned subsidiary of Orange S.A., French listed Company.

ODO operates under a service concession agreement for the operation of telecommunications services.

ODO provides consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission and other value-added services.

1.2 Basis of presentation and purpose of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The principles applied to prepare financial data are based on:

- All standards and interpretations compulsory as of December 31, 2013;
- The recognition and measurement alternatives allowed by the IFRSs:

Standard		Alternative used
IAS 2	Inventories	Measurement of inventories determined by the weighted average unit cost method.
IAS 16	Property, Plant and Equipment	Measurement at amortized historical cost
IAS 38	Intangible Assets	Measurement at amortized historical cost

- The available exemptions regarding the retrospective application of IFRSs at the transition date (January 1, 2004 for ODO):

Standard		IFRS 1 alternative used
IAS 16	Property, Plant and Equipment	Measurement of property, plant and equipment and intangible assets at historical cost
IAS 38	Intangible Assets	

In the absence of any accounting standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- Present fairly the ODO's financial position, financial performance and cash flows;
- Reflect the economic substance of transactions;
- Are neutral;
- Are prepared on a prudent basis; and
- Are complete in all material respects.

1.3 Standards and interpretations compulsory after December 31, 2012 with no early application elected by ODO.

IFRS 13—Fair value measurement—defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in

1 Description of business and basis of preparation of the standalone financial statements (Continued)

IFRS 7. This standard is applicable prospectively and has no expected effect on the fair value currently measured by ODO.

1.4 Use of estimates and judgment

In preparing ODO's financial statements, the management makes estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at December 31, 2013 may subsequently be changed.

ODO's management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate		Nature of estimate
Note 2.3	Revenue	Identification of separable components of a bundled offer based on the individual components relative fair value period of straight-line recognition of revenue relating to invoiced service access fees depending onthe nature of product and historical contractual relationship. Reporting of revenue on a net versus gross basis (depending on an analysis of the ODO's involvement as either principal or agent).
Note 2.5	Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Note 2.10.2	Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments.
Note 2.11	Income tax ISR	Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions. Assumptions used for recognition of deferred tax assets arising.

2 Accounting policies

2.1 Financial statements preparation principle

Income statement

Expenses are presented in the income statement based on their nature.

Operating income corresponds to net income before:

- Finance income;
- Finance costs;
- Income tax (current and deferred taxes).

2 Accounting policies (Continued)

Statement of financial position

Current and non-current items are presented separately in the statement of financial position: assets and liabilities with a term of no more than twelvemonths are classified as current whereas, assets and liabilities with a term of more than twelve months are classified as non-current.

Statement of cash flows

The statement of cash flows is reported using the indirect method starting with the net income and is broken down into three categories:

- Cash flows arising from operating activities (including finance costs and income taxes);
- Cash flows arising from investing activities (mainly purchase and disposal of intangible and tangible assets);
- Cash flows arising from financing activities (dividends paid).

2.2 Foreign operations

The amounts in financial statements are expressed in Dominican pesos. All of the amounts of assets and liabilities in foreign currency are translated into Dominican pesos, at the rate in effect of the date of the financial statements. Transactions of revenues, expenses and others, occurred during current years are translated at the rate in effect on the date of the transaction. Gain and losses resulting from the differences between exchange rates are included as other income (expenses) in the accompanying income statements.

As of December 31, 2013 and 2012, the exchange rates used to exchange the amounts in foreign currency were RD$42.78 and RD$40.25 per US$1.00, respectively for cash, accounts receivable and accounts payable; Euro rate is RD$59.52 and RD$53.78 per €1.00, respectively.

2.3 Revenues

Revenues from ODO's activities are recognized as follows:

2.3.1 Separable components of bundled offers

Certain service offers include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan). For the sale of multiple products or services, ODO evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a standalone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises when selling bundled offers that include a handset sold at a discounted price and a telecommunications service contract.

The handset is considered to have value on a standalone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunications service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

2 Accounting policies (Continued)

For offers that cannot be separated into identifiable components, revenues are recognized in full over the life of the contract. The main example is connection to the service: this does not represent a separately identifiable transaction from the subscription and communications, and connection fees are therefore recognized over the average expected life of the contractual relationship.

2.3.2 Equipment sales

Revenues from mobile sales are recognized when the significant risks and rewards of ownership are transferred to the buyer.

When equipment—associated to the subscription of telecommunication services—is sold by a third party retailer who purchases it from ODO and receives a commission for signing up the customer, the related revenue is:

- Recognized when the equipment is sold to the end-customer;
- Measured by ODO taking into account the best estimate of the retail price and any subsidies granted to the retailer at the time of the sale and passed on to the end-customer in the form of a rebate on the equipment.

2.3.3 Service revenues

Considerations from telephone service are recognized in revenue on a straight-line basis over the subscription period.

Revenue for airtime usage and messaging bý customers is recognized as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

2.3.4 Loyalty programs

Points awarded to customers are treated as a separable component to be delivered in the transaction that triggered the acquisition of points. Part of the invoiced revenue is allocated to these points based on their fair value taking into account an estimated utilization rate, and deferred until the date at which the points are definitively converted into benefits. Fair value is defined as the excess price over the sales incentive that would be granted to any new customer. This principle is applied for both types of loyalty programs that exist within ODO, those with and those without a contractual renewal obligation.

2.4 Trade receivables

The trade receivables are mainly short-term, bearing no interest rate and measured at original invoice amount.

The valuation allowance on trade receivables is determined as follows:

- **For mobile telephone services:** The allowance is computed based on expected loss rates depending upon their aging. These rates are reviewed and adjusted periodically. When a client is determined to be in bankruptcy or subject to equivalent judicial proceedings, the associated receivables are then excluded from the statistical database and individually written-off;
- **For dealers, wholesalers, interconnection (local and roaming) and carriers:** The impairment loss is determined on a case by case analysis based on the ODO's experience.

2 Accounting policies (Continued)

2.5 Purchases and operating expenses

Subscriber acquisition and retention costs

Subscriber acquisition and retention costs, other than loyalty programs costs, are recognized as an expense for the period in which they are incurred.

Advertising and sponsoring costs

Advertising, promotion, sponsoring, communications and brand marketing costs are expensed as incurred.

Financing expenses

Expenses from commissions, foreign currency exchange and other financing expenses are recorded with charge to the period result.

2.6 Inventories

The inventories comprise mainly mobile handsets either located in ODO's premises or at distributors until the customer service activation.

The inventories are stated at the lower of cost or net realizable value taking into account expected revenues from the sales of mobile phones. Cost corresponds to purchase cost determined using the weighted average cost method.

2.7 Trade payables

Payables are recorded at their nominal value.

2.8 Provisions and contingent liabilities

2.8.1 Provisions

In the ordinary course of business, ODO is involved in certain legal and arbitration proceedings and administrative actions.

The costs which may result from these proceedings are accrued when ODO has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of that liability can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

2.8.2 Contingent liabilities

Contingent liabilities are:

- Possible obligations that are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within ODO's control; or
- Present obligations arising from past events that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

2 Accounting policies (Continued)

2.9 Employee benefits

Labor costs are expensed as incurred including social costs contributed by the Company in accordance with the law 87-01.

This law establishes that the employer will contribute to the financing of the contributing regime, as much for old aged insurance; handicaps (AFP) with 7.10% and family health (SFS) with 7.09% based on the wages and the employee will cover 2.87% and 3.04% respectively.

Employees are not provided with postemployment benefits.

2.10Intangible assets, property, plant and equipment

2.10.1 Intangible assets

Intangible assets comprise mainly licenses for software and international telecommunication, frequency rights and Indefeasible Rights of Use (IRUs).

IRUs acquired by ODO correspond to the right to use cable or capacity transmission cable granted for a fixed period. They are recognized as an asset when ODO has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life.

2.10.2 Property, plant and equipments

Property, plant and equipment comprised mainly network equipment.

The gross value of tangible assets corresponds to their acquisition or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Due to 2004 and 2005 hyperinflation in Dominican Republic, ODO restated its 2004 and 2005 financial statements applying IAS 29 *Financial Reporting in Hyperinflationary Economies* and adjusted consequently the gross value of assets with the corresponding balance within Shareholders' equity (i.e. Hyperinflation reserve).

The cost of networks includes design and construction costs. Maintenance and repair costs are expensed as incurred, except where they increase the asset's productivity or extend its useful life.

2.10.3 Depreciation

Assets are depreciated, generally with no residual value, on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. The straight-line basis is usually applied. The

2 Accounting policies (Continued)

useful lives are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates: these changes in accounting estimates are recognized prospectively.

Main assets categories	Useful Lives in Years
Licences	3 - 5
Frequencies	10 - 15
IRU (Indefeasible rights of use)	10 - 15
Buildings	30
Antennas and technical equipment installed (sites)	8 - 28
Other technical equipment	3 - 8
Office material and software	3 - 5
Office furniture and equipment	5 - 10
Leased improvements	10

2.10.4 Dismantling

ODO is required to dismantle equipment and restore sites.

The provision is based on dismantling costs (on a per-unit basis for telephone poles, terminals and public phones, and on a per-site basis for mobile antennae) incurred by ODO to meet its environmental commitments and annual estimated asset dismantling and site restorations. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and adjusted where appropriate against the asset to which it relates.

2.11Financial instruments

The International Financial Reporting Standards (IFRS) require the disclosure of the estimated value of financial instruments, when it is practical to estimate their fair market value. The method and assumptions used to estimate the fair value of the active financial instruments like cash and cash equivalents, trade accounts receivable and payable, consisted in the approximate book value given the short expiration time of these instruments.

2.12Income tax

Current tax is measured by ODO at the amount expected to be paid or recovered from the taxation authorities, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognized for all temporary differences between the book values of assets and liabilities and their tax basis, using the liability method. Deferred tax assets are recognized only when their recovery is considered probable.

Deferred tax assets and liabilities are not discounted.

At reporting period end, ODO reviews the recoverable amount of the deferred tax assets.

In accordance with these principles, ODO calculates the tax assets, liabilities and accruals recognized in the statement of financial position based on the technical merits of the positions it defends versus that of the tax authorities.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the assets will be realized and the liabilities settled on the basis of tax rates in force or substantially in force at the period end.

2.13Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturity at the date of acquisition of three month or less.

3 Financial risk management

The Company is exposed to the following risks related to the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

3.1 Credit Risk

It is the risk of financial loss of the company if a client or the counterpart of a financial instrument, do not fulfill its contractual obligations. It comes from Cash and Receivables accounts mainly. This risk is primarily impacted by the quality and characteristics of every client.

The revenues of the Company are the results from the telecommunication services and the sale of mobiles. Accounts receivable arise with the billing to our customers and sales to wholesalers and distributors.

The company estimates the potential losses on the trade receivable accounts and other receivables based on specific components related to individual characteristics for which there is a reserve for bad debt.

3.2 Liquidity Risk

It is the risk that the company does not meet its financial obligations when dues. The policy of the company in regards to the management of the liquidity risk is to have, to the extent possible, sufficient liquidity to redeem all the current liabilities at their corresponding maturities, under normal circumstances as well as in economic crisis also without having to incur in unacceptable losses or risk damaging the company's reputation.

3.3 Market Risk

It is the risk of changes in the market price (or rates) such as exchange rates of foreign currency and interest rates that might have an impact on the net results or the value of the financial instruments owned by the company. The objective of this management is to control the exposure to this risk within acceptable parameters while improving the return of this risk.

The company is exposed to the foreign exchange risk in the purchase of goods and services denominated in dollars (US$) and euros (EUR), which are currencies different from the reporting currency of the company, as well as for keeping assets and liabilities in those currencies without having a financial instrument to cover the exchange risk.

4 Revenues

A detail of revenues as of December 31,2013 and 2012 is as follows:

	2013	2012
Mobile	20,503,053,000	19,436,051,000
Wholesale	1,815,813,000	1,662,445,000
Internet	644,159,000	507,036,000
Equipment	1,151,349,000	866,134,000
Other	290,350,867	282,707,505
	24,404,724,867	**22,754,373,505**

5 Trade receivables

A detail of the trade receivables as of December 31,2013 and 2012 is as follows:

	2013	2012
Customers (gross)	2,293,630,201	2,424,943,725
Provision for doubtful accounts	(460,743,090)	(487,534,820)
Customers (net of provision)	**1,832,887,111**	**1,937,408,905**

A detail of accounts receivables with an aging as of December 31, 2013 and 2012 is as follows:

	2013	2012
Not due or less than 30 days	1,438,538,202	1,251,365,210
Between 30 and 60 days	238,936,495	654,176,575
Between 60 and 90 days	106,597,280	181,345,679
More than 90 days	509,558,224	338,056,261
	2,293,630,201	**2,424,943,725**

ODO 2012 figures have been restated in order to make possible the comparability between years 2013 and 2012. The restatement consisted in a netting between the trade receivables and the trade payables for an amount of RD$633,372,811.

6 Other receivables

A detail of the other receivables as of December 31, 2013 and 2012 is as follows:

	2013	2012
Advances to suppliers	171,599,490	296,156,659
VAT	216,507,994	158,393,560
Cash pooling—current account	2,566,699,740	135,623,414
Others	17,707,835	39,281,085
	2,972,515,059	**629,454,718**

7 Deferred income

A detail of deferred income as of December 31, 2013 and 2012 is as follow:

	2013	2012
Prepaid telephone cards	906,677,451	768,069,643
Loyalty program	481,072,839	511,072,839
Monthly fee	119,517,977	130,045,686
Handsets	91,950,897	237,384,310
Sim cards	(1,915,891)	68,415,160
	1,597,303,273	**1,714,987,638**

8 Cost of equipment sold

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges). A detail of cost of equipment sold as of December 31, 2013 and 2012 is as follow:

	2013	2012
Terminals	(3,005,732,352)	(2,691,685,132)
SIM cards	(117,495,603)	(134,380,975)
Import duties and freight costs	(95,833,246)	(123,264,823)
Phone cards	(37,918,765)	(50,750,362)
Accessories	(167,880)	168,291
Other	(1,743,347)	(196,166)
	(3,258,891,193)	**(3,000,109,167)**

9 Selling, distribution and traffic costs

A detail of the selling, distribution and traffic costs as of December 31, 2013 and 2012 is as follows:

	2013	2012
Selling and distribution costs	(2,280,230,331)	(2,181,628,470)
National voice mobile terminations	(1,798,145,387)	(1,766,511,266)
National voice fixed line terminations	(170,473,269)	(222,273,638)
International terminations	(501,946,684)	(497,571,059)
Data terminations (SMS)	(227,304,467)	(215,589,932)
International roaming	(66,724,930)	(76,658,280)
Other	(1,217,784,156)	(900,958,904)
	(6,262,609,226)	**(5,861,191,549)**

10 Others costs and income

A detail of the other costs and income as of December 31, 2013 and 2012 is as follows:

	2013	2012
Other income	192,711,837	127,281,750
Purchase of services	(442,714,740)	(453,543,414)
Network energy	(509,614,096)	(432,777,929)
Consulting, contractors & prof. serv.	(258,883,238)	(309,892,025)
Bad debt expense	(183,177,721)	(212,931,032)
IT expenses	(169,508,120)	(178,198,199)
Temporary staff / interim net[a]	(77,145,048)	(78,477,569)
Purchases of supplies	(133,406,463)	(137,764,003)
Operating tax	(49,702,291)	(137,062,235)
Other	(712,147,693)	(759,148,594)
	(2,343,587,573)	**(2,572,513,250)**

(a) The temporary labor expenses attributable to the network development are net of costs capitalized (RD$ 89,832,817 and RD$ 71,335,720, respectively for 2013 and 2012).

11 Inventories

As of December 31, 2013 and 2012, inventories are composed of equipments, accessories and prepaid cards and a detail of the same is as follows:

	2013	2012
ODO's warehouse	933,564,620	572,890,663
ODO's distributors (dealers)	100,784,043	310,070,460
	1,034,348,663	**882,961,123**

12 Trade payables

A detail of trade payables as of December 31, 2013 and 2012 is as follows:

	2013	2012
Fixed assets and operating suppliers	1,974,180,451	2,476,250,462
Related companies (see note 24)	327,464,583	314,449,212
Distributors (dealer)	175,108,372	164,294,562
Merchandises suppliers	646,847,845	540,481,470
Others	128,521,664	9,176,095
	3,252,122,915	**3,504,651,801**

ODO 2012 figures have been restated in order to make possible the comparability between years 2013 and 2012. The restatement consisted in a netting between the trade receivables and the trade payables for an amount of RD$633,372,811.

13 Other current liabilities

A detail of the other current liabilities as of December 31, 2013 and 2012 is as follows:

	2013	2012
Taxes and VAT	464,918,913	455,803,544
Staff bonuses	228,037,124	213,293,578
Vacations and other	28,086,482	28,631,492
	721,042,519	**697,728,614**

14 Labor expenses

A detail of labor expenses as of December 31, 2013 and 2012 is as follows:

	2013	2012
Salaries and wages[a]	(766,797,062)	(758,861,075)
Employee profit sharing	(181,597,181)	(167,749,604)
Social contribution	(156,712,236)	(143,296,628)
Others	(128,786,005)	(104,821,663)
	(1,233,892,484)	**(1,174,728,970)**

(a) According to the Company's policies and standards, personnel expenses that work at Network development are capitalized at the project for which such personnel is working. As of December 31, 2013 and 2012 the capitalized amounts for this concept are for RD$296,338,497 and RD$266,039,069, respectively.

15 Intangible assets

A detail of intangible assets as of December 31, 2013 and 2012 is as follows:

	2013				
	Frequencies	**Software licenses & IRU**	**Rights of use corporate solutions**	**Total**	**2012**
Acquisition cost at beginning of the year	1,192,676,947	4,094,656,072	132,852,964	5,420,185,983	4,782,110,362
Acquisition	—	571,843,256	20,830,486	592,673,742	696,046,488
Disposals	—	(9,204,595)	—	(9,204,595)	(14,352,199)
Reallocations	(1,213,414)	(81,673,682)	—	(82,887,096)	(43,618,668)
	1,191,463,533	4,575,621,051	153,683,450	5,920,768,034	5,420,185,983
Minus:					
Amortization beginning of the year	(593,324,201)	(2,525,276,116)	(89,896,717)	(3,208,497,034)	(2,534,475,883)
Depreciation expense	(164,000,969)	(537,019,777)	(19,951,667)	(720,972,413)	(688,373,350)
Disposals	—	9,204,595	—	9,204,595	14,352,l99
Reallocations	1,213,414	111,658,323	—	112,871,737	—
	(756,111,756)	(2,941,432,975)	(109,848,384)	(3,807,393,115)	(3,208,497,034)
	435,351,777	**1,634,188,076**	**43,835,066**	**2,113,374,919**	**2,211,688,949**

For the period ended December 31, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 70. ODO stopped the Hyperinflation restatement in the year 2006.

16 Property, plant and equipments

As of December 31, 2013 and 2012, a detail and movement of property, plant and equipments, is as follows:

	2013						
	Lands	**Buildings**	**Network and transmition equipment**	**IT infrastructure**	**Others assets**	**Total**	**2012**
Acquisition cost at the beginning of the year	158,783,979	1,720,670,474	25,760,775,863	2,159,692,072	188,739,491	29,988,661,879	27,229,194,068
Acquisition	—	138,461,731	2,134,286,957	321,717,199	11,469,338	2,605,935,225	2,941,068,823
Disposals	—	(14,464,500)	(23,727,600)	(4,732,703)	(23,197)	(42,948,000)	(91,446,590)
Reallocations	1,522,130	(72,112,894)	(1,198,124,642)	(123,916,851)	(3,969,652)	(1,396,601,910)	(90,154,421)
	160,306,109	**1,772,554,811**	**26,673,210,578**	**2,352,759,717**	**196,215,980**	**31,155,047,195**	**29,988,661,879**
Accumulated depreciation							
Beginning of the year	—	(814,069,448)	(13,670,410,515)	(1,529,631,424)	(101,029,288)	(16,115,140,675)	(13,384,994,371)
Depreciation expense	—	(249,827,873)	(2,283,638,600)	(248,688,454)	(15,136,398)	(2,797,291,325)	(2,820,831,628)
Disposals	—	44,480	23,727,600	4,732,703	23,217	28,528,000	90,685,324
Reallocations	—	70,590,764	1,219,821,688	123,916,851	3,969,652	1,418,298,955	—
	—	**(993,262,077)**	**(14,710,499,827)**	**(1,649,670,324)**	**(112,172,817)**	**(17,465,605,045)**	**(16,115,140,675)**
	160,306,109	**779,292,734**	**11,962,710,751**	**703,089,393**	**84,043,163**	**13,689,442,150**	**13,873,521,204**

For the period ended December 31, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 1,461. ODO stopped the Hyperinflation restatement in the year 2006.

17 Non-current liabilities

A detail of the non-current liabilities as of December 31, 2013 and 2012 is as follows:

	2013	2012
Customer deposit	213,025,325	203,084,345
Provisions	259,834,847	343,923,698
ARO provisions	159,247,179	97,667,735
	632,107,351	**644,675,778**

18 Income Tax

The tax expense shown in the income statement as of December 31, 2013 and 2012 is as follows:

	2013	2012
Current Income Tax	(1,625,181,190)	(1,462,560,892)
Deferred Income Tax	184,181,317	332,500,698
Dividends Credits	—	329,753,087
Tax credits from Law 57-2007 incentives	51,065,771	10,375,360
	(1,389,934,101)	**(789,931,748)**

The reconciliation between the profit before income tax as per the income statements, and the income tax expense is as follows:

	2013	2012
Profit before income tax	**5,286,960,759**	**4,236,199,291**
29% Income tax rate on profit before income tax	(1,533,218,620)	(1,228,497,795)
Tax effect of:		
Dividends credits	—	329,753,087
Inflation adjustment applied to depreciable fixed assets	180,034,077	168,732,345
Effect of change in tax rate on deferred income tax	(15,882,170)	46,475,938
Adjustment to current tax of prior year	9,418,271	(63,714,428)
Other	(30,285,660)	(42,680,895)
Effective income tax	**(1,389,934,101)**	**(789,931,748)**
Effective tax rate	**26.3%**	**18.6%**

The reconciliation of the income tax payable/receivable as of December 31, 2013 and 2012 is as follows:

	2013	2012
Advances of the period	1,003,996,777	497,442,249
Prior year tax credit carried forward	272,645,963	796,762,816
Tax credit from Law 57-2007 incentives	51,065,771	10,387,949
Credit arising from dividends withholdings	—	329,753,087
Current tax provision	(1,625,181,190)	(1,398,846,464)
	(297,472,679)	**235,499,637**

18 Income Tax (Continued)

The deferred income tax as of December 31, 2013 and 2012 is composed as follows:

	2013		2012	
	Balance Sheet	Income Statement	Balance Sheet	Income Statement
Deferred tax assets				
Provisión for Loyalty Program	129,889,667	8,100,000	137,989,667	15,151,457
Depreciable fixed assets	1,275,118,503	(174,222,770)	1,100,895,733	(257,394,884)
Provisión for bad debts	162,720,514	(14,886,601)	147,833,913	(14,097,955)
Provisión inventory obsolescence	—	21,801,449	21,801,449	(774,224)
Other provisions	340,909,820	(15,574,814)	325,335,006	(50,898,550)
Vacations and incentives provisión	10,059,344	(348,063)	9,711,281	1,119,279
Deferred revenues /cost		1,878,678	1,878,678	(10,349,938)
Exchange difference	409,220	(409,220)	—	1,554,733
	1,919,107,069	(173,661,342)	1,745,445,727	(342,060,370)
Deferred tax liabilities	—			
Exchange difference	—	(967,120)	(967,120)	—
Deferred revenues/costs	(291,969)	—	—	—
Effect of IAS29 adjustment	(112,484,622)	(9,844,825)	(122,329,447)	9,559,672
	(112,776,591)	(10,519,975)	(123,296,567)	9,559,672
Net deferred tax	**1,806,330,478**	**(184,181,317)**	**1,622,149,160**	**(332,500,698)**

19 Cash and cash equivalents

A detail of cash and cash equivalents as of December 31, 2013 and 2012 is as follows:

	2013	2012
Cash on hand	1,357,000	944,811
Cash at banks	1,037,568,338	1,158,645,957
	1,038,925,338	**1,159,590,768**

20 Share capital

The General Assembly of Shareholders decided on December 19, 2012 the capitalization of retained earnings to increase the authorized capital by adding 38,000,000 shares. Therefore the new amount of shares is 58,000,000 at RD$100 each.

As of December 31, 2013 and 2012 the outstanding capital paid is composed by 58,000,000 shares for a total amount of RD$5,800,000,000.

21 Legal reserve

The Commercial Code of the Dominican Republic in its article number 58 provides that the Company appropriate no less than 5% annually of net annual result until the total appropriated amount equals 10% of paid in capital. This reserve cannot be capitalized, transferred to retained earnings or to use to pay dividends.

22 Remittance of dividends

ODO shareholders meeting approved the payment of dividends in May 2013 for a total amount of RD$1,855,350,000.

In November 2012 was enacted the law 253-12 of fiscal reform, establishing that dividend payments will be subject to withholding and payment of 10% of income tax as a unique payment, but not constitute anymore a tax credit for the Company.

23 Foreign currency balances

ODO is exposed to foreign exchange risk due both to its revenues and purchases denominated in US dollars and euros. As a consequence, these foreign operations have a direct effect on the operating, finance income and the trade receivables and payables.

	2013	2012
Revenues:		
DOP	17,802,800,534	16,471,989,318
EUR	207,730,868	265,314,558
USD	6,394,193,465	6,017,069,386
Multi currencies (Gas & Electricity)	—	242
	24,404,724,867	**22,754,373,505**
Operating expenses:		
DOP	5,785,647,203	5,829,181,877
EUR	1,078,234,834	1,077,968,440
USD	8,124,416,046	7,581,584,880
Multi currencies (Gas & Electricity)	566,493,055	535,393,613
	15,554,791,137	**15,024,128,810**
Fixed assets acquisitions:		
DOP	1,973,936,902	1,533,906,442
EUR	580,512,336	901 ,068,402
USD	644,159,547	1,202,140,466
	3,198,608,785	**3,637,115,310**

24 Balances and transactions with related parties

The Company made transactions and keeps balances with related parties as part of the normal operations business. Detail of the most significant transactions and balance with related companies as of December 3l, 2013 and 2012 are as follows:

	2013	2012
Balances:		
Accounts receivable[a]	23,797,027	29,223,556
Cash pooling-current account[a]	2,566,699,740	164,846,970
Accounts payable	(327,464,583)	(314,449,212)
Transactions:		
Revenue (traffic, interconnection and other income)	239,872,138	218,902,968
Selling distribution and traffic coast	(87,279,542)	(66,186,204)
Brand fees[b]	(376,940,510)	(351,549,524)
Corporate management fees[c]	(251,550,752)	(231,146,089)
General maintenance and services	(14,988,993)	(9,896,989)
Other operational expenses, net	(66,568,920)	(102,414,970)
Other operational income	195,501	12,636,008

(a) In February 2009, Orange S. A. and ODO signed a centralized treasury management agreement (CTMA). Orange S. A. thus optimizes the Group liquidity .ODO lends or borrows tits cash surplus/needs through a current account with Orange S. A.

The cash pooling accounts bear interest which is calculated on a daily balance and on a daily basis using:

- for the EUR account: EONIA rate for a credit balance and EONIA plus 2.15% margin for a debit balance
- for the USD account: LIBOR Overnight rate for a credit balance and LIBOR Overnight plus 2.15% margin for a debit balance

(b) The utilization of the Orange brand name is defined in a brand license agreement signed with Orange Group and costs a 1.6% fee of the ODO's monthly operating revenue.

(c) Management fees are determined in accordance with an agreement signed with Orange S. A. and are charged using a 1.03% on the monthly contributive operational revenue in 2012.

25 Unrecognized contractual commitments

As at December 31, 2013 and 2012 the contractual commitments are as follows:

Leasing commitments

The Company keeps operating rent agreements with enterprises and physical persons for the concept of commercial offices rent, parking, housing, and signal transmission antennas. Almost always these agreements are automatically renewable and are monthly, quarterly or four-monthly paid. During the years ended as of December 2013 and 2012, the Company paid for this concept the amounts of RD$632,221,641 and RD$563,689,755, respectively. The commitment for 2014 for this concept is an estimated RD$604,992,425.

	1 year	1 to 5 years	over 5 years	Total
Rental commitments by year of expiration	604,992,425	1,405,898,412	433,504,377	**2,444,395,214**

25 Unrecognized contractual commitments (Continued)

Other purchase and investment commitments

A detail of other purchase and investment commitments as of December 31, 2013 is as follows:

	2013
Other opex commitments	400,809,386
Capex commitments	1,122,622,135
Handset purchase commitments	1,095,445,309

- Other opex commitment are relating to marketing, network, gas distribution and civil engineering.
- Capital expenditures mainly related to network projects.

26 Litigation

As of December 31, 2013, ODO is party of certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

27 Financial Instruments

The financial risks to which the Company is exposed are presented in the following paragraphs.

Foreign exchange risks

The Company is exposed to risk profit or loss in the fluctuation of the exchange rates of foreign currencies that arise, principally the US dollar and Euro. During the year 2003 an accelerated depreciation of the local currency occurred. Nevertheless since the middle of the year 2005 and 2006, the Dominican currency (DOP) has strengthened in relation to the American dollar and Euro and has been quite stable ever since. As of December 2013 and 2012, the Company has assets and liabilities in US dollars and Euros. See note 23.

Credit risk

As of December 31, 2013, credit risk exposure is very limited. Such risk is that Company cannot recover the accounts receivable. The major credit risk is represented by balance of each financial asset. The Company for controlling the credit risks and collects the balances with local distributors imposes to open letters of credit as a warranty to cover any issue that may come up from those clients.

Liquidity Risk

Management is conscious of the implications of liquidity risk. In that sense, it maintains an adequate cash balance.

28 Fair Value of financial instruments

A detail of the balances booked and the estimated as fair value of the Company financial instruments as of December 31, 2013 and 2012 is as follow:

	2013		2012	
	Accounting Amount	Fair Value	Accounting Amount	Fair Value
Financial Assets:				
Cash	1,038,925,338	1,038,925,338	1,159,590,768	1,159,590,768
Trade receivables	1,832,887,111	1,832,887,111	1,937,408,905	1,937,408,905
Other receivables	2,972,515,059	2,972,515,059	629,454,718	629,454,718
Financial Liabilities:				
Trade payables	3,252,122,915	3,252,122,915	3,504,651,801	3,504,651,801
Other current liabilities	721,042,519	721,042,519	697,728,614	697,728,614

29 Non-recurring transaction

On November 26th, 2013 the Company Wirefree Services Denmark A / S, the major shareholder of Orange Dominicana, S. A., signed a contract with the economic Group Altice, of Luxembourg, for the sale of the 100% of the shares of Orange Dominicana, S. A. As at December 31st, 2013 such transaction is still in the process of validation by the Instituto Dominicano de las Telecomunicaciones (INDOTEL).

30 Subsequent events

No event other than those described above has occurred since the year end.

ORANGE DOMINICANA, S.A.

Standalone Financial Statements

As of and for the two years ended December 31, 2012

Deloitte.

Deloitte & Associes
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
Telephone:+ 33 (0) 1 40 88 28 00
Telecopieur: + 33 (0) 1 40 88 28 28
www.deioitte.fr

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Orange Dominicana

We have audited the accompanying balance sheets of Orange Dominicana (the ''Company'') as of December 31, 2012 and 2011, and the related statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards (''IFRS'') as issued by the IASB.

DELOITTE & ASSOCIES

Deloitte & Associés

Neuilly-sur-Seine, France
September 18, 2013

Orange Dominicana, S.A.

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Orange Dominicana, S.A.

Income statement

Income statement	Notes	2012	2011
		(in Dominican pesos)	
Revenues	**3.1**	**22,754,373,505**	**22,183,989,151**
Cost of equipment sold	4.1	(3,000,109,167)	(3,370,231,069)
Selling, distribution and traffic costs	4.2	(5,861,191,549)	(5,899,205,178)
Advertising and sponsoring costs		(937,385,613)	(1,053,899,861)
Offices and technical sites costs		(563,689,755)	(467,358,296)
Labor expenses	5	(1,174,728,970)	(1,061,299,445)
Corporate fees		(582,695,613)	(580,165,980)
Maintenance costs		(331,814,892)	(304,579,553)
Other costs and income	4.3	(2,572,513,250)	(1,975,054,438)
Depreciation and amortization	6.1/6.2	(3,509,204,978)	(3,354,660,775)
Total costs and operating expenses		(18,533,333,788)	(18,066,454,595)
Operating income		**4,221,039,717**	**4,117,534,556**
Bank commissions		(70,778,482)	(65,901,033)
Interest income		36,522,740	64,620,300
Foreign currency exchange gains (losses)		69,838,887	16,776,620
Other		(20,423,571)	—
Non-operating income (expenses)		15,159,574	15,495,887
Profit before income tax		**4,236,199,291**	**4,133,030,443**
Income tax	7.1	(789,931,748)	(7,803,044)
Net income		**3,446,267,543**	**4,125,227,399**
Other comprehensive income		—	—
Total comprehensive income for the year		**3,446,267,543**	**4,125,227,399**

Orange Dominicana, S.A.
Statement of financial position

Statement of financial position	Notes	2012	2011
		(in Dominican pesos)	
Intangible assets, net	6.1	2,211,688,949	2,247,634,479
Property, plant and equipment, net	6.2	13,873,521,204	13,844,199,696
Other non-current assets		55,133,105	53,018,958
Deferred tax assets	7.4	1,622, 149,160	1,289,648,460
Total non-current assets		**17,762,492,418**	**17,434,501,593**
Inventories	4.4	882,961,123	987,614,178
Trade receivables	3.2	2,570,781,717	2,511,763,302
Other receivables	3.3	629,454,718	626,817,254
Income tax receivable	7.3	235,499,637	860,477,397
Prepaid expenses		197,925,846	223,324,321
Cash and cash equivalents	8	1,159,590,768	1,144,656,534
Total current assets		**5,676,213,809**	**6,354,652,985**
Total assets		**23,438,706,227**	**23,789,154,578**
Share capital		5,800,000,000	1,752,869,800
Legal reserve		580,000,000	175,286,980
Decrease (increase) in other non-current liabilities		1,680,984,200	1,680,984,200
Retained earnings		8,182,305,384	12,532,661,061
Total Shareholders' equity	**9**	**16,243,289,584**	**16,141,802,041**
Non-current liabilities	6.3	644,675,778	618,016,036
Total non-current liabilities		**644,675,778**	**618,016,036**
Trade payables	4.5	4,138,024,612	4,621,399,985
Other current liabilities	4.6	697,728,614	734,596,096
Deferred income	3.4	1,714,987,638	I ,673,340,422
Total current liabilities		**6,550, 740,864**	**7,029,336,502**
Total equity and liabilities		**23,438,706,227**	**23,789,154,578**

Orange Dominicana, S.A.

Statement of cash flows

Statement of cash flows	2012	2011
	(in Dominican pesos)	
Operating activities		
Net income	3,446,267,543	4,125,227,399
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortization	3,509,204,978	3,354,660,775
Gains (losses) on disposal	761,266	—
Change in provisions (Litigations, dismantling and others)	67,719,013	(279,430,828)
Income tax	(332,500,700)	(413,429,415)
Change in inventories, accounts receivable and payable		
Decrease (increase) in inventories, net	104,653,055	259,796,748
Decrease (increase) in trade receivables, net	(59,018,415)	124,215,885
Decrease (increase) in other receivables, net	(2,637,465)	493,004,912
Increase (decrease) in trade payables	(483,375,372)	152,067,437
Other changes in working capital requirements		
Decrease (increase) in prepaid expenses	25,398,475	(56,936,423)
Decrease (increase) in other non-current assets	(2,114,147)	(29,302,650)
Decrease (increase) in other non-current liabilities	8,419,337	53,480,630
Decrease (increase) in other current liabilities	47,427,001	103,636,112
Deferred income	41,647,217	(59,088,382)
Income tax paid	624,977,760	(369,650,775)
Net cash provided by operating activities	**6,996,829,544**	**7,458,251,424**
Investing activities		
Purchase of PPE and intangible assets	(3,637,115,310)	(3,702,125,212)
Net cash used in investing activities	**(3,637,115,310)**	**(3,702,125,212)**
Financing activities		
Dividends paid	(3,344,780,000)	(3,252,300,000)
Net cash used in financing activities	**(3,344,780,000)**	**(3,252,300,000)**
Net increase (decrease) in cash and cash equivalents	14,934,234	503,826,212
Cash and cash equivalents—opening balance	1,144,656,534	640,830,322
Cash and cash equivalents—closing balance	**1,159,590,768**	**1,144,656,534**

Orange Dominicana, S.A.

Statement of change in equity

Statements of changes in equity	Capital	Legal Reserve	Hyperinflation reserve	Retained Earnings	Total
			(in Dominican pesos)		
Balance at 12/31/2010	1,752,869,800	175,286,980	1,680,984,200	11,659,733,662	15,268,874,642
Net income	—	—	—	4,125,227,399	4,125,227,399
Other comprehensive income	—	—	—	—	—
Total comprehensive income	**—**	**—**	**—**	**4,125,227,399**	**4,125,227,399**
Dividends paid (note 9.3)	—	—	—	(3,252,300,000)	(3,252,300,000)
Balance at 12/31/2011	**1,752,869,800**	**175,286,980**	**1,680,984,200**	**12,532,661,061**	**16,141,802,041**
Net income	—	—	—	3,446,267,543	3,446,267,543
Other comprehensive income	—	—	—	—	—
Total comprehensive income	**—**	**—**	**—**	**3,446,267,543**	**3,446,267,543**
Dividends paid (note 9.3)	—	—	—	(3,344,780,000)	(3,344,780,000)
Transfer to legal reserve	—	404,713,020	—	(404,713,020)	—
Capital increase	4,047,130,200	—	—	(4,047,130,200)	—
Balance at 12/31/2012	**5,800,000,000**	**580,000,000**	**1,680,984,200**	**8,182,305,384**	**16,243,289,584**

Note 1—Description of business and basis of preparation of the standalone financial statements

1.1 Description of business

Orange Dominicana, S.A. (hereafter called ''ODO''), a company incorporated in accordance with the Dominican Republic laws, began operations on November 13th 2000. ODO is an indirectly wholly-owned subsidiary of Orange S.A., a French listed company.

ODO operates under a service concession agreement for the operation of telecommunications services.

ODO provides consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission and other value added services.

1.2 Basis of presentation and purpose of the financial statements

These financial statements have been prepared in the context of the proposed sale of ODO by its sole shareholder and for use in any offering documents relating to securities that may be offered by ODO.

They have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The principles applied to prepare financial data are based on:

- all standards and interpretations compulsory as of December 31, 2012;
- the recognition and measurement alternatives allowed by the IFRSs:

Standard		Alternative used
IAS 2	Inventories	Measurement of inventories determined by the weighted average unit cost method
IAS 16	Property, Plant and Equipment	Measurement at amortized historical cost
IAS 38	Intangible Assets	Measurement at amortized historical cost

- the available exemptions regarding the retrospective application of IFRSs at the transition date (January 1, 2004 for ODO):

Standard		IFRS 1 alternative used
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	Measurement of property, plant and equipment and intangible assets at historical cost

In the absence of any accounting standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- present fairly the ODO's financial position, financial performance and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

1.3 Standards and interpretations compulsory after December 31, 2012 with no early application elected by ODO

IFRS 13—Fair value measurement—defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in

Note 1—Description of business and basis of preparation of the standalone financial statements (Continued)

IFRS 7. This standard is applicable prospectively and has no expected effect on the fair value currently measured by ODO.

1.4 Use of estimates and judgment

In preparing ODO's financial statements, the management makes estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at December 31, 2012 may subsequently be changed.

ODO's management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate		Nature of estimate
Note 3.1	Revenue	Identification of separable components of a bundled offer based on the individual components relative fair value
		Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship
		Reporting of revenue on a net versus gross basis (depending on an analysis of the ODO's involvement as either principal or agent)
Note 4	Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement
Note 6	Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments
Note 7	Income tax	Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions
		Assumptions used for recognition of deferred tax assets arising

Note 2—Accounting policies

2.1 Financial statements preparation principle

Presentation

Income statement

Expenses are presented in the income statement based on their nature.

Operating income corresponds to net income before:

- finance income;
- finance costs;
- income tax (current and deferred taxes).

Note 2—Accounting policies (Continued)

Statement of financial position

Current and non-current items are presented separately in the statement of financial position: assets and liabilities with a term of no more than twelve months are classified as current whereas, assets and liabilities with a term of more than twelve months are classified as noncurrent.

Statement of cash flows

The statement of cash flows is reported using the indirect method starting with the net income and is broken down into three categories:

- cash flows arising from operating activities (including finance costs and income taxes);
- cash flows arising from investing activities (mainly purchase and disposal of intangible and tangible assets);
- cash flows arising from financing activities (dividends paid).

Foreign operations

The financial statements are expressed in Dominican pesos.

Monetary assets and liabilities in foreign currency are translated into Dominican pesos at the year-end exchange rate at the end of each reporting period and the resulting translation differences are recorded in:

- in operating income for commercial transactions;
- in finance income or finance costs for financial transactions.

Foreign operations are recorded on initial recognition at the spot exchange rate at the date of the transaction.

2.2 Revenues

Revenues

Revenues from ODO's activities are recognized as follows:

Separable components of bundled offers

Certain service offers include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

For the sale of multiple products or services, ODO evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a standalone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises when selling bundled offers that include a handset sold at a discounted price and a telecommunications service contract. The handset is considered to have value on a standalone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunications service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

Note 2—Accounting policies (Continued)

For offers that cannot be separated into identifiable components, revenues are recognized in full over the life of the contract. The main example is connection to the service: this does not represent a separately identifiable transaction from the subscription and communications, and connection fees are therefore recognized over the average expected life of the contractual relationship.

Equipment sales

Revenues from mobile sales are recognized when the significant risks and rewards of ownership are transferred to the buyer.

When equipment—associated to the subscription of telecommunication services—is sold by a third party retailer who purchases it from ODO and receives a commission for signing up the customer, the related revenue is:

- recognized when the equipment is sold to the end-customer;
- measured by ODO taking into account the best estimate of the retail price and any subsidies granted to the retailer at the time of the sale and passed on to the end-customer in the form of a rebate on the equipment

Service revenues

Considerations from telephone service are recognized in revenue on a straight-line basis over the subscription period.

Revenue for airtime usage and messaging by customers is recognized as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Loyalty programs

Points awarded to customers are treated as a separable component to be delivered in the transaction that triggered the acquisition of points. Part of the invoiced revenue is allocated to these points based on their fair value taking into account an estimated utilization rate, and deferred until the date at which the points are definitively converted into benefits. Fair value is defined as the excess price over the sales incentive that would be granted to any new customer. This principle is applied for both types of loyalty programs that exist within ODO, those with and those without a contractual renewal obligation.

Trade receivables

The trade receivables are mainly short-term, bearing no interest rate and measured at original invoice amount.

The valuation allowance on trade receivables is determined as follows:

- for mobile telephone services: the allowance is computed based on expected loss rates depending upon their aging. These rates are reviewed and adjusted periodically. When a client is determined to be in bankruptcy or subject to equivalent judicial proceedings, the associated receivables are then excluded from the statistical database and individually written-off;
- for dealers, wholesalers, interconnection (local and roaming) and carriers: the impairment loss is determined on a case by case analysis based on the ODO's experience.

Note 2—Accounting policies (Continued)

2.3 Purchases and operating expenses

Subscriber acquisition and retention costs

Subscriber acquisition and retention costs, other than loyalty programs costs, are recognized as an expense for the period in which they are incurred.

Advertising and sponsoring costs

Advertising, promotion, sponsoring, communications and brand marketing costs are expensed as incurred.

Inventories

The inventories comprise mainly mobile handsets either located in ODO's premises or at distributors until the customer service activation.

The inventories are stated at the lower of cost or net realizable value taking into account expected revenues from the sales of mobile phones. Cost corresponds to purchase cost determined using the weighted average cost method.

Trade payables

Payables are recorded at their nominal value

Provisions and contingent liabilities

Provisions

In the ordinary course of business, ODO is involved in certain legal and arbitration proceedings and administrative actions.

The costs which may result from these proceedings are accrued when ODO has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of that liability can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

Contingent liabilities

Contingent liabilities are:

- possible obligations that are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within ODO's control; or
- present obligations arising from past events that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

2.4 Employee benefits

Labor costs are expensed as incurred including social costs contributed by the Company in accordance with the law 87-01.

Employees are not provided with postemployment benefits.

Note 2—Accounting policies (Continued)

2.5 Intangible assets, property, plant and equipment

Intangible assets

Intangible assets comprise mainly licenses for software and international telecommunication, frequency rights and Indefeasible Rights of Use (IRUs).

IRUs acquired by ODO correspond to the right to use cable or capacity transmission cable granted for a fixed period. They are recognized as an asset when ODO has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life.

Property, plant and equipment

Property, plant and equipment comprised mainly network equipment.

The gross value of tangible assets corresponds to their acquisition or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Due to 2004 and 2005 hyperinflation in Dominican Republic, ODO restated its 2004 and 2005 financial statements applying IAS 29 Financial Reporting in Hyperinflationary Economies and adjusted consequently the gross value of assets with the corresponding balance within Shareholders' equity (i.e. Hyperinflation reserve).

The cost of networks includes design and construction costs. Maintenance and repair costs are expensed as incurred, except where they increase the asset's productivity or extend its useful life.

Depreciation

Assets are depreciated, generally with no residual value, on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. The straight-line basis is usually applied. The useful lives are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates: these changes in accounting estimates are recognized prospectively.

Main assets categories	Useful life (in years)
Licences	3–5
Frequencies	10–15
IRU (Indefeasible rights of use)	10–15
Buildings	30
Antennas and technical equipment (sites)	8–28
Other technical equipment	3–8
Office material and software	3–5
Office furniture and equipment	5–10
Leasehold improvements	10

Dismantling

ODO is required to dismantle equipment and restore sites.

The provision is based on dismantling costs (on a per-unit basis for telephone poles, terminals and public phones, and on a per-site basis for mobile antennae) incurred by ODO to meet its environmental commitments and annual estimated asset dismantling and site restorations. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and adjusted where appropriate against the asset to which it relates.

Note 2—Accounting policies (Continued)

2.6 Income tax

Current tax is measured by ODO at the amount expected to be paid or recovered from the taxation authorities, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognized for all temporary differences between the book values of assets and liabilities and their tax basis, using the liability method. Deferred tax assets are recognized only when their recovery is considered probable.

Deferred tax assets and liabilities are not discounted.

At reporting period end, ODO reviews the recoverable amount of the deferred tax assets.

In accordance with these principles, ODO calculates the tax assets, liabilities and accruals recognized in the statement of financial position based on the technical merits of the positions it defends versus that of the tax authorities.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the assets will be realized and the liabilities settled on the basis of tax rates in force or substantially in force at the period end.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks as well as short-term investments with an original maturity of three months or less from the date of acquisition.

Note 3—Sales

3.1 Revenues

Revenues	2012	2011
	(in thousand Dominican pesos)	
Mobile	19,436,051	18,820,409
Wholesale	1,662,446	1,729,426
Internet	507,036	351,824
Equipment	866,134	977,656
Other	282,707	304,674
Revenues	**22,754,374**	**22,183,989**

3.2 Trade receivables

Trade receivables	2012	2011
	(in Dominican pesos)	
Customers (gross)	3,058,316,537	2,966,998,426
Provision for doubtful accounts	(487,534,820)	(455,235,124)
Customers (net of provision)	**2,570,781,717**	**2,511,763,302**

The aging balance of gross trade receivables is as follows:

Customers (gross)	2012	2011
	(in Dominican pesos)	
Not due or less than 30 days	1,884,738,022	1,698,317,346
Between 30 and 60 days	654,176,575	744,877,784
Between 60 and 90 days	181,345,679	208,275,360
More than 90 days	338,056,261	315,527,936
Revenues	**3,058,316,537**	**2,966,998,426**

Note 3—Sales (Continued)

3.3 Other receivables

Other receivables	2012	2011
	(in Dominican pesos)	
Advances to suppliers	296,156,659	367,033,548
VAT	158,393,560	183,553,810
Cash pooling—current account	135,623,414	33,157,227
Others	39,281,085	43,072,668
Total	**629,454,718**	**626,817,253**

3.4 Deferred income

Deferred income	2012	2011
	(in Dominican pesos)	
Prepaid telephone cards	768,069,643	798,076,352
Loyalty program	511,072,839	528,072,839
Monthly fee	130,045,686	156,357,506
Handsets	237,384,310	129,344,806
Sim & Kit	68,415,159	61,488,918
Total	**1,714,987,638**	**1,673,340,422**

Note 4—Purchases and other expenses

4.1 Cost of equipment sold

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

Cost of equipment sold	2012	2011
	(in Dominican pesos)	
Terminals	2,691,685,132	2,995,259,870
SIM cards	134,380,975	160,659,833
Import duties and freight costs	123,264,823	135,181,721
Phone cards	50,750,362	73,841,184
Accessories	(168,291)	5,293,548
Other	196,166	(5,088)
Total	**3,000,109,167**	**3,370,231,069**

4.2 Selling, distribution and traffic costs

Selling, distribution and traffic costs	2012	2011
	(in Dominican pesos)	
Selling and distribution costs	2,181,628,470	2,279, 184,762
National voice mobile terminations	1,766,511,266	1,835,171,015
National voice fixed line terminations	222,273,638	182,577,887
International terminations	497,571,059	467,727,888
Data terminations (SMS)	215,589,932	219,120,848
International roaming	76,658,280	95,913,747
Other	900,958,905	819,509,031
Total	**5,861,191,549**	**5,899,205,178**

Note 4—Purchases and other expenses (Continued)

4.3 Others

Other costs and income	2012	2011
	(in Dominican pesos)	
Other income	127,281,750	197,485,171
Purchase of services	(453,543,414)	(381,759,212)
Network energy	(432,777,929)	(380,859,081)
Consulting. contractors & prof. serv.	(309,892,025)	(300,352,526)
Bad debt expense	(212,931,032)	(150,677,752)
IT expenses	(178,198,199)	(154,500,762)
Temporary staff/interim net[a]	(78,477,569)	(97,732,906)
Purchases of supplies	(137,730,818)	(126,324,827)
Operating tax	(137,062,235)	(143,214,269)
Other	(759,181,779)	(437,118,274)
Total	**(2,572,513,250)**	**(1,975,054,438)**

(a) The temporary labor expenses attributable to the network development are net of costs capitalized (RD$ 71,335,720 and RD$ 41,264,818, respectively for 2012 and 2011).

4.4 Inventories

Inventories (net)	2012	2011
	(in Dominican pesos)	
ODO's warehouse	572,890,663	752,394,474
ODO's distributors (dealers)	310,070,460	235,219,703
Total	**882,961,123**	**987,614,178**

4.5 Trade payables

Trade payable	2012	2011
	(in Dominican pesos)	
Fixed assets and operating suppliers	3,044,652,663	2,714,255,359
Merchandises suppliers	540,481,470	720,110,475
Related companies (see note 11)	314,449,212	506,839,042
Distributors (dealers)	229,265,172	316,863,286
Others	9,176,095	363,331,823
Total	**4,138,024,612**	**4,621,399,985**

4.6 Other current liabilities

Other current liabilities	2012	2011
	(in Dominican pesos)	
Taxes and VAT	455,803,544	509,329,982
Staff bonuses	213,293,577	203,296,978
Vacations and other	28,631,492	21,969,136
Total	**697,728,613**	**734,596,096**

Note 5—Labor expenses

Labor expenses	2012	2011
	(in Dominican pesos)	
Salaries and wages	758,861,075	663,868,224
Employee profit sharing	167,749,604	163,120,309
Social contribution	143,296,628	131,902,106
Other	104,821,663	102,408,807
Total	**1,174,728,970**	**1,061,299,445**

The labor expenses attributable to the network development have been capitalized in 2012 and 2011, for RD$266,039,069 and RD$292,084,111 respectively.

Note 6—Intangible assets, property, plant and equipment

6.1 Intangible assets

	2012				
Intangible assets	Frequencies	Software licenses & IRU	Right of use corporate solutions	Total	2011
	(in Dominican pesos)				
Gross value (opening balance)	1,188,849,360	3,480,175,483	113,085,520	4,782,110,363	4,080,480,827
Acquisitions	3,827,587	672,451,456	19,767,444	696,046,488	703,448,586
Disposals	—	(14,352,199)	—	(14,352,199)	(1,149,249)
Reallocations	—	(43,618,668)	—	(43,618,668)	(669,801)
Gross value (closing balance)	**1,192,676,947**	**4,094,656,073**	**132,852,964**	**5,420,185,983**	**4,782,110,363**
Depreciation (opening balance)	(485,284,295)	(1,993,330,005)	(55,861,583)	(2,534,475,883)	(1,847,464,480)
Depreciation expense	(108,039,906)	(546,298,310)	(34,035,134)	(688,373,350)	(688,279,238)
Disposals	—	14,352,199	—	14,352,199	1,149,249
Reallocation	—	—	—	—	118,585
Depreciation (closing balance)	**(593,324,201)**	**(2,525,276,116)**	**(89,896,717)**	**(3,208,497,035)**	**(2,534,475,883)**
Net total value	**599,352,746**	**1,569,379,956**	**42,956,247**	**2,211,688,949**	**2,247,634,479**

6.2 Plant, property and equipment

	2012						
Plant, property and equipment	Lands	Buildings	Network and transition equipment	IT infrastructure	Others	Total	2011
	(in Dominican pesos)						
Gross value (opening balance)	157,705,194	1,532,467,464	23,526,966,922	1,847,467,428	164,587,060	27,229,194,068	24,207,301,424
Acquisition	1,078,785	190,743,505	2,385,800,052	339,294,050	24,152,431	2,941,068,823	2,998,676,625
Disposals	—	(2,540,496)	(66,541,612)	(22,364,483)	—	(91,446,590)	(105,763,769)
Reallocations	—	—	(85,449,498)	(4,704,924)	—	(90,154,421)	128,979,787
Gross value (closing balance)	**158,783,979**	**1,720,670,474**	**25,760,775,864**	**2,159,692,072**	**188,739,491**	**29,988,661,879**	**27,229,194,067**
Depreciation (opening balance)	—	(625,395,394)	(11,358,045,050)	(1,323,052,269)	(78,501,658)	(13,384,994,371)	(10,810,256,183)
Depreciation expense	—	(191,184,156)	(2,378,353,041)	(228,766,800)	(22,527,631)	(2,820,831,628)	(2,666,381,537)
Disposals	—	2,510,103	65,987,577	22,187,645	—	90,685,324	105,763,769
Reallocation	—	—	—	—	—	—	(14,120,420)
Depreciation (closing balance)	**—**	**(814,069,448)**	**(13,670,410,515)**	**(1,529,631,424)**	**(101,029,288)**	**(16,115,140,675)**	**(13,384,994,371)**
Net total value	**158,783,979**	**906,601,026**	**12,090,365,349**	**630,060,648**	**87,710,203**	**13,873,521,205**	**13,844,199,696**

Note 6—Intangible assets, property, plant and equipment (Continued)

6.3 Non-current liabilities

Non-current liabilities	2012	2011
	(in Dominican pesos)	
Customer deposit	203,084,345	215,088,579
Provisions	343,923,698	273,004,686
ARO provisions	97,667,735	129,922,770
Total	**644,675,778**	**618,016,036**

Note 7—Income tax

7.1 Income tax charge

Income tax	2012	2011
	(in Dominican pesos)	
Current income tax	1,462,560,893	1,306,410,817
Deferred income tax	(332,500,700)	(413,429,415)
Dividends credits	(329,753,087)	(874,803,000)
Tax credit from Law 97-2007 incentives	(10,375,358)	(10,375,358)
Total	**789,931,748**	**7,803,044**

7.2 Tax proof

Tax proof	2012	2011
	(in Dominican pesos)	
Profit before income tax	4,236,199,291	4,133,030,444
29% Income tax rate on profit before income tax	1,228,497,795	1,198,578,829
Tax effect of:		
Dividends credits	(329,753,087)	(874,803,000)
Impact of assets annual reevaluation for tax purpose (inflation)	(168,732,345)	(251,895,805)
Effect of change in tax rate on deferred income tax	(46,475,938)	(54,323,859)
Adjustment to current tax of prior year	63,714,428	2,124,401
Other	42,680,895	(11,877,522)
Effective income tax	**789,931,748**	**7,803,044**
Effective tax rate	18.6%	0.2%

7.3 Income tax receivable

Income tax	2012	2011
	(in Dominican pesos)	
Advances of the period	497,442,249	1,281,709,849
Prior year tax credit carry forward	796,762,816	—
Tax credit from Law 97-2007 incentives	10,387,949	10,375,358
Credit arising from dividends withholdings	329,753,087	874,803,000
Adjustment to previous year tax	—	(2,124,401)
Current tax provision	(1,398,846,464)	(1,304,031,071)
Others	—	(255,338)
Total	**235,499,637**	**860,477,397**

Note 7—Income tax (Continued)

7.4 Deferred income tax

Deferred income tax	2012 Balance Sheet	2012 Income Statement	2011 Balance Sheet	2011 Income Statement
	(in Dominican pesos)			
Provision for loyalty Program	137,989,667	15,151,457	153,141,122	(30,813,196)
Depreciable fixed assets	1,100,895,733	(257,394,884)	843,500,849	(268,181,067)
Provision for bad debts	147,833,913	(14,097,955)	133,735,958	(27,675,400)
Provision inventory obsolescence	21,801,449	(774,224)	21,027,225	10,120,454
Other provisions	325,335,006	(77,268,838)	248,066,168	(66,175,285)
Vacations and incentives provision	9,711,281	1,119,279	10,830,560	(3,751,988)
Deferred revenues/cost	1,878,678	(10,349,938)		
Exchange difference	—	1,554,733	587,613	(587,613)
Deferred tax assets	1,745,445,727	(342,060,370)	1,410,889,495	(387,064,095)
Deferred tax liabilities				
Exchange difference	(967,120)	—	—	(471,817)
Deferred revenues/costs	—	—	(8,471,260)	(2,582,493)
Effect of IAS29 adjustement	(122,329,447)	9,559,672	(112,769,775)	(23,311,010)
Deferred tax liabilities	(123,296,566)	9,559,672	(121,241,035)	(26,365,320)
Net deferred tax	**1,622,149,160**	**(332,500,699)**	**1,289,648,460**	**(413,429,415)**

The Jaw No.309-12 was enacted on December 7, 2012, with the objective of granting the possibility of a tax amnesty to tax payers regarding the following taxes: income tax, value added tax, asset tax, transfer tax, inheritance tax, property taxes and customs taxes. The main benefits of the tax amnesty include closing fiscal periods up to 2011 for tax audit purposes; waive of penalties regarding existing tax liabilities, including those appealed by the tax payer. Orange did not apply for the tax amnesty.

Note 8—Cash and cash equivalents

Cash and cash equivalents	2012	2011
	(in Dominican pesos)	
Cash on hand	944,811	1,901,350
Cash at banks	1,158,645,957	1,142,755,184
Total	**1,159,590,768**	**1,144,656,534**

Note 9—Equity

9.1 Share capital

The shareholders' meeting decided the conversion of the retained earnings into share capital on December 19, 2012. The share capital therefore, increased by 38,000,000 shares, and is now made of 58,000,000 shares each at a par value of RD$100. There are no outstanding shares as of December 31, 2012.

9.2 Legal reserve

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to use to pay dividends.

Note 9—Equity (Continued)

9.3 Dividends

ODO's shareholders meeting approved the payment of dividends in April, September and November 2012 for a total amount of RD$469,320,000; 667,760,000 and RD$2,207,700,000 respectively.

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity. This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period. The dividends paid in April and September 2012 were taxed under the former regime.

Note 10—Foreign currency

ODO is exposed to foreign exchange risk due both to its revenues and purchases denominated in US dollars and euros. As a consequence, these foreign operations have a direct effect on the operating, finance income and the trade receivables and payables.

Breakdown by currency	2012	2011
	(in Dominican pesos)	
Revenues		
DOP	16,471,989,318	15,771,264,887
EUR	265,314,558	310,906,548
USD	6,017,069,386	6,101,817,717
Multi currencies (Gas & Electricity)	242	—
Total	**22,754,373,505**	**22,183,989,151**
Operating expenses		
DOP	(5,829,181,877)	(5,296,843,738)
EUR	(1,077,968,440)	(1,095,284,532)
USD	(7,581,584,880)	(7,842,386,587)
Multi currencies (Gas & Electricity)	(535,393,613)	(477,278,963)
Total	**(15,024,128,810)**	**(14,711,793,820)**
Capex		
DOP	(1,533,906,442)	(1,714,898,981)
EUR	(901,068,402)	(683,153,573)
USD	(1,202,140,466)	(1,304,072,658)
Total	**(3,637,115,310)**	**(3,702,125,212)**

Note 11—Related parties transactions

ODO's financial position and income statement elements with Orange SA and its subsidiaries is detailed below:

Related parties transactions	2012	2011
	(in Dominican pesos)	
Statement of financial position		
Accounts receivable	29,223,556	32,674,022
Cash pooling—current account[(a)]	135,623,414	33,157,227
Accounts payable	(314,449,212)	(506,839,042)
Income statement		
Revenue (Traffic, interconnection and other income)	218,902,968	161,468,498
Selling, distribution and traffic costs	(66,186,205)	(67,159,342)
Brand fees[(b)]	(351,549,524)	(336,388,654)
Corporate management fees[(c)]	(231,146,089)	(243,777,326)
General maintenance and services	(9,896,989)	(8,221,594)
Other operating expenses, net	(102,414,970)	(100,489,891)
Other operating income	12,636,008	—

(a) In February 2009, Orange SA and ODO signed a centralized treasury management agreement (CTMA). Orange S.A. thus optimizes the Group liquidity. ODO lends or borrows its cash surplus/needs through a current account with Orange SA. The cash pooling accounts bear interest which is calculated on a daily balance and on a daily basis using:

- for the EUR account: EONIA rate for a credit balance and EONIA plus 2.15% margin for a debit balance
- for the USD account: LIBOR Overnight rate for a credit balance and LIBOR Overnight plus 2.15% margin for a debit balance

(b) The utilization of the Orange brand name is defined in a brand license agreement signed with Orange Group and costs a 1.6% fee of the ODO's monthly operating revenue.

(c) Management fees are determined in accordance with an agreement signed with Orange SA and are charged using a 1.03% on the monthly contributive operational revenue in 2012.

Note 12—Unrecognized contractual commitments

12.1 Leasing commitments

Rental commitments by year of expiration	<1 year	1 - 5 years	over 5 years	Total
		(in Dominican pesos)		
Total	**474,094,831**	**1,100,473,583**	**400,133,861**	**1,974,702,275**

The Company enters into operating lease agreements in its ordinary course of business (mainly commercial offices and antennas sites).

12.2 Other purchase and investment commitments

Other purchase and investment commitments	2012
	(in Dominican pesos)
Other opex commitments	458,756,888
Cap ex commitments	965,744,919
Handset purchase commitments	631,578,716

- Other opex commitment are relating to marketing, network, gas distribution and civil engineering.
- Capital expenditures mainly related to network projects.

Note 13—Litigation

As of December 31, 2012, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

Note 14—Subsequent events

None.

PT Comunicações

Financial Statements

PT COMUNICAÇÕES, S.A.

BALANCE SHEETS

30 SEPTEMBER 2014 AND 31 DECEMBER 2013

	Notes	30 Sep 2014	31 Dec 2013
		Euro	
ASSETS			
Non-current assets			
Tangible fixed assets	4	2,534,722,664	2,687,744,235
Investment properties		7,782,618	12,987,051
Goodwill		2,982,442,403	2,982,442,403
Intangible assets	4	192,824,177	212,789,378
Financial investments—equity method of accounting	5	7,037,119,315	6,920,678,140
Financial investments—other methods		1,219,919	1,224,907
Post retirement benefits	10	1,935,052	1,834,000
Other financial assets		14,135,259	4,077,850
Deferred tax assets	6	316,101,351	311,535,642
Total non-current assets		**13,088,282,758**	**13,135,313,606**
Current assets			
Inventories		31,805,203	30,711,476
Accounts receivable—trade	7	456,528,763	461,531,564
Unbilled revenues	7	83,452,667	88,412,138
Advances to suppliers		3,953,585	6,292,151
Shareholders and group companies		22,710,933	—
Other accounts receivable		104,899,761	123,456,398
Deferrals		12,867,979	16,020,983
Non-current assets held for sale		—	4,653,742
Cash and bank deposits	3	54,887,613	21,737,013
Total current assets		**771,106,504**	**752,815,465**
Total assets		**13,859,389,262**	**13,888,129,071**
SHAREHOLDERS' EQUITY			
Share capital		1,150,000,000	1,150,000,000
Other shareholders' equity instruments		4,350,466,191	4,350,466,191
Legal reserve		30,000,000	30,000,000
Other reserves		(13,232,464)	178,133,162
Adjustments to financial assets		724,047,283	(745,613,034)
Revaluation surplus		567,494,032	567,494,032
Other shareholders' equity variations		1,829,155	3,373,856
Retained earnings		(1,216,396,278)	(670,079,540)
Net loss		(1,256,489,779)	(210,225,304)
Total shareholders' equity		**4,337,718,140**	**4,653,549,363**
LIABILITIES			
Non-current liabilities			
Provisions	8	412,691	400,260
Loans obtained	9	7,302,077,483	6,877,406,946
Post retirement benefits	10	1,065,679,631	943,799,639
Deferred tax liabilities	6	141,490,029	148,603,529
Other financial liabilities		100,000	143,238
Total non-current liabilities		**8,509,759,834**	**7,970,353,612**
Current liabilities			
Provisions	8	25,347,049	12,570,313
Loans obtained	9	15,898,343	362,899,051
Deferrals		94,075,782	92,590,506
Accounts payable to group companies		299,829	3,202,808
Suppliers	11	455,844,047	345,121,314
Investment suppliers	11	33,087,230	100,127,368
Accrued expenses	12	283,388,987	293,304,820
Advances from accounts receivable		6,464,092	6,645,294
State and other public entities		40,905,562	18,982,227
Other accounts payable		56,600,367	28,782,395
Total current liabilities		**1,011,911,288**	**1,264,226,096**
Total liabilities		**9,521,671,122**	**9,234,579,708**
Total liabilities and shareholders' equity		**13,859,389,262**	**13,888,129,071**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

PT COMUNICAÇÕES, S.A.

INCOME STATEMENTS

FOR THE NINE-MONTH PERÍODS ENDED 30 SEPTEMBER 2014 AND 2013

	Notes	9M14	9M13
		Euro	
Services rendered	13	1,251,617,076	1,265,652,128
Sales	13	17,977,131	13,283,358
Subsidies to operation		232,569	41,993
Production variation		752,726	1,615,411
Equity in earnings of affiliated companies, net	14	(1,021,321,598)	161,327,423
Own work capitalized		33,864,312	36,160,905
Costs of products sold		(17,582,360)	(15,223,088)
Direct costs	15	(372,186,261)	(368,114,629)
Marketing and publicity		(14,525,404)	(18,922,857)
Supplies and external services	16	(318,852,250)	(314,169,810)
Wages and salaries	17	(176,152,295)	(174,285,948)
Post retirement benefit costs	10	(31,209,555)	(31,663,401)
Curtailment and settlement costs	10	21,877,502	(102,290,091)
Indirect taxes		(12,048,207)	(11,483,096)
Impairment of inventories ((losses)/reversals)		1,995,624	218,205
Impairment of accounts receivable ((losses)/reversals)	7	(12,184,504)	(11,188,604)
Provisions (increases/reductions)	8	(580,032)	5,197,259
Other income and gains		68,573,864	80,169,684
Other expenses and losses		(17,868,999)	(26,824,127)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**(597,620,661)**	**489,500,715**
Depreciation and amortisation ((losses)/reversals)	4	(329,457,276)	(360,284,112)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**(927,077,937)**	**129,216,603**
Interest and related income	18	2,668,727	4,735,275
Interest and related expenses	18	(285,340,584)	(275,642,999)
INCOME BEFORE TAXES		**(1,209,749,794)**	**(141,691,121)**
Income taxes	6	(46,739,985)	2,548,689
NET LOSS		**(1,256,489,779)**	**(139,142,432)**
Basic earnings per share	19	(1.09)	(0.12)

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE-MONTH PERÍODS ENDED 30 SEPTEMBER 2014 AND

		Share capital	Other shareholders' equity instruments	Legal reserve	Other reserves	Adjustment to financial assets	Revaluation surplus
						Euro	
Balance as at 1 January 2013	A	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**295,771,223**	**(456,822,242)**	**589,044,034**
Changes:							
Unpaid dividends		—	—	—	—	250,646,251	—
Deferred taxes adjustments		—	—	—	—	182,856	—
Effect of disposals of subsidiares		—	—	—	—	—	—
Recognition of investments subsidies		—	—	—	—	—	—
Acturial losses recognised in the year		—	—	—	(10,154,596)	—	—
Foreign currency translation adjustments		—	—	—	—	(343,354,986)	—
Other changes in shareholders' equity		—	—	—	—	(6,209,465)	—
	B	**—**	**—**	**—**	**(10,154,596)**	**(98,735,344)**	**—**
Net loss	C						
Comprehensive income	B+C						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	—
	D	**—**	**—**	**—**	**—**	**—**	**—**
Balance as at 30 September 2013	E=A+B+C+D	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**285,616,627**	**(555,557,586)**	**589,044,034**

The accompanying notes form an integral part of these financial statements.

Accountant

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continu

FOR THE NINE-MONTH PERÍODS ENDED 30 SEPTEMBER 2014 AND

		Share capital	Other shareholders' equity instruments	Legal reserve	Other reserves	Adjustment to financial assets	Revaluation surplus
						Euro	
Balance as at 1 January 2014	F	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**178,133,162**	**(745,613,034)**	**567,494,032**
Changes:							
Foreign currency translation adjustments		—	—	—	—	1,139,562,897	—
Unpaid dividends		—	—	—	—	336,091,434	—
Recognition of investments subsidies		—	—	—	—	—	—
Acturial losses recognised in the year		—	—	—	(191,365,626)	—	—
Other changes in shareholders' equity		—	—	—	—	(5,994,014)	—
	F	**—**	**—**	**—**	**(191,365,626)**	**1,469,660,317**	**—**
Net loss	G						
Comprehensive income	F+G						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	—
	H	**—**	**—**	**—**	**—**	**—**	**—**
Balance as at 30 September 2014	I = E+F+G+H	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**(13,232,464)**	**724,047,283**	**567,494,032**

The accompanying notes form an integral part of these financial statements.

Accountant

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERÍODS ENDED 30 SEPTEMBER 2014 AND 2013

	Notes	9M14	9M13
		Euro	
OPERATING ACTIVITIES			
Collections from clients		1,628,928,768	1,683,066,053
Payments to suppliers		(837,522,933)	(937,680,258)
Payments to employees		(140,898,011)	(142,121,795)
Cash flows from operations		**650,507,824**	**603,264,000**
Cash receipts (payments) relating to income taxes	3.(a)	(3,604,738)	(1,775,430)
Payments relating to post retirement benefits	10	(136,165,727)	(134,177,880)
Other cash payments, net		(26,576,474)	(70,741,875)
Cash flows from operating activities (1)		**484,160,885**	**396,568,815**
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible fixed assets	3.(b)	49,582,012	5,145,755
Intangible assets		—	9,379
Financial investments	3.(c)	174,056	35,966,391
Loans granted	3.(d)	5,677,520	340,000,000
Interest and related income		2,069,387	1,690,270
Dividends	3.(e)	235,706	2,703,029
		57,738,681	**385,514,824**
Payments resulting from:			
Tangible fixed assets		(258,225,299)	(307,435,678)
Intangible assets		(4,678,796)	(7,467,275)
Financial investments	3.(f)	(2,983,728)	(175,000)
Loans granted		(10,414,000)	(8,200,000)
		(276,301,823)	**(323,277,953)**
Cash flows from investing activities (2)		**(218,563,142)**	**62,236,871**
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Loans obtained	3.(g)	2,558,350,000	365,330,837
Subsidies		335,741	387,868
		2,558,685,741	**365,718,705**
Payments resulting from:			
Loans repaid	3.(g)	(2,488,714,833)	(603,686,517)
Interest and related expenses		(303,129,081)	(191,530,537)
		(2,791,843,914)	**(795,217,054)**
Cash flows from financing activities (3)		**(233,158,173)**	**(429,498,349)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		32,439,570	29,307,337
Effect of exchange differences		711,030	(987,214)
Cash and cash equivalents at the beginning of the period		21,737,013	21,165,981
Cash and cash equivalents at the end of the period	3.(h)	**54,887,613**	**49,486,104**

The accompanying notes form an integral part of these financial statements.

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PT Comunicações
Notes to the Financial Statements
As at 30 September 2014
(Amounts stated in Euros)

1. Introduction

PT Comunicações, S.A. (''PT Comunicações'' or the ''Company'') was incorporated in 2000, in accordance with a resolution from the General Meeting of Portugal Telecom, S.A. on April 27, 2000 within the business restructuring process in Portugal Telecom Group and by spin-off from Portugal Telecom, S.A. The conditions for this spin-off were defined under Decree-Law no. 219/00, of September 9, and Joint Order no. 936-A/2000 issued by the Ministers for Social Provision and for Finance on September 14. On 30 September 2006, under the restructuring process of the Group Portugal Telecom, Portugal Telecom, SGPS, S.A. (''PT SGPS'') sold to PT Portugal, SGPS, S.A. (''PT Portugal''—a sub-Holding company of the Group) all of the shares of PT Comunicações.

The concession that had been granted by the Portuguese government to PT Comunicações, with an initial term expiring in 2025, was formally revoked on 1 June 2014, as from which Zon Optimus replaced the Company as the universal service provider of access to a public electronic communications network at a fixed location. Under the terms of an agreement entered into with the Portuguese Government in November 2013, the Company was entitled to a compensation for the termination of the concession agreement, which was received in September 2014, amounting to Euro 32 million.

On 5 May 2014, Portugal Telecom SGPS, S.A. (''Portugal Telecom'') subscribed a share capital increase of Oi, S.A. (''Oi'') through the contribution in kind of its 100% interest in PT Portugal SGPS, S.A. (''PT Portugal''). Following this transaction, PT Portugal became a wholly-owned subsidiary of Oi and is now the parent company of the group in Portugal, while Portugal Telecom no longer controls PT Portugal and its subsidiaries. The Company's only shareholder continues to be PT Comunicações which in turn also continues to be a wholly-owned subsidiary of PT Portugal. Consequently, as from 5 May 2014, the Company is indirectly a wholly-owned subsidiary of Oi.

During the nine months period ended 30 September 2014, in connection with an internal corporate restructuring of PT Group for purposes of the Oi share capital increase undertaken on 5 May 2014, the following transactions involving either the company or its subsidiaries were completed:

– On 30 April 2014, PT Móveis, SGPS, S.A. (''PT Móveis''), a wholly-owned subsidiary of Meo, S.A., subscribed a share capital increase of Bratel BV by an amount of Euro 1,303 million;

– On 2 May 2014, PT Móveis disposed to Portugal Telecom, for an amount of Euro 4,195 million its 100% interest in Bratel BV, the company that held the investment in Oi, indirectly through Bratel Brasil, S.A. (''Bratel Brasil''). This operation generate a net loss of Euro 950 million recorded by PT Móveis which includes, (1) a capital gain of Euro 50 million reflecting the difference between the selling price (Euro 4,195 million) and the carrying value of the investment in Bratel BV (Euro 4,145 million) and (2) the transfer to net income of the cumulative amount of negative foreign currency translation adjustments that were recorded directly in shareholders' equity between March 2011 (Oi's acquisition date) and 2 May 2014, in the amount of Euro 950 million;

– On 2 May 2014, Portugal Telecom disposed to PT Móveis, for a total amount of Euro 2.240 million, its 100% interest in PT Participações, SGPS, S.A., the company that held, indirectly, a 75% interest in Africatel Holdings BV.

2. Basis of presentation

These financial statements were prepared in accordance with Portuguese legislation, based on Decree-law nº. 158/2009, which approved the new Portuguese accounting system, named Sistema de Normalização Contabilística (''SNC''), including the conceptual structure, Normas Contabilísticas e de Relato Financeiro (''NCRF'') and Interpretative Standards, as approved by Notices nº 15652/2009, 15655/2009 and 15653/2009, respectively. As permitted by Decree-Law nº. 158/2009, the Company also applies the International Financial Reporting Standards (''IAS/IFRS'') and related interpretations (''SIC/IFRIC'') issued by International Accounting Standards Board (IASB), in order to fill in the gaps or omissions in SNC regarding specific situations of certain transactions.

2. Basis of presentation (Continued)

As the Portuguese accounting system does not cover interim financial reporting, these interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting (''IAS 34'') and therefore do not include all the information required by above mentioned Portuguese accounting system. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2013.

3. Cash flows

For the purposes of the cash flow statement, the caption ''Cash and cash equivalents'' includes cash, bank deposits immediately available, net of bank overdrafts.

The Company is exposed to a liquidity risk if its sources of funding, including cash balance, operating cash inflows, divestments and cash flows obtained from financing operations, do not match with our financing needs, such as operating and financing outflows, investments, shareholder remuneration and debt repayments. Based on the cash flows generated by its operations, on the available cash and in the possibility to obtain financing from PT Portugal under the centralized cash management system, the Company believes that it is able to meet its obligations.

The cash flow statement was prepared in accordance with ''*NCRF 2 Statement of Cash Flows*'', which includes the following:

(a) Cash receipts (payments) relating to income taxes

Under the special taxation regime for Groups of companies the Company paid to PT Portugal Euro 3,604,738 and Euro 1,775,430 in the nine-month periods ended 30 September 2014 and 2013, respectively (Note 6).

(b) Cash receipts resulting from the disposal of tangible fixed assets

The increase in this caption reflects primarily the sale of tangible fixed assets to PT Cloud e Data Centers, a group company, in connection with an internal restructuring of the group.

(c) Cash receipts resulting from the disposal of financial investments

In the nine months period ended 30 September 2013, this caption corresponds to the proceeds of Euro 35,966,391 obtained from the disposal of the 3% interest previously held in CTM.

(d) Cash receipts resulting from loans granted

This caption corresponds to repayments of Euro 5,677,520 by Fibroglobal in the nine months period ended 30 September 2014 and repayments of Euro 340,000,000 by Meo, S.A. in the nine months period ended 30 September 2013, both of which relating to loans granted by PT Comunicações to these entities in previous periods.

(e) Dividends received

In the nine-month periods ended 30 September 2014 and 2013, PT Comunicações received dividends from Multicert, amounting to Euro 235,706 (Note 5), and from CTM, amounting to Euro 2,703,029, respectively.

(Amounts stated in Euros)

3. Cash flows (Continued)

(f) Payments resulting from financial investments

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of:

	9M14	9M13
	Euro	
Acquisition of INESC	2,884,074	—
Acquisition of Vortal	99,654	—
Acquisition of Auto Sapo	—	175,000
	2,983,728	**175,000**

(g) Cash receipts (payments) related to loans obtained

In the nine-month periods ended 30 September 2014 and 2013, cash receipts from loans obtained, net of cash payments from loans obtained, has the following composition:

	9M14	9M13
	Euro	
Receipts (payments) obtained under commercial paper programmes	(2,133,350,000)	(592,000,000)
Loans granted by PT Portugal	2,558,350,000	252,000,000
Intercompany loans within centralized cash management	(342,945,004)	113,330,836
Leases and other loans obtained	(12,419,829)	(11,686,516)
	69,635,167	**(238,355,680)**

(h) Cash and cash equivalents

As at 30 September 2014 and 2013, this caption is composed as follows:

	9M14	9M13
	Euro	
Cash	3,098,931	1,002,375
Bank deposits immediately available	51,788,682	48,483,729
Cash and bank deposits	**54,887,613**	**49,486,104**

(Amounts stated in Euros)

4. Tangible fixed assets and Intangible assets

During the nine months period ended 30 September 2014, movements in tangible fixed assets were as follows:

	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers of assets	Total
					Euro				
Gross value									
Opening balance	176,660,561	848,736,929	9,158,390,923	45,479,934	871,660,948	56,683,488	89,438,201	562,661	11,247,613,645
Acquisitions	1,247	676,284	103,290,464	1,812,910	8,121,589	364,219	52,622,351	—	166,889,064
Disposals	—	(10,627,958)	(12,783,336)	(4,010,468)	(63,281,737)	(71)	—	—	(90,703,570)
Transfers and write-offs	1,131,737	8,295,008	(28,795,738)	(486,145)	23,606,444	(55,207)	(46,041,272)	—	(42,345,173)
Closing balance	**177,793,545**	**847,080,263**	**9,220,102,313**	**42,796,231**	**840,107,244**	**56,992,429**	**96,019,280**	**562,661**	**11,281,453,966**
Accumulated depreciation and impairment losses									
Opening balance	9,803,584	494,594,753	7,160,541,461	30,011,479	809,798,522	55,119,611	—	—	8,559,869,410
Depreciation of the period (Note 18)	—	19,281,931	250,002,753	3,980,130	32,195,146	372,662	—	—	305,832,622
Disposals	—	(5,834,616)	(9,260,733)	(3,585,949)	(55,626,599)	(71)	—	—	(74,307,968)
Transfers and write-offs	31,639	(984,826)	(40,907,263)	(320,699)	(2,426,405)	(55,208)	—	—	(44,662,762)
Closing balance	**9,835,223**	**507,057,242**	**7,360,376,218**	**30,084,961**	**783,940,664**	**55,436,994**	**—**	**—**	**8,746,731,302**
Net value	**167,958,322**	**340,023,021**	**1,859,726,095**	**12,711,270**	**56,166,580**	**1,555,435**	**96,019,280**	**562,661**	**2,534,722,664**

During the nine months period ended 30 September 2014, movements in intangible assets were as follows:

	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
		Euro		
Gross value				
Opening balance	508,412,395	1,474,072	3,819,458	513,705,925
Acquisitions	3,310,016	19,750	474,133	3,803,899
Transfers and write-offs	2,939,151	90,000	(3,171,097)	(141,946)
Closing balance	**514,661,562**	**1,583,822**	**1,122,494**	**517,367,878**
Accumulated amortisation and impairment losses				
Opening balance	300,171,417	745,130	—	300,916,547
Amortisation	23,294,845	332,309	—	23,627,154
Closing balance	**323,466,262**	**1,077,439**	**—**	**324,543,701**
Intangible assets, net	**191,195,300**	**506,383**	**1,122,494**	**192,824,177**

Total capital expenditures for tangible fixed assets and intangible assets amounted to Euro 170.0 million in the nine months period ended 30 September 2014, reflecting investments in tangible fixed assets allocated essentially toward reinforcing the quality and expanding the coverage of the FTTH network. In the nine months period ended 30 September 2013, total capital expenditures for tangible fixed assets and intangible assets amounted to Euro 229.3 million.

(Amounts stated in Euros)

4. Tangible fixed assets and Intangible assets (Continued)

In the nine-month periods ended 30 September 2014 and 2013, the composition of depreciation and amortization expenses is as follows:

	9M14	9M13
	Euro	
Tangible fixed assets	305,832,622	335,563,636
Intangible assets	23,627,154	23,616,011
Investment properties	(2,500)	1,104,465
	329,457,276	**360,284,112**

During the nine months period ended 30 September 2014, the following expenses were included in the carrying value of tangible assets and intangible assets in progress:

	9M14	9M13
	Euro	
Materials consumed	787,412	2,953,030
Wages and salaries	29,095,686	28,066,523
Other expenses and losses	3,981,214	5,141,352
	33,864,312	**36,160,905**

5. Financial investments—Equity method of accounting

During the nine months period ended 30 September 2014, the movements occurred under this caption were as follows:

	Investments in subsidiary companies	Additional paid in capital contributions to subsidiary companies	Additional paid in capital contributions to associated companies	Investments in associated companies	Loans in associated companies	Total
			Euro			
Gross value						
Opening balance	6,916,578,976	150,000	—	3,824,742	3,117,210	6,923,670,928
Reductions	(173,756)	—	—	—	(62,520)	(236,276)
Equity method	112,822,222	—	—	(562,806)	—	112,259,416
Dividends	—	—	—	(235,706)	—	(235,706)
Non current assets held for sale	—	—	22,045,934	(19,987,693)	2,595,500	4,653,741
Closing balance	**7,029,227,442**	**150,000**	**22,045,934**	**(16,961,463)**	**5,650,190**	**7,040,112,103**
Impairment losses						
Opening balance	—	—	—	2,992,788	—	2,992,788
Closing balance	**—**	**—**	**—**	**2,992,788**	**—**	**2,992,788**
Financial investments, net	**7,029,227,442**	**150,000**	**22,045,934**	**(19,954,251)**	**5,650,190**	**7,037,119,315**

In the nine months period ended 30 September 2014, the movements occurred in investments in subsidiary and associated companies resulting from the application of the equity method of accounting were recorded as follows:

		31 Dec 2013
	Euro	Euro
Gains in affiliated companies net (Note 14)	(1,021,297,173)	201,666,539
Adjustments to financial assets	1,133,556,589	(541,439,013)
	112,259,416	**(339,772,474)**

5. Financial investments—Equity method of accounting (Continued)

In the nine months period ended 30 September 2014, Multicert paid dividends to the Company amounting to Euro 235.706 (Note 3.d).

The movements under the caption ''Non-current assets held for sale'' correspond to the carrying value of the investment in Sportinveste, which was classified as held for sale as at 31 December 2013 and is no longer classified as held for sale as at 30 September 2014 since the Portuguese Competition Authority rejected the business combination that supported the held for sale classification as at 31 December 2013.

6. Income tax

In 2013, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 25%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rate of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million and at the rate of 5.0% on taxable income in excess of Euro 7.5 million.

In 2014, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 23%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35.0 million and 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35.0 million.

As the Company reported tax losses for both nine-month periods ended 30 September 2014 and 2013, neither the 1.5% municipal tax nor the state taxes are applicable.

The Company's income taxes are computed based on the tax rate mentioned above and are determined on the basis of profit before-tax adjusted in accordance with tax legislation.

PT Portugal has adopted the tax consolidation regime in Portugal (currently known as the Special Regime for the Taxation of Groups of Companies), under which the provision for income taxes is determined on the basis of the estimated taxable income for all the companies in which PT Portugal holds at least 75% of the share capital and that are domiciled in Portugal and subject to Corporate Income Tax (IRC). PT Portugal is still waiting for the approval from the tax authorities in relation to the use of this tax consolidation regime in 2014, since PT Portugal only became the parent company of the group in Portugal as from 5 May 2014, following the contribution in kind made by Portugal Telecom to the Oi share capital increase consisting of its 100% interest in PT Portugal (Note 1). The Company is part of the Special Taxation Regime for Groups of Companies and, as a result, the income tax estimate and deductions made by third parties are recorded on the balance sheet as accounts payable and receivable of PT Portugal.

(Amounts stated in Euros)

6.1. Deferred taxes

Movements in deferred tax assets during the nine-month periods ended 30 September 2014 were as follows:

	Post retirement benefits	Impairment of accounts receivable	Depreciation and amortisation of tangible assets	Other provision and adjustments	Other temporary differences	Total
			Euro			
Opening balance	285,609,807	6,650,220	10,548,118	2,598,294	6,129,203	**311,535,642**
Increases (reductions)						
Net income	(55,737,853)	1,502,099	(698,685)	81,582	2,170,865	**(52,595,452)**
Shareholders' equity	57,161,161	—	—	—	—	**57,161,161**
Closing balance	**287,033,115**	**8,152,319**	**9,849,433**	**2,679,876**	**8,300,068**	**316,101,351**

Movements in deferred tax liabilities during the nine-month periods ended 30 September 2014 were as follows:

	30 Sep 2014		
	Assets revaluation	Capital gain with deferred taxation	Total
		Euro	
Opening balance	148,113,149	490,380	**148,603,529**
Increases (reductions)			
Net income	(7,076,078)	(37,422)	**(7,113,500)**
Closing balance	**141,037,071**	**452,958**	**141,490,029**

(Amounts stated in Euros)

6.2. Tax rate reconciliation

In the nine-month periods ended 30 September 2014 and 2013, the reconciliation between the expected tax computed by applying the nominal tax rate to income before taxes and the total income tax is as follows:

	9M14	9M13
	Euro	
Income before taxes	**(1,209,749,794)**	**(141,691,121)**
Nominal tax rate	23.00%	25.00%
Expected tax	**(278,242,453)**	**(35,422,780)**
Permanent differences[(a)]	231,867,383	(34,287,299)
Tax loss used in connection with RETGS[(b)]	95,695,016	65,085,279
Surplus of prior year accrued income tax	682,732	742,270
Reversal os deferred taxes from previous years	(3,837,994)	1,089,109
Other	575,301	244,732
	46,739,985	**(2,548,689)**
Income tax		
Income tax-current	1,258,033	1,938,105
Deferred tax	45,481,952	(4,486,794)
	46,739,985	**(2,548,689)**

(a) Permanent differences are as follows:

	9M14	9M13
	Euro	
Equity method of accounting (Note14)	1,021,321,598	(128,598,002)
Recognition of capital gains and losses	(11,553,401)	(5,993,283)
Tax benefits	(3,082,921)	(3,153,658)
Other	1,433,779	595,748
	1,008,119,055	**(137,149,195)**
Nominal tax rate	23.00%	25.00%
	231,867,383	**(34,287,299)**

(b) This caption corresponds to the taxable loss computed in both years by the Company in accordance with Income Tax legislation. In accordance with the fiscal policy set by the Group, the gain related to the use of these tax losses has been recorded at the group level by the dominant entity of the tax consolidation group.

(Amounts stated in Euros)

7. Accounts receivables and unbilled revenues

As at 30 September 2014 and 31 December 2013, these captions are made up as follows:

	30 Sep 2014			31 Dec 2013		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
			Euro			
Trade accounts receivable—current assets	575,671,437	(119,142,674)	456,528,763	589,980,787	(128,449,223)	461,531,564
Trade accounts receivable—non-current assets	366,358	—	366,358	76,189	—	76,189
Accounts receivable	**576,037,795**	**(119,142,674)**	**456,895,121**	**590,056,976**	**(128,449,223)**	**461,607,753**
Unbilled revenues	83,452,667	—	83,452,667	88,412,138	—	88,412,138
	659,490,462	**(119,142,674)**	**540,347,788**	**678,469,114**	**(128,449,223)**	**550,019,891**

In the nine months period ended 30 September 2014, changes in accumulated impairment losses related to accounts receivable were as follows:

	Euro
Opening balance	128,449,223
Increases (reversals)	12,184,504
Utilizations[(a)]	(21,491,053)
Closing balance	**119,142,674**

(a) This line item refers to the use of accrued impairment losses to face of credits of doubtful collection that were deemed uncollectible and that were fully adjusted.

8. Provisions and contingent liabilities

8.1. Movements occurred in provisions

The movements in provisions during the nine months period ended 30 September 2014 were as follows:

	Tax claims	Other litigation	Provision for negative financial investments	Other provisions	Total
			Euro		
Opening balance	**5,118,418**	**6,473,487**	**400,260**	**978,408**	**12,970,573**
Increases	666,162	244,302	24,425	—	**934,889**
Reductions	(232,205)	(98,227)	(12,294)	—	**(342,726)**
Utilizations	(383,100)	—	—	(545,296)	**(928,396)**
Others[(a)]	13,125,100	—	300	—	**13,125,400**
Closing balance	**18,294,375**	**6,619,562**	**412,691**	**433,112**	**25,759,740**
Current	18,294,375	6,619,562	—	433,112	**25,347,049**
Non-current	—	—	412,691	—	**412,691**

(a) Includes an amount of Euro 13,125,100 relating to provisions that were previously recorded at Portugal Telecom and were transferred to the Company in connection with an internal restructuring of the PT Group for purposes of the Oi share capital increase (Note 1).

(Amounts stated in Euros)

8. Provisions and contingent liabilities (Continued)

8.2. Tax contingencies and legal actions

a) Proceedings with probable losses

The provision for taxes is to cover several Corporate Income Tax and Social Security contingencies, as well as other taxes and fees.

The provision for legal processes in progress is to cover liabilities resulting from processes brought against the Company, estimated based on information from its lawyers.

As at 30 September 2014, the Company, based on the opinion of its internal and external lawyers, classified several legal and arbitration processes in progress and tax contingencies as of probable loss and so it recorded provisions in accordance with NCRF 21—Provisions, Contingent Liabilities and Contingent Assets to cover the probable outflow of resources. As at 30 September 2014 and 31 December 2013, the nature of these proceeding is as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Legal proceedings		
Civil contingencies	1,328,590	1,372,668
Labor contingencies	2,374,625	2,130,323
Other contingencies	2,916,347	2,970,496
	6,619,562	**6,473,487**
Tax contingencies	18,294,375	5,118,418
	24,913,937	**11,591,905**

b) Proceedings with possible losses

As at 30 September 2014, the Company, in accordance with NCRF 21 and based on the opinion of internal and external legal counsel, had classified a variety of ongoing judicial and arbitral actions and tax contingencies as proceedings with possible losses. The nature of these proceedings is as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Legal proceedings		
Civil contingencies	70,092,713	70,241,929
Labor contingencies	298,009	542,461
Other contingencies	11,797,934	13,682,689
	82,188,656	**84,467,079**
Tax contingencies	34,077,308	22,475,467
	116,265,964	**106,942,546**

8.3. Description of the main claims with regulatory entities and other legal proceedings

The following litigation processes relate to the main claims and legal proceedings filed by regulatory entities against PT Comunicações, some of which the Company considers, based on the advice of its internal and external legal counsels that related losses are remote, in accordance with the definitions of NCRF 21.

8. Provisions and contingent liabilities (Continued)

a) Claims for municipal taxes and fees

Pursuant to a statute enacted on 1 August 1997, as an operator of a basic telecommunications network, Portugal Telecom was exempt from municipal taxes and rights-of-way and other fees with respect to its network in connection with its obligations under the Concession. The Portuguese Government has advised Portugal Telecom in the past that this statute confirmed the tax exemption under our Concession. The Portuguese Government has informed Portugal Telecom it will continue to take the necessary actions in order for PT Comunicações to maintain the economic benefits contemplated by the Concession.

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. This regime was implemented in 2005 but does not affect the lawsuit described above based on the former statute. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in various legal actions.

Some municipalities however, continue to interpret that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain. Currently, there are legal proceedings filed by some municipalities regarding this matter.

b) Regulatory proceedings

Portugal Telecom's operations are regularly subject to regulatory inquiries and investigations involving their operations. In addition, ANACOM (the telecommunications regulator), the European Commission, and the Autoridade da Concorrência (the competition authority) regularly make inquiries and conduct investigations concerning compliance with applicable laws and regulations. Current inquires and investigations include several investigations by the (Autoridade da Concorrência) related to PT Comunicações for alleged anti-competitive practices in the Digital Terrestrial Television market. The Company believes that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses and the novelty of the relevant antitrust laws. However, if PT Comunicações is found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, it could become subject to penalties, fines, damages or other sanctions. It is however permitted under Portuguese law to appeal any adverse decision to the Courts.

c) Other legal proceedings

In March 2004, TV TEL Grande Porto—Comunicações, SA. (''TVTEL''), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL alleges that PT Comunicações intended to favor both itself and CATVP—TV Cabo Portugal, S.A, a PT Multimedia subsidiary and at the time a direct competitor of TV TEL. TV TEL is claiming an amount of approximately Euro 15 million from Portugal Telecom for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. In addition, TV TEL has demanded that PT Comunicações be required to give full access to its ducts in Oporto. PT Comunicações submitted its defence to these claims, stating that: (1) TV TEL did not have a general right to install its network in PT Comunicações' ducts; (2) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy; and (3) TV TEL's claims for damages and losses were not factually sustainable. On February 2013, the court decided a

(Amounts stated in Euros)

8. Provisions and contingent liabilities (Continued)

compensation related to increased costs of financing incurred and a value regarding loss of clients to be liquidated by TV TEL. Both parties have appealed and the Lisbon Judicial Court has ruled a decision in favour of PT Comunicações on 5 June 2014, decision that extended the scope of the trial, as a result of which a new trial date is expected.

In March 2011, Optimus—Comunicações S.A. (''Optimus'') filed a claim against Portugal Telecom in the Judicial Court of Lisbon for the payment of approximately Euro 11 million related to a proceeding of the Autoridade da Concorrência that terminated in 2011 for prescription reasons, in relation to which Autoridade da Concorrência had imposed a fine to Portugal Telecom of approximately Euro 45 million. Optimus sustained his position by arguing that suffered losses and damages as a result of the Company's conduct. Currently, a collegial expertise is underway.

8.4. Tax contingencies

In addition to the tax contingencies mentioned above, the risk of loss of which was deemed as either probable or possible (Note 8.2), there are other tax claims pending appeal or judicial decision, totalling Euro 22 million, which include primarily (1) tax assessments filed by the tax authorities with respect to the income tax from 1997 to 1998 of Portugal Telecom, SA and Marconi, and for 2002 and 2010 of PT Comunicações, and (2) additional payments of VAT from 2000 to 2004. The Company's opinion, based on the advice of its tax and legal counsel, is that the risk of loss associated with these claims is remote.

9. Loans obtained

Loans obtained as at 30 September 2014 and 31 December 2013 are as follows:

	30 Sep 2014		31 Dec 2013	
	Non-current	Current	Non-current	Current
	Euro			
Intragroup loans	6,337,350,000	—	3,779,000,000	—
Centralized cash management	—	—	—	342,322,714
Commercial programme	953,400,000	—	3,086,750,000	—
Leases	11,327,483	15,898,343	11,656,946	20,576,337
	7,302,077,483	**15,898,343**	**6,877,406,946**	**362,899,051**

9.1. Loans to Group companies

During the nine-month periods ended 30 September 2013 and 2014, the Company obtained additional loans from PT Portugal amounting to Euro 252,000,000 and Euro 2,558,350,000 (Note 3), respectively, as a result of which the outstanding amount was increased to Euro 3,779,000,000 and to Euro 6,337,350,000. These loans have no defined maturity, but shall be repaid, partially or entirely, in more than one year, subject to the cash needs of the Company. The interest on these loans is linked to market rates.

9.2. Centralized cash management

As from March 2006, Portugal Telecom centralized all cash receipts and payments from Group companies located in Portugal. In 2014, PT Portugal replaced Portugal Telecom as the parent company of the Group in Portugal and accordingly also replaced Portugal Telecom in its role under this centralized cash management system. The financings obtained by the Company under this system have short term maturities and bear interest at market rates.

(Amounts stated in Euros)

9. Loans obtained (Continued)

9.3. Commercial paper

During the nine months period ended 30 September 2014, the Company reduced the outstanding amounts due under commercial paper programmes by Euro 2,133,350,000, as a result of which the total amount outstanding as at 30 September 2014 was decreased to Euro 953,400,000. These commercial paper programmmes have basically the same features as described in the 2013 annual report.

10. Post-retirement benefits

As at 30 September 2014, the Company did not obtain an actuarial valuation to recognize post retirement benefits and, therefore, costs recorded during the nine months period ended 30 September 2014 are based on the 31 December 2013 actuarial valuation, adjusted by curtailment costs incurred during that period.

As at 30 September 2014, the projected post retirement benefits obligations, which relate to pension complements and healthcare benefits, totalled Euro 515 million and the fair value of plan assets amounted to Euro 253 million, as compared to Euro 492 million and Euro 386 million as at 31 December 2013, respectively. In addition, PT Comunicações had liabilities with salaries payable to suspended and pre-retired employees amounting to Euro 802 million as at 30 September 2014, as compared to Euro 836 million as at 31 December 2013, which are not subject to any legal funding requirement. These salaries are paid on a monthly basis directly by PT Comunicações to beneficiaries until retirement age. Consequently, as at 30 September 2014, net benefits obligations amounted to Euro 1,064 million, as compared to Euro 942 million as at 31 December 2013.

The fair value of plan assets as at 30 September 2014, amounting to Euro 253 million, include funds incorporated to cover pensions supplements and healthcare benefits obligations, amounting to Euro 94 million and Euro 158 million, respectively. The healthcare fund, which was incorporated in 2004, is managed independently by PT Prestações in accordance with an investment policy and includes shares, bonds and other investments. As at 30 September 2014, the total exposure of these investments to private equity funds managed by Global Investment Opportunities SICAV of Rocha dos Santos Holding amounted to Euro 80 million.

During the nine months period ended 30 September 2014, the changes in post retirement benefits obligations, net of the fair value of plan assets, were as follows:

	Pension complements benefits	Healthcare benefits	Salaries due to Pre-retired and suspended employees	Total
			Euro	
Balance as at 31 December 2013	**21,697,157**	**83,990,552**	**836,277,930**	**941,965,639**
Periodic post retirement benefits costs	705,750	4,494,750	11,288,250	**16,488,750**
Work force reduction costs	710,080	710,080	28,403,205	**29,823,365**
Curtailment gain due to change in benefits	—	(51,873,000)	—	**(51,873,000)**
Net actuarial losses (gains)	(2,580,963)	209,807,751	41,300,000	**248,526,788**
Payments, contributions and reimbursements	(2,022,807)	(3,635,558)	(115,528,598)	**(121,186,963)**
Balance as at 30 September 2014	**18,509,217**	**243,494,575**	**801,740,787**	**1,063,744,579**

Certain post retirement benefits plans for which the fair value of plan assets exceed the projected post-retirement benefit obligation, and an asset can be recorded as it is possible for the Company to use the surplus, are presented in the Balance Sheet separately from those plans with a projected post-retirement benefits obligations exceeding the fair value of their plan assets. As at 30 September

(Amounts stated in Euros)

10. Post-retirement benefits (Continued)

2014 and 31 December 2013, net post retirement obligations were recognized in the Balance Sheet as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Pension plans with a deficit position	20,444,269	23,531,157
Salaries to pre-retired and suspended employees	801,740,787	836,277,930
Healthcare plans with a deficit position	243,494,575	83,990,552
Plans with a deficit position	**1,065,679,631**	**943,799,639**
Pension plans with a surplus position	(1,935,052)	(1,834,000)
	1,063,744,579	**941,965,639**

The detail of post retirement benefits costs in the nine-month periods ended 30 September 2014 and 2013 is as follows:

	9M14	9M13
	Euro	
Post retirement benefits costs		
Periodic service cost	2,842,500	3,095,129
Net interest cost	13,646,250	12,383,791
	16,488,750	**15,478,920**
Service cost related to liabilities transferred to the Portuguese State(i)	14,720,805	16,184,481
Total post retirement benefits costs	**31,209,555**	**31,663,401**
Work force reduction costs		
Work force reduction costs	29,823,365	102,002,172
Curtailment gain due to change in benefits(ii)	(51,873,000)	—
Termination payments	172,133	287,919
Total work force reduction costs	**(21,877,502)**	**102,290,091**

(i) This caption relates to a contribution to the Portuguese Social Security System, regarding the annual service of active employees that were entitled to pension benefits under the Company's post retirement benefits plans transferred to the Portuguese State in December 2010.

(ii) This caption corresponds to the estimated net gain resulting from the reduction in benefits granted under the healthcare plan, as a result of which the related projected benefit obligations were decreased by this amount.

Net actuarial losses, which are recorded directly in shareholders' equity, have the following composition in the nine-month periods ended 30 September 2014 and 2013:

	9M14	9M13
	Euro	
Differences between actual data and actuarial assumptions(i)	128,126,788	13,539,460
Changes in actuarial assumptions(ii)	120,400,000	—
	248,526,788	**13,539,460**

(i) This caption corresponds to the net actuarial losses recorded in both periods reflecting the difference between actual return on plan assets and the expected return on plan assets computed based on the discount rates for the related obligations. Net actuarial losses recorded in the nine months period ended 30 September 2014 reflect basically the impairment of the investment in Banco Espírito Santo (''BES'') shares, as a result of the BES corporate reorganization announced on 3 August 2014, under which the former shareholders of BES became holders of an entity with assets not related to the banking business and not listed in the stock market.

(Amounts stated in Euros)

10. Post-retirement benefits (Continued)

(ii) This caption corresponds to the estimated impact resulting from the decrease in discount rates use to compute the presented value of projected benefit obligations. Given the evolution of long-term yield rates of Euro Zone high-rating corporate bonds, the Company decided to reduce the discount rates for all responsibilities, namely (1) from 3.00% to 2.00% for pension supplements, (2) from 4.00% to 2.50% for healthcare benefits, and (3) from 2.00% to 0.75% for salaries payable to pre-retired and suspended employees.

Net cash out flows relating to post retirement benefits in the nine-month periods ended 30 September 2014 and 2013 are as follows:

	9M14	9M13
	Euro	
Payments of salaries to pre-retired and suspended employees	115,528,598	114,939,611
Contributions to the pension funds	1,120,000	478,805
Reimbursements related to healthcare expenses	3,635,558	1,801,360
Payments of pension complements benefits	902,807	621,239
	121,186,963	**117,841,015**
Service cost related to liabilities transferred to the Portuguese State[(i)]	14,806,631	16,048,946
Termination payments	172,133	287,919
	136,165,727	**134,177,880**

(i) This caption corresponds to the contribution paid by Portugal Telecom to the Portuguese Social Security System, relating to the annual service of active employees that were entitled to pension benefits under the Company's post retirement benefits plans transferred to the Portuguese State in December 2010.

11. Suppliers and Investment suppliers

As at 30 September 2014 and 31 December 2013, the captions ''Suppliers'' and ''Investment suppliers'' have the following composition:

	30 Sep 2014	31 Dec 2013
	Euro	
Trade suppliers		
Current	434,917,433	319,470,088
Invoices to be received	20,926,614	25,651,226
	455,844,047	**345,121,314**
Investment suppliers		
Current	24,278,354	74,443,261
Invoices to be received	8,808,876	25,684,107
	33,087,230	**100,127,368**

(Amounts stated in Euros)

12. Accrued expenses

As at 30 September 2014 and 31 December 2013, this caption is made up as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Direct costs of services rendered	89,598,983	84,806,581
Interest and other financial expenses payable	86,848,626	107,973,460
Charges for vacations, vacation subsidies and other payroll costs	51,729,701	42,964,245
Other supplies and external services	17,504,882	16,132,996
Support services	8,502,920	8,186,121
Credits related to invoices issued	8,291,931	10,153,020
Rentals	5,024,670	4,495,887
Maintenance and repairs	4,449,050	3,957,839
Specialized work	2,268,143	3,176,246
Marketing and publicity	1,808,872	2,192,106
Other	7,361,209	9,266,319
	283,388,987	**293,304,820**

13. Services rendered and sales

In the nine-month periods ended 30 September 2014 and 2013, these captions are made up as follows:

	9M14	9M13
	Euro	
Services rendered		
Television services	445,671,040	419,319,848
Fixed telephone services	386,707,289	409,009,559
Leased lines and capacity	113,442,058	125,271,558
Internet	111,354,021	117,269,762
System solutions and information technology and outsourcing	69,878,540	69,143,422
Data communications (services)	54,030,683	58,760,738
Directories	15,195,098	19,401,588
Publicity	9,598,110	8,427,056
Other	45,740,236	39,048,596
Sales	17,977,131	13,283,358

14. Equity in earnings (losses) of affiliated companies

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of the following:

	9M14	9M13
	Euro	
Gains and losses in affiliated companies		
Gains	1,179,331	230,603,403
Losses	(1,022,500,929)	(102,005,401)
Gains and losses on the disposal of affiliated companies		
Gains[(a)]	—	32,729,942
Losses	—	(521)
	(1,021,321,598)	**161,327,423**

(a) In 2013, this caption corresponds to the gain recorded with the disposal of the investment in CTM.

(Amounts stated in Euros)

14. Equity in earnings (losses) of affiliated companies (Continued)

In the nine-month periods ended 30 September 2014 and 2013, gains and losses in affiliated companies, resulting from the application of the equity method of accounting (Note 5), were recognized in the following captions:

	9M14	9M13
	Euro	
Financial investments (Note 5)		
Meo, SA	(1,021,658,153)	128,702,013
Sportinveste Multimédia	(353,060)	—
Infonet	(237,774)	(147,622)
Multicert	(223,178)	24,664
PT Brasil	—	100
Janela Digital	1,137,341	—
PT Blue Clip	19,435	10,339
Capital Criativo	13,459	18,096
Auto Sapo	4,679	(3,526)
PT Cloud e Data Centers, S.A.	78	—
	(1,021,297,173)	**128,604,064**
Provision for negative financial investments (Note 8)		
Yunit Serviços	(28,764)	—
PT Cloud e Data Centers, S.A.	3,079	(6,294)
PT Prestações	1,260	232
	(24,425)	**(6,062)**
	(1,021,321,598)	**128,598,002**

The Company's share in net losses of MEO, SA, amounting to Euro 1,021,658,153, reflects primarily MEO, S.A.'s share in net losses of its subsidiary PT Móveis, amounting to Euro 1,034,664,295, which in turn reflects mainly a net loss of Euro 950 million recorded by PT Móveis in connection with the disposal of its 100% interest in Bratel BV to Portugal Telecom, which includes (1) a capital gain of Euro 50 million reflecting the difference between the sale price (Euro 4,195 million) and the carrying value of the total investment in Bratel BV (Euro 4,145 million, already reflecting the share capital increase realized by PT Móveis in Bratel BV prior to the sale, amounting to Euro 1,303 million), and (2) the cumulative amount of negative currency translation adjustments, amounting to Euro 1,000 million, which were generated since the acquisition of the investment in Oi in March 2011 and transferred to net income upon the sale of this investment through Bratel BV on 2 May 2014.

15. Direct costs

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of the following:

	9M14	9M13
	Euro	
Telecommunications costs	245,094,911	237,894,739
Programming costs	94,420,974	94,810,563
Directories	13,280,192	15,956,472
Contents of internet and mobile service	6,958,639	6,868,513
Other	12,431,545	12,584,342
	372,186,261	**368,114,629**

(Amounts stated in Euros)

16. Supplies and external services

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of the following:

	9M14	9M13
	Euro	
Support services	146,271,549	127,110,742
Maintenance and repairs	46,468,984	53,796,724
Commissions	44,527,874	44,523,927
Electricity	22,270,644	24,692,436
Rentals	16,445,224	15,811,325
Communications	10,251,244	10,574,846
Specialized work	10,058,911	12,589,487
Fuel, water and other fluids	4,434,407	5,283,040
Other	18,123,413	19,787,283
	318,852,250	**314,169,810**

17. Wages and salaries

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of the following:

	9M14	9M13
	Euro	
Salaries	151,643,687	150,368,659
Social Security charges	18,546,694	17,618,394
Social events	2,120,828	2,584,430
Training	1,485,682	752,579
Healthcare	1,460,225	1,624,486
Other	895,179	1,337,400
	176,152,295	**174,285,948**

18. Interest and related income/expense

In the nine-month periods ended 30 September 2014 and 2013, this caption consists of the following:

	9M14	9M13
	Euro	
Interest and related income		
Interest income	768,180	3,063,174
Gains on exchange rate differences	1,892,399	1,552,170
Other	8,148	119,931
	2,668,727	**4,735,275**
Interest and related expenses		
Interest expense	276,094,431	267,589,385
Bank commissions and expenses	7,202,913	4,170,487
Losses on exchange rate differences	1,181,369	2,539,385
Finance leases	663,961	973,042
Other	197,910	370,700
	285,340,584	**275,642,999**

(Amounts stated in Euros)

18. Interest and related income/expense (Continued)

The breakdown of interest income and interest expense in the nine-month periods ended 30 September 2014 and 2013 is as follows:

	9M14	9M13
	Euro	
Interest income		
Intragroup loans[(a)]	637,669	2,890,693
Other	130,511	172,481
	768,180	**3,063,174**
Interest expense		
Intragroup loans[(b)]	214,242,817	145,983,523
Bank loans[(b)]	61,269,445	121,454,383
Other	582,169	151,479
	276,094,431	**267,589,385**

(a) The decrease in interest income reflects primarily the repayment of the intercompany loans granted to Meo, S.A..

(b) The increase in interest expenses from intragroup loans reflects an increase in intercompany loans due to PT Portugal and the reduction in interest expense from bank loans reflects the decrease in outstanding amounts regarding commercial paper issued by the Company.

19. Earnings per share

Earnings per share for the nine-month periods ended 30 September 2014 and 2013 were computed as follows:

	9M14	9M13
Net income	(1,256,489,779)	(139,142,432)
Number of shares	1,150,000,000	1,150,000,000
Basic earnings per share	**(1.09)**	**(0.12)**

There are no situations that create a dilutive effect, so the diluted earnings per share are the same as basic earnings per share.

(Amounts stated in Euros)

20. Guarantees

As at 30 September 2014 and 31 December 2013, the Company had presented the following guarantees in favour of third parties:

	30 Sep 2014	31 Dec 2013
	Euro	
Guarantees in favour of courts	**1,519,886**	**1,608,722**
Bank guarantees in favor of other entities:		
Highway construction entities	5,030,089	5,734,356
Ministry of Education	3,795,748	3,161,016
Ministry of Justice	3,550,393	7,789,951
Municipalities	2,185,842	2,496,807
CTT	3,009,150	2,007,831
Ministry of Health	1,155,000	1,038,512
Other	5,876,440	6,714,826
	24,602,662	**28,943,299**
Total guarantees	**26,122,548**	**30,552,021**
Commitments of purchase before:		
Fixed asset and content suppliers	20,001,786	19,956,279
Suppliers of inventories	18,417,258	20,398,178
Other services	41,936,315	46,780,174
	80,355,359	**87,134,631**

Bank guarantees presented to the tax authorities relate primarily to additional income tax assessments for which the Company submitted a claim or an appeal.

As of 30 September 2014, Portugal Telecom, SGPS, S.A. had presented bank guarantees in favor of the tax authorities in relation to additional tax assessments received by Portugal Telecom regarding the tax consolidation of the years 2005 to 2010, thus including the tax contingencies of PT Comunicações, S.A. as well as tax contingencies of other entities included in the tax consolidation group, namely Meo, S.A. and Portugal Telecom. These bank guarantees totaled Euro 353 million as of 30 September 2014. In accordance with Portuguese tax legislation, Portugal Telecom has presented these guarantees and submitted a claim or an appeal to the tax authorities in order to be able to hold open discussions with the tax authorities and avoid the payment of a given tax assessment. In Portugal, these two conditions are required and must be complied with before the process can continue, regardless of the amount of the tax assessment or the likelihood of success of the appeal or the claim.

21. Events occurred after the balance sheet date

The financial statements as of and for the nine months period ended 30 September 2014 were approved by the Board of Directors and authorised for issuance on 13 January 2015.

On 1 December 2014, Oi entered into an exclusivity agreement with Altice, S.A. to allow both entities to negotiated and agree on the final terms of the sale of PT Portugal. On 8 December 2014, the Board of Directors of Oi finalized the formalities to approve the general terms and conditions for the sale of all shares of PT Portugal to Altice Portugal, S.A., a wholly-owned subsidiary of Altice, S.A.. The sale substantially involves PT Portugal's operations in Portugal and Hungary. The effectiveness of the purchase and sale contract will depend on the approvals by the shareholders of Portugal Telecom SGPS, S.A., scheduled for 12 January 2015, and by the proper regulatory entities. With this approval, Oi will transfer to Altice all of the shares issued by PT Portugal for an enterprise value of Euro 7.4 billion, adjusting for cash and debt and including an earn-out of Euro 500 million related to PT Portugal's

21. Events occurred after the balance sheet date (Continued)

generation of future revenue. The price to be paid by Altice will suffer adjustments usually adopted in similar transactions, in accordance with PT Portugal's cash holdings on the closing of this transaction.

On 29 December 2014, Meo, S.A. was merged into PT Comunicações and accordingly ceased to exist, but its assets and liabilities were entirely transferred to the Company and thus Meo, S.A.'s activity will continue in the future. This merger produced effects as from 1 January 2014. Following this merger, PT Comunicações was renamed *MEO—Serviços de Comunicações e Multimédia, S.A.*.

STATUTORY AUDITORS' REPORT

(Translation of a report originally issued in Portuguese—Note 39)

Introduction

1. We have audited the accompanying financial statements of PT Comunicações, S.A. (''the Company''), which comprise the balance sheet as of 31 December 2013 that presents a total of 13,888,129,071 Euros and shareholders' equity of 4,653,549,363 Euros, including a net loss of 210,225,304 Euros, the statements of income by nature, of changes in shareholders' equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of financial statements that present a true and fair view of the financial position of the Company, the results of its operations, the changes in its shareholders' equity and its cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of an appropriate system of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our audit.

Scope

3. Our audit was performed in accordance with the auditing standards *(''Normas Técnicas e as Directrizes de Revisão/Auditoria'')* issued by the Portuguese Institute of Statutory Auditors *(''Ordem dos Revisores Oficiais de Contas'')*, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An audit also includes assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements. Our audit also included verifying that the financial information contained in the Managements' Report is in accordance with the financial statements. We believe that our audit provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, for the purpose explained in paragraph 5 below, in all material respects, the financial position of PT Comunicações, S.A. as of 31 December 2013 and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Emphasis

5. The financial statements mentioned in paragraph 1 above refer to the Company on a standalone basis and were prepared in accordance with current legislation for approval and publication. The Company will not prepare consolidated financial statements as, in accordance with number 3 of article 7 of Decree-Law 158/2009, of 13 July 2009 is not required to do so, as its financial statements will be included in the consolidated financial statements of Portugal Telecom, SGPS, S.A.. As described in Note 3.7, although the financial investments have been accounted for by the equity method, under which the Company´s net profit for the year and shareholders' equity include the effect of consolidating the subsidiary and associated companies, the accompanying financial statements do not include the effects of a full consolidation of their assets, liabilities, revenues and costs.

Report on other legal requirements

6. It is also our opinion that the financial information contained in the Managements' Report is consistent with the financial statements for the year.

Lisbon, 11 February 2014

Deloitte & Associados, SROC S.A.
Represented by João Luís Falua Costa da Silva

PT COMUNICAÇÕES, S.A.

BALANCE SHEETS

31 DECEMBER 2013 AND 2012

	Notes	2013	2012 restated
			Euro
ASSETS			
Non-current assets			
Tangible fixed assets	6	2,687,744,235	2,813,701,186
Investment properties	7	12,987,051	8,863,837
Goodwill	8	2,982,442,403	2,982,442,403
Intangible assets	9	212,789,378	235,272,678
Financial investments—equity method of accounting	10	6,920,678,140	7,257,167,784
Financial investments—other methods		1,224,907	1,125,252
Post retirement benefits	11	1,834,000	1,632,840
Shareholders and group companies	12	—	340,000,000
Other financial assets	14	4,077,850	373,631
Deferred tax assets	15	311,535,642	310,743,798
Total non-current assets		**13,135,313,606**	**13,951,323,409**
Current assets			
Inventories	16	30,711,476	48,909,973
Accounts receivable—trade	17	461,531,564	470,155,099
Unbilled revenues	17	88,412,138	64,005,319
Advances to suppliers		6,292,151	8,093,866
State and other public entities	18	—	193,752
Other accounts receivable	19	123,456,398	117,888,755
Deferrals	13	16,020,983	17,991,662
Non-current assets held for sale	20	4,653,742	5,069,882
Cash and bank deposits	4	21,737,013	21,165,981
Total current assets		**752,815,465**	**753,474,289**
Total assets		**13,888,129,071**	**14,704,797,698**
SHAREHOLDERS' EQUITY			
Share capital	21	1,150,000,000	1,150,000,000
Other shareholders' equity instruments	21	4,350,466,191	4,350,466,191
Legal reserve	21	30,000,000	30,000,000
Other reserves	21	178,133,162	295,771,223
Adjustments to financial assets	21	(745,613,034)	(456,822,242)
Revaluation surplus	21	567,494,032	589,044,034
Other shareholders' equity variations	21	3,373,856	5,524,632
Retained earnings		(670,079,540)	(361,640,978)
Net (loss) / income		(210,225,304)	(91,330,314)
Total shareholders' equity		**4,653,549,363**	**5,511,012,546**
LIABILITIES			
Non-current liabilities			
Provisions	22	400,260	297,348
Loans obtained	23	6,877,406,946	6,178,861,415
Deferrals	13	—	665,145
Post retirement benefits	11	943,799,639	830,722,899
Deferred tax liabilities	15	148,603,529	173,706,683
Other financial liabilities		143,238	135,417
Total non-current liabilities		**7,970,353,612**	**7,184,388,907**
Current liabilities			
Provisions	22	12,570,313	24,644,235
Loans obtained	23	362,899,051	1,184,254,516
Deferrals	13	92,590,506	74,318,913
Accounts payable to group companies	12	3,202,808	1,657,243
Suppliers	24	345,121,314	287,941,611
Investment suppliers	24	100,127,368	108,132,521
Accrued expenses	25	293,304,820	268,018,929
Advances from accounts receivable		6,645,294	6,627,708
State and other public entities	18	18,982,227	38,844,553
Other accounts payable	19	28,782,395	14,956,016
Total current liabilities		**1,264,226,096**	**2,009,396,245**
Total liabilities		**9,234,579,708**	**9,193,785,152**
Total liabilities and shareholders' equity		**13,888,129,071**	**14,704,797,698**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

PT COMUNICAÇÕES, S.A.

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	2013	2012 restated
			Euro
Services rendered	26	1,686,252,480	1,749,171,088
Sales	26	21,975,806	25,146,653
Subsidies to operation		118,618	104,184
Production variation	16	1,063,095	(1,512,527)
Equity in earnings of affiliated companies, net	27	234,395,437	120,530,483
Own work capitalized	6	49,637,291	42,064,039
Costs of products sold	16	(24,946,315)	(31,638,682)
Direct costs	28	(492,172,901)	(484,044,683)
Marketing and publicity		(26,221,698)	(20,749,856)
Supplies and external services	29	(431,047,234)	(445,404,596)
Wages and salaries	30	(231,889,909)	(235,490,588)
Post retirement benefit costs	11	(40,254,067)	(57,329,020)
Curtailment and settlement costs	11	(112,800,916)	(1,160,449)
Indirect taxes	31	(14,185,584)	(15,398,573)
Impairment of inventories ((losses)/reversals)	16	752,821	3,566,877
Impairment of accounts receivable ((losses)/reversals)	17,19	(22,977,273)	(25,274,422)
Provisions (increases/reductions)	22	6,129,210	(8,181,810)
Other income and gains	32	99,401,707	123,837,854
Other expenses and losses	33	(56,522,263)	(28,516,504)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**646,708,305**	**709,719,468**
Depreciation and amortisation ((losses)/reversals)	34	(480,928,166)	(497,654,649)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**165,780,139**	**212,064,819**
Interest and related income	35	6,917,719	15,267,912
Interest and related expenses	35	(373,045,707)	(321,007,507)
INCOME BEFORE TAXES		**(200,347,849)**	**(93,674,776)**
Income taxes	15	(9,877,455)	2,344,462
NET (LOSS) / INCOME		**(210,225,304)**	**(91,330,314)**
Basic earnings per share	36	(0.18)	(0.08)

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2013

		Share capital (Note 21.1)	Other shareholders' equity instruments (Note 21.2)	Legal reserve (Note 21.3)	Other reserves (Note 21.4)	Adjustments to financial assets (Note 21.5)	Revalua surpl (Note 2
						Euro	
Balance as at 1 January 2012 (restated)	A	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**329,974,035**	**(206,382,607)**	**623,874**
Changes:							
Foreign currency translation adjustments		—	—	—	—	(350,270,498)	
Acturial losses recognised in the year (Note 11.7)		—	—	—	(45,603,748)	—	
Unpaid dividends		—	—	—	—	50,868,659	
Deferred taxes adjustments (Nota 15.2)		—	—	—	11,400,936	30,434	
Realization of revaluation surplus		—	—	—	—	—	(34,830
Recognition of investments subsidies		—	—	—	—	—	
Other changes in shareholders' equity		—	—	—	—	48,931,770	
	B	**—**	**—**	**—**	**(34,202,812)**	**(250,439,635)**	**(34,830**
Net loss	C						
Comprehensive income	B+C						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	
	D	**—**	**—**	**—**	**—**	**—**	
Balance as at 31 December 2012 (restated)	E=A+B+C+D	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**295,771,223**	**(456,822,242)**	**589,044**
Changes:							
Foreign currency translation adjustments		—	—	—	—	(533,678,908)	
Acturial losses recognised in the year (Note 11.7)		—	—	—	(138,786,000)	—	
Unpaid dividends		—	—	—	—	250,643,469	
Deferred taxes adjustments (Nota 15.2)		—	—	—	21,147,939	182,856	12,879
Realization of revaluation surplus		—	—	—	—	—	(34,429
Effect of disposals of subsidiares		—	—	—	—	—	
Recognition of investments subsidies		—	—	—	—	—	
Other changes in shareholders' equity		—	—	—	—	(5,938,209)	
	F	**—**	**—**	**—**	**(117,638,061)**	**(288,790,792)**	**(21,550**
Net loss	G						
Comprehensive income	F+G						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	
	H	**—**	**—**	**—**	**—**	**—**	
Balance as at 31 December 2013	I = E+F+G+H	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**178,133,162**	**(745,613,034)**	**567,494**

The accompanying notes form an integral part of these financial statements.

Accountant

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	2013	2012
		Euro	
OPERATING ACTIVITIES			
Collections from clients		2,234,164,263	2,404,763,511
Payments to suppliers		(1,265,720,471)	(1,409,895,617)
Payments to employees		(193,067,691)	(206,406,932)
Cash flows from operations		**775,376,101**	**788,460,962**
Cash receipts (payments) relating to income taxes	4.(a)	(6,289,893)	35,940,339
Payments relating to post retirement benefits	11.5	(178,934,112)	(186,386,464)
Other cash payments, net		(101,352,190)	(94,253,860)
Cash flows from operating activities (1)		**488,799,906**	**543,760,977**
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible fixed assets		6,075,430	3,658,939
Intangible assets		9,379	—
Financial investments	4.(b)	36,475,260	—
Loans granted	4.(c)	340,000,000	—
Interest and related income		33,258,253	2,897,304
Dividends	4.(d)	2,703,029	238,273,153
		418,521,351	**244,829,396**
Payments resulting from:			
Tangible fixed assets		(399,094,673)	(531,243,187)
Intangible assets		(8,766,661)	(7,758,325)
Financial investments	4.(e)	(35,022,008)	(2,160,372)
Loans granted		(9,015,000)	(600,000)
		(451,898,342)	**(541,761,884)**
Cash flows from investing activities (2)		**(33,376,991)**	**(296,932,488)**
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Loans obtained	4.(f)	476,357,190	1,092,000,000
Subsidies		339,730	1,251,413
		476,696,920	**1,093,251,413**
Payments resulting from:			
Loans repaid	4.(f)	(608,647,727)	(947,867,596)
Interest and related expenses		(321,044,395)	(426,211,970)
		(929,692,122)	**(1,374,079,566)**
Cash flows from financing activities (3)		**(452,995,202)**	**(280,828,153)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**2,427,713**	**(33,999,664)**
Effect of exchange differences		(1,856,681)	(25,742)
Cash and cash equivalents at the beginning of the period		21,165,981	55,191,387
Cash and cash equivalents at the end of the period	4.(g)	**21,737,013**	**21,165,981**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

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PT Comunicações
Notes to Financial Statements
As at 31 December 2013
(Amounts in Euro)

1. Introduction

(a) Development of the company

PT Comunicações, S.A. (''PT Comunicações'' or the ''Company'') was incorporated in 2000, in accordance with a resolution from the General Meeting of Portugal Telecom, S.A. on April 27, 2000 within the business restructuring process in Portugal Telecom Group and by spin-off from Portugal Telecom, S.A. The conditions for this spin-off were defined under Decree-Law no. 219/00, of September 9, and Joint Order no. 936-A/2000 issued by the Ministers for Social Provision and for Finance on September 14.

On 30 September 2006, under the restructuring process of the Group Portugal Telecom, Portugal Telecom, SGPS, S.A. (''PT SGPS''—Holding company of the Group) sold to PT Portugal, SGPS, S.A. (''PT Portugal''—a sub-Holding company of the Group) all of the shares of PT Comunicações.

On 27 December 2002, PT Comunicações and the Portuguese Government signed the Contract of Purchase and Sale of the Basic Telecommunications Network (''Basic Network'') and the Telex Network, under which the State transferred the full property of the Basic Network and the Telex Network to PT Comunicações, free of any lien or encumbrance. Under the terms of this contract, PT Comunicações is obliged to: i) guarantee the functioning of the Basic Network as an open network, serving as support for the transmission of a general range of services and available to all telecommunications operators and service providers under equal conditions; and ii) provide the acquired network, during the concession period, with the necessary infrastructure for the provision of the concession services and without prejudice to the possibility of its transfer, replacement and/or encumbrance, provided that this does not affect those services.

On 17 February 2003 Decree-Law no. 31/2003 was published, approving the Amendment Agreement to the Concession Contract, which changed the conditions for the concession of public telecommunications services approved by Decree-Law no. 40/95 of February 15. This decree introduced the following fundamental changes to the previous Concession Contract: i) rent payment will no longer be made to the Portuguese State; ii) rights and assets subject to the concession will not revert to the State upon termination; and iii) the State will compensate the Company, under certain compensation mechanisms, for possible negative margins incurred by the Company arising from compliance with the obligations inherent to the provision of the fixed telex, telegraphic and broadcasting services and the mobile marine service.

Under the terms of the above-mentioned Amendment Agreement, the objectives of the concession are: the development and operation of the infrastructure that make up the basic network for telecommunications and signal transmission and emission; the provision of a universal telecommunications service, as defined under Decree-Law no. 458/99, of 5 November; the provision of a telex service; the provision of a data transmission service; the provision of a service for the emission and distribution of telecommunications broadcasts; and the provision of a telegraphic service.

The provision of the universal telecommunications service includes the following: i) connection to the fixed telephone network and access to fixed telephone services; ii) availability of public telephones in public places; and iii) availability of telephone directories and an information service.

The concession period expires in March 2025. As mentioned above, both the Amendment Agreement to the Concession Contract and the Portuguese Law impose certain obligations to PT Comunicações as a universal service provider. On February 2012, following a public hearing about the selection of the universal service provider, Anacom issued a final decision splitting the universal service into three functions: (1) connection to a public communications network in a fixed location and rendering of a telephone service through this network (Tender 1); (2) public phones offer (Tender 2); and (3) make available a complete telephone list and a related service (Tender 3). In 2012, the Portuguese State launched a public tender to select the universal service providers, approved the definition of the universal service cost and established a compensation fund for the universal service providers.

1. Introduction (Continued)

PT Comunicações is qualified to receive compensation from that fund to cover the costs incurred up to date with the universal service. In 2013, the outcome of the tender offer became public, with the universal service related to the fixed line service (tender 1) being attributed to Zon and Optimus. This service is the main purpose of the Concession Agreement, and as such PT Comunicações and the Portuguese State agreed that the Concession Agreement should be terminated, as a result of which PT Comunicações would be entitled to a compensation corresponding to the investments realized in the universal service and not yet amortized as at the termination date.

On 11 February 2004, Law 5/2004 or the ''Electronic Communications Act'' was published, which establishes the legal regime applicable to electronic communications networks and services, and to the associated resources and services, and defines the authority of the national regulatory agency in this area.

On 9 December 2008, ANACOM attributed to PT Comunicações the rights to the use frequencies, on a national basis, to provide digital television services (TDT) for the broadcasting television programs with unconditional access (also known as public access channels) which is associated with Multiplexer A (Mux A). During the year 2011, ANACOM defined the obligations associated with such rights, and as a result PT Comunicações recognized an intangible asset corresponding to the present value of the commitments under such rights (Note 9).

(b) Corporate transactions

During 2007, PT Comunicações acquired the shares of PT Prime—Enterprise Solutions and Telecommunication Systems, SA (''PT Prime''), PT Corporate—Enterprise Solutions for Telecommunications and Information Systems, SA (''PT Corporate'') and PT.Com—Interactive Communications, SA (''PT.COM''), previously held by PT SGPS, seeking to consolidate all fixed line services into PT Comunicações.

In March 2008, PT.Com and PT Corporate were merged through their incorporation into PT Comunicações and, consequently, the equity, rights and obligations of those companies were transferred to PT Comunicações, and PT.Com and PT Corporate ceased to exist as separate entities.

In July 2009, PT Comunicações acquired from Novabase—Sociedade Gestora de Participações Sociais, SGPS, S.A. (''Novabase'') a 36.25% stake in Superemprego—Sistemas de Informação para a Gestão de Recursos Humanos, S.A. (''Superemprego''), and therefore Superemprego became fully owned by Portugal Telecom Group. In November 2009, Superemprego was merged through its incorporation into PT Comunicações and, consequently, its equity, rights and obligations were transferred to PT Comunicações and Superemprego was ceased to exist as a separate entity.

On 30 November 2010, and considering the need to adjust the corporate structure to reflect the consolidation of its fixed-line and mobile business, PT Comunicações acquired from PT Portugal the full stake in TMN—Telecomunicações Móveis Nacionais, S.A. (''TMN''), company whose name was changed to Meo-. Multimedia Communications and Services, SA (''Meo, SA'') on 27 January 2014. This change aimed to fixed-mobile convergence, so the services of residential and personal segments started to be provided by the same brand.

On 29 December 2011, PT Prime was merged into PT Comunicações through the incorporation of its shareholders' equity and rights and obligations. For accounting purposes, this merger was reported as of 1 January 2011 and, accordingly, all transactions made by PT Prime as from that date were made on behalf of PT Comunicações.

On 3 May 2012, PT Comunicações concluded the acquisition from TVI—Televisão Independente, S.A. (''TVI'') of its former wholly-owned subsidiary RETI—Rede Teledifusora Independente, S.A. (''RETI''), which therefore became a wholly-owned subsidiary of PT Comunicações (Note 10). On 12 December

1. Introduction (Continued)

2012, RETI was merged into PT Comunicações through the incorporation of its shareholders' equity and rights and obligations. For accounting purposes, this merger was reported as of 3 May 2012 and, accordingly, all transactions made by RETI as from that date were made on behalf of PT Comunicações.

On June 2013, Portugal Telecom concluded the sale of its 28% stake in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM), to CITIC Telecom International Holdings Limited (CITIC Telecom), that included stakes of 25% and 3% owned by PT Participações and PT Comunicações, respectively, for a total amount of USD 443.0 million, equivalent to approximately Euro 335.7 million, having PT Comunicações received the amount of Euro 35,966,391 (Note 4 b) and 20 a)), corresponding to their share capital held in the CTM.

On 17 July 2013, Auto Venda Já, S.A. (''Auto Sapo'') was incorporated with a share capital of Euro 50,000. PT Comunicações subscribed and realized an amount of Euro 25,000, corresponding to 50% in the share capital of that entity, and in addition granted paid-in capital in the amount of Euro 150,000 (Note 10). The activity of this entity consists of the acquisition and resale of cars through sales channels that are made available to the owners of those cars, including a sales electronic platform, and all related or complementary services.

On 1 December 2013, PT Comunicações sale 0,005% stake in Portugal Telecom Brasil, S.A. (''PT Brasil'') to PT SGPS, and therefore PT Brasil became fully owned by PT SGPS (Note 10).

On 30 December 2013, as part of an internal reorganization of the PT Group, PT Comunicações acquired all the shares that PT SGPS held in a number of companies, including:

- the 50% interest in Sportinveste Multimédia, SGPS, S.A. (''Sportinveste Multimédia''), corresponding to 2,500,000 shares of its share capital, and paid-in capital and loans granted to this entity; the investment in Sportinveste Multimédia was recorded as a non-current asset held for sale, as a result of the ongoing restructuring process of this company (Note 20.b);
- the 33.33% interest in Yunit Services, S.A. (''Yunit''), corresponding to 33,334 shares of its share capital, and the related loans granted to this entity (Notes 10 and 22);
- the 26.36% interest in INESC—Instituto de Engenharia de Sistemas e Computadores, S.A. (''INESC'') and the related loans granted to this entity; this interest plus the 9.53% interest that was previously owned by PT Comunicações results in a 35.89% total interest in the share capital of INESC (Note 10);
- the 8.54% interest in Vortal S.G.P.S., S.A. (''Vortal''), corresponding to 474,254 shares of its share capital;
- the 0.0004% interest in Multicert—Serviços de Certificação Electrónica, S.A. (''Multicert''), corresponding to 10 shares of its share capital; this interest plus the 19.9996% interest that was previously owned by PT Comunicações results in a total 20% interest in the share capital of Multicert (Note 10).

(c) Other information

Under the terms of article 7 of Decree-Law no. 158/2009, despite holding financial stakes in group companies and associates, the Company is not required to prepare consolidated financial statements, given that it is indirectly fully held by PT SGPS, which already presents consolidated financial statements which include the financial statements of the Company and its affiliated companies.

2. Basis of presentation

These financial statements were prepared in accordance with Portuguese legislation, based on Decree-law nº. 158/2009, which approved the new Portuguese accounting system, named Sistema de

2. Basis of presentation (Continued)

Normalização Contabilística (''SNC''), including the conceptual structure, Normas Contabilísticas e de Relato Financeiro (''NCRF'') and Interpretative Standards, as approved by Notices nº 15652/2009, 15655/2009 and 15653/2009, respectively.

The Company adopted NCRF for the first time in 2010 and applied for this purpose the *''NCRF 3 First Time Adoption Of NCRF''* (''NCRF 3''), with the transition date being 1 January 2009 for the purposes of the presentation of these financial statements. Previously, the Company's financial statements were prepared in accordance with accounting standards as previously in effect in Portugal (Plano Oficial de Contabilidade—''POC'') and other complementary legislation, which were modified by SNC. The conversion adjustments made to the financial statements as at 1 January 2009 were computed retrospectively, as determined by NCRF 3.

As permitted by Decree-Law nº. 158/2009, the Company also applies the International Financial Reporting Standards (''IAS/IFRS'') and related interpretations (''SIC/IFRIC'') issued by International Accounting Standards Board (IASB), in order to fill in the gaps or omissions in SNC regarding specific situations of certain transactions.

3. Main accounting policies, judgments and estimates

These financial statements were prepared assuming the continuity of operations. The main accounting policies used in the preparation of these financial statements are described below and were applied consistently, unless indicated otherwise.

3.1. Tangible fixed assets

Tangible fixed assets other than land and buildings and ducts infrastructure are stated at acquisition or production cost, which includes the purchase price and any expenses directly attributable to bringing the asset to the location and making them operational.

Land, buildings and the ducts infrastructure are presented in accordance with the revaluation model based on regular assessments, at least tri-annually, deducted from subsequent depreciation for buildings and infrastructure. The fair value of real estate properties is determined by external appraisers based on market prices or the income obtained by these assets, under the provisions of NCRF 7 Tangible Fixed Assets. Regarding the ducts infrastructure, the Company, has applied IAS/IFRS by assessing the fair value of these assets based on the depreciated replacement cost method, as this methodology is not provided under NCRF 7. The Company maintained these assets recognized at the revaluation model, although the valuation methodology is not provided under NCRF 7, in order to ensure the consistency with Portugal Telecom's consolidated financial statements regarding the valuation of this type of asset, through the application of IAS/IFRS.

Subsequent expenses are included in the asset's carrying amount only when it is probable that future economic benefits flow to the Company and the cost can be measured reliably. The costs of maintenance and repair that are not likely to generate future economic benefits are recognized as an expense in the period they are incurred.

Increases resulting from revaluations are recorded in equity under the caption ''Revaluation surplus'', except for increases that reverse a decline previously recognized in earnings. Decreases resulting from revaluations are recorded directly under the caption ''Revaluation surplus'' up to the credit balance of the revaluation surplus for the relevant asset. Any excess in relation to the relevant credit balance is recognized in earnings. When the revalued asset is written off, the revaluation surplus included in equity regarding the asset is not reclassified to net income and is instead transferred to retained earnings. Annually, the revaluation surpluses are transferred to retained earnings in the same proportion of their depreciation.

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

With the exception of lands that are not depreciated, the depreciation of other tangible fixed assets is recognized, from the month in which the asset is available for use, on a straight-line basis over the useful life of asset, which is determined according to expected utility. The amortization period of tangible assets is reviewed on an annual basis and adjusted in order to reflect the estimated useful lives. The annual rates applied reflect the estimated useful life for each class of assets, as follows:

Asset Class	Years of useful life
Buildings and other constructions	3 - 50
Basic equipment	
Network installations and equipment	7 - 40
Ducts infra-structure	40
Telephones, switchboards and other	4 - 10
Submarine cables	15 - 20
Other basic equipment	4 - 20
Transportation equipment	4 - 8
Administrative equipment	3 - 10
Other tangible fixed assets	4 - 8

Following the approval of the Amendment Agreement to the Concession Contract, concluded in 2003 in connection with the acquisition of the Basic Network from the Portuguese Government, which now provides that the fixed assets related to the concessions will no longer be returned to the Portuguese State after the concession, the Company revised the amortization period of the assets which previously had useful lives that exceeded the term of the Concession Contract.

The useful lives and depreciation methods are reviewed annually, and the effect of any changes to these estimates is recognized prospectively in the income statement.

Gains or losses arising from the write-off or disposal of tangible fixed assets are determined as the difference between the amount received and the net recorded amount of the asset, and are recognized in the income statement.

3.2. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The remaining lease contracts are considered operating leases. The classification of leases depends on the substance of the transaction and not on the form of the contract.

Assets acquired under finance leases and the corresponding liabilities are accounted at the beginning of the contract as the lesser amount between the fair value of the assets and the present value of minimum lease payments. Rents include interest and capital amortisation, with the first being recognized in the income statement in the related period.

Under operating leases, rents are recognized on a straight-line basis during the period of the lease.

3.3. Investment properties

Investment properties includes mainly buildings and land held to earn rent and/or capital appreciation and not for use in the normal course of the business.

Investment properties are stated at acquisition cost plus transaction expenses and reduced by accumulated depreciation and accumulated impairment losses, if any. Expenditures incurred (maintenance, repairs, insurance and real estate taxes) and income and rents obtained are recognized in the income statement of the period.

3. Main accounting policies, judgments and estimates (Continued)

Investment properties are depreciated on a straight-line basis, during their expected useful lives. Generally depreciation rates correspond to the respective estimated useful lives (Note 3.1).

3.4. Business combinations and goodwill

Acquisitions of subsidiaries are recorded based on the purchase method (NCRF 14). The purchase price includes, on the acquisition date, the following components: (a) the fair value of assets acquired; (b) the fair value of liabilities incurred; (c) the fair value of equity instruments issued by the Company in exchange for the control of the subsidiary; and (d) expenses directly attributable to the acquisition. When applicable, the purchase price includes the effect of contingent payments agreed under the transaction, with subsequent changes in those payments being recorded as an adjustment to goodwill.

Any excess of the acquisition cost over the fair value of net assets acquired and contingent liabilities of the acquired company at the date of acquisition is recorded as goodwill, in accordance with NCRF 14. If the acquisition cost is lower than the fair value of identifiable net assets, the difference is recorded as a gain in the net income. As provided for in NCRF 3, the Company will apply NCRF 14 only to acquisitions after 1 January 2009 and accordingly goodwill related to acquisitions prior to that date were maintained as initially computed under POC.

Goodwill resulting from the acquisition of subsidiaries is included in the balance sheet under the caption ''Goodwill''.

Goodwill is not amortised, but tested, on an annual basis or whenever there is evidence of a potential loss of value, for impairment losses. For impairment test purposes, goodwill is allocated to cash generating units. Any impairment loss is recognized in the income statement of the period, and cannot be reversed in a subsequent period.

3.5. Intangible assets

Intangible assets include mainly (1) the amount for the acquisition of the Basic Network, (2) software licenses, (3) TDT license acquisition cost and (4) satellite capacity rights. Intangible assets acquired separately are recorded at cost net of accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis and over a period of three years, except: (a) the value of the acquisition of the property of the Basic Network, which is amortised over the remaining period until the end of the concession (2025), (b) the value of the commitments assumed under the of TDT license, which is amortized until the end of the first renewal period of the same (2038); and (c) the satellite capacity rights, which are amortised over the period of their respective contracts. The useful lives and depreciation method of the intangible assets are reviewed annually, and the effect of any changes to these estimates is recognized prospectively in the income statement.

Expenses with research activities are recognized in earnings when incurred. Development expenses are capitalized when it is demonstrated the technical and economic feasibility of the product, and the Company has the intention and ability to complete its development and starts its commercialization or use, as provided in the ''NCRF 6 Intangible Assets''.

3.6. Impairment of tangible and intangible assets

The Company performs impairment tests for its tangible and intangible assets if any event or change results in an indication of impairment. In case of any such indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to determine the recoverable amount of an individual asset, the estimated recoverable amount of the cash-generating unit to which the asset belongs is used.

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

The recoverable amount is the greater of fair value less cost to sell and the value in use. The net selling price is the amount that could be received from a transaction between independent parties, reduced by direct costs related to the sale. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risk to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized in the income statement.

3.7. Financial investments

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally represented by the majority of the voting rights. Associated companies are entities over which the Company has significant influence but does not control, generally represented by stakes between 20% and 50% of voting rights.

Financial investments in subsidiaries and associated companies are recorded under the equity method of accounting. Under this method, financial investments are initially recorded at acquisition cost and subsequently adjusted for the changes, after the acquisition date, in the Company's share in the net assets of those entities. The entity's earnings include its share in the earnings of those companies.

Under the application of the equity method of accounting, adjustments are made to the financial statements of affiliated companies in order to (1) conform their accounting policies with those adopted by the Company, (2) reflect the impacts of purchase price allocation processes and, (3) eliminate gains and losses resulting from transactions between affiliated companies of PT Comunicações.

Financial investments in foreign entities are translated to Euros using the exchange rates prevailing at the balance sheet date, while the Company's share in the earnings of those entities is computed based on the average exchange rates for the reported period. The effect of translation differences is recognized in shareholders' equity under the caption ''Adjustments in financial assets''.

The exchange rates used in the translation of the main financial statements of the foreign entities are as follows:

	2013		2012	
Currency	Closing	Average	Closing	Average
Macao Pataca	11.0141	10.6094	10.5328	10.2624
Brazilian Real	3.2576	2.8685	2.7036	2.5084

Financial investments are evaluated whenever there is evidence that it might be impaired, with impairment losses being recorded in the income statement.

3.8. Non-current assets held for sale

Non-current assets are classified as held for sale when its carrying value will be recovered mainly through a sale transaction and not continuing use, which occurs when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. The sale should be concluded one year after the non-current asset was classified as held for sale.

Non-current assets held for sale are measured at the lower amount between the carrying value and the fair value less costs to sell.

3. Main accounting policies, judgments and estimates (Continued)

3.9. Post-retirement benefits

(a) Post-retirement pensions

The Company has the obligation to pay to a group of employees a pension supplement. In order to finance these obligations, various funds were incorporated by PT Comunicações (Note 11.1).

In order to estimate the amount of the Company's liabilities under these pension plans, the Company obtains periodically actuarial valuations, using the ''Projected Unit Credit Method''. As mentioned above, according to ''NCRF 28—Employee Benefits'' and ''IAS 19—Employee Benefits'', PT Comunicações has decided to adopt the alternative treatment referred in IAS 19 for recognition of actuarial gains and losses directly in equity, namely those resulting from changes in actuarial assumptions and from differences between actual data and actuarial assumptions.

Plan amendments related to reduction or increase of the benefits granted to employees are recorded as prior years' service gains or losses. Prior years' service gains or losses are recognized under the caption ''Costs with post-retirement benefits'' when they occur. Gains obtained with the settlement of any plan are recognized when incurred under the caption ''Curtailment and settlement costs''.

Liabilities stated in the balance sheet correspond to the difference between the Projected Benefit Obligation (''PBO'') related to pensions deducted from the fair value of fund assets.

For the plans that report an actuarial surplus, assets are recorded when there is an express authorization for offsetting them against future employer contributions, or if a reimbursement of the excess finance is expressly authorized or permitted.

Contributions made by the Company to defined contribution pension plans are recognized in net income when incurred.

(b) Health care benefits

Under a defined benefit plan, PT Comunicações is responsible to pay, after the retirement date, health care expenses to a group of employees and relatives. This health care plan is managed by Portugal Telecom—Associação de Cuidados de Saúde (''PT-ACS''). In 2004, the Group established PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A. (''PT Prestações'') to manage an autonomous fund to finance these obligations (Note 11.2).

The amount of the Company's liabilities with respect to these benefits after the respective retirement date is estimated based on actuarial valuations, using the ''Projected Unit Credit Method''. The Company recognises actuarial gains and losses directly in equity, namely those resulting from changes in actuarial assumptions and from differences between actual data and actuarial assumptions.

Plan amendments related to reduction or increase of the benefits granted to employees are recorded as prior years' service gains or losses under the caption ''Post-retirement benefit costs''. Gains obtained with the settlement of any plan are recognized when incurred under the caption ''Curtailment and settlement costs''.

Accrued post-retirement health care liabilities stated in the Balance sheet correspond to the present value of obligations from defined benefit plans, deducted from the fair value of fund assets and any prior years' service gains or losses not yet recognized.

(c) Pre-retired and suspended employees

In connection with the programs related to employees that are under a suspended contract agreement or that have been pre-retired, the Company recognises a liability in the balance sheet equivalent to the

3. Main accounting policies, judgments and estimates (Continued)

present value of salaries payable up to the retirement age. The related cost is recorded in the income statement under the caption ''Curtailment and settlement costs'' (Note 11.3).

3.10. Accruals and deferrals

The Company records its revenue and expenses as they are generated or incurred, regardless of when they are received or paid, respectively.

3.11. Income taxes

Income tax expense corresponds to the sum of current and deferred taxes. Deferred taxes are recognized in the income statement except when they relate to items recorded directly in shareholders' equity and accordingly are also recorded in shareholders' equity.

Current taxes are computed based on the taxable income of the period computed under the Corporate Income Tax (''IRC'').

Portugal Telecom adopted the special taxation regime for Groups of companies, in which PT Comunicações is included. Consequently, the income tax due, net of withholding taxes and payments on accounts are recorded on the balance sheet as accounts payable or receivable from Portugal Telecom.

The income tax recorded in the financial statements was assessed in accordance with the terms of ''*NCRF 25 Income Taxes''.* In assessing the cost of income tax for the year, besides the current tax determined on the basis of profit before-tax adjusted in accordance with the tax legislation, we also consider the effects resulting from temporary differences between the carrying value of assets and liabilities and the related tax amounts. Deferred tax assets and liabilities are computed and analysed annually, based on the expected tax rate that will be effective on the date on which such temporary differences are no longer applicable.

Deferred tax assets are recorded only when there is a reasonable expectation of sufficient future tax profits. As at the balance sheet date the Company conducts a reassessment of the above-mentioned temporary differences with respect to the deferred tax assets, in order to record deferred tax assets that were not recognized previously because they had not met the necessary conditions for their recognition, and/or reduce the amount of deferred tax assets which are recognized based on the current estimate of their future recoverable amounts.

3.12. Inventories

Inventories are stated at average acquisition cost. Adjustments to the carrying value of inventories are recognized based on technological obsolescence or low rotation.

Work in progress relating to installation of telecommunication equipments for clients is valued at production cost, which mainly includes expenses on equipment and various materials used, as well as wages and salaries related to the project.

Impairment losses on inventories includes the value of materials for which there is no intended use due to obsolescence and/or low rotation, as well as the difference between prices of materials that have a fair value lower than the average acquisition cost, when the difference is higher than the discount granted in current market conditions. Impairment losses and related reversals are recorded in earnings primarily under the caption ''Impairment of inventories ((losses)/reversals)''.

3. Main accounting policies, judgments and estimates (Continued)

3.13. Trade receivables and other

Trade receivables and other receivables are initially recognized at fair value and subsequently measured at cost or amortised cost, based on the effective interest method, deducted from impairment losses.

Impairment losses for doubtful accounts receivable are computed based on the evaluation of estimated risks resulting from the non-collection of receivables, and are recognized in the income statement of the period in which they are calculated.

3.14. Subsidies

Subsidies are only recognized when they are received and after reasonable assurance that the Company will comply with their respective requirements for their assignment.

Subsidies associated with the acquisition or production of non-current assets (investment subsidies) are initially recognized in equity under the caption ''Other shareholders' equity'', and subsequently allocated on a straight-line basis as income for the year, during the useful lives of the assets to which they relate.

Operating subsidies are recognized in the income statement on a constant basis over the periods in which expenses that they intended to compensate are recognized.

3.15. Provisions and contingent liabilities

Provisions are recognized when (i) there is a present obligation as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Where any of the above-mentioned criteria is not met, the Company discloses the event as a contingent liability, unless the chance of cash outflow is remote.

Provisions are recognized for an amount corresponding to the present value of the best available estimate, at the reporting date, of the resources required to settle the obligation. That estimate is determined considering the risks and uncertainties associated with the obligation. Provisions are reviewed at the end of each year and adjusted in order to reflect the best available estimate as of that date.

The present obligations arising from onerous contracts (in which the cost of meeting the obligations under the contract exceed the economic benefits expected there under) are calculated and recorded as provisions.

3.16. Loans obtained

Loans obtained are initially recognized at fair value, net of transaction costs incurred, and subsequently presented at amortised cost, based on the effective interest method.

3.17. Borrowing costs

The Company has the policy of capitalizing of borrowing costs related to loans obtained to finance the acquisition, construction or production of tangible assets. However, the Company has recognized borrowing costs as expenses when incurred, since the construction period of tangible assets is usually short.

3.18. Vacation pay and vacation subsidies

Vacation pay and vacation subsidies and related social charges are recorded as a cost for the period in which the employee acquires the right to receive them. Consequently, the amount of vacation pay and

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

subsidies and related social charges due and unpaid at the balance sheet date are estimated and included under the caption ''Accrued expenses''.

3.19. Balance classification

Realizable assets and liabilities under which the Company has an unconditional right to defer its settlement for a period over one year from the balance sheet date are classified under non-current assets and non-current liabilities, respectively, at present value.

3.20. Foreign currency transactions and balances

Transactions denominated in foreign currencies (different from the domestic currency of the Company) are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities in foreign currency for which there is no agreement for fixing an exchange rate are translated to Euros using the exchange rates prevailing at the balance sheet date. Gains or losses arising from the differences between exchange rates in force at the date of the respective transactions and those applying on the date of collection, payment or balance sheet date are recorded as income and losses, respectively, in the income statement.

Assets and liabilities as at 31 December 2013 and 2012 were translated to Euro using the following exchange rates reported by the Bank of Portugal:

Currency	2013	2012
Special Drawing Rights	1.1173	1.1658
American dollar	1.3791	1.3194
Namibian dollar	14.5660	11.1727
Cape Verde escudo	110.2650	110.2650
Swiss franc	1.2276	1.2072
Angolan Kwanza	134.5920	126.8460
British pound	0.8337	0.8161
Mozambique metical	41.2400	39.2400
Brazilian real	3.2576	2.7036

3.21. Revenue recognition

Revenue is measured at fair value of the amount received or receivable. Revenue recognition is deducted from the estimated amount of returns, discounts and other rebates and does not include the Value Added Tax (VAT) and other taxes paid related to the sale.

Revenue from the services rendered is recognized by reference to the stage of completion of the transaction at the reporting date, if all the following conditions are met: (1) the revenue amount can be reliably measured; (2) it is probable that future economic benefits associated with the transaction will flow to the Company; (3) the expenses incurred or to be incurred with the transaction can be measured reliably; and (4) the stage of completion of the transaction at the reporting date can be reasonably estimated.

(a) National fixed national communications

Revenues from telecommunication activities are recognized at their gross amounts when services are rendered. Billings for these services are made on a monthly basis throughout the month. Amounts not yet invoiced but already due or incurred are recorded based on estimates and included under the caption ''Unbilled revenues''. Differences between accrued amounts and the actual unbilled revenues are recognized in the following period.

3. Main accounting policies, judgments and estimates (Continued)

(b) International fixed communications

The income from international telecommunication services are calculated according to fixed termination rates under bilateral agreements with several telecom operators. These agreements also establish whether it is the operator of the sending network that must submit the credit to the operator of the receiving network or whether the operator of the network receiving must provide the debit first.

(c) Internet Protocol Television (''IPTV'') and Direct to Home (''DTH'') services

The income from the television service through Internet Protocol Television (IPTV) and satellite are recognized as follows: (i) the amounts charged for monthly subscription of services used are recognized in the period in which the service is rendered; (ii) equipment rental is recognized over the lease period; (iii) equipment sales are recognized upon sale; and (iv) penalties imposed to customers are recognized when received.

(d) Internet services

Revenues from ISP services result essentially from monthly subscription fees and telephone traffic when the service is used by customers. These revenues are recognized when the service is rendered.

(e) Advertising services

Advertising revenues from telephone directories and related costs are recognized in the period in which the directories are effective. PT Comunicações has a contract with Páginas Amarelas whereby the latter is responsible for production, publishing and distribution of PT Comunicações telephone directories, as well as for selling advertising space in the directories. The total cost to be paid by PT Comunicações for such services is set at a fixed 78% of its gross revenues from the sale of advertising space in telephone directories. The prices of advertising space are fixed, not contingent, and based on the expected volume of the distributed directories (approximately one to every telephone number). Revenues from the sale of advertising space are invoiced directly by PT Comunicações to its corporate clients during the one-year advertising period. These revenues are recognized in earnings on a monthly basis during the period for the respective directory.

(f) Leased lines and rental of ducts and capacity

Income from leased lines is recorded as operating leases in the respective period, under the caption ''Services rendered''.

(g) Interest

Interest revenue is recognized based on the effective interest method.

Income relative to advance payments made by customers are deferred and recognized when the service is rendered.

3.22. Own work capitalized

Internal expenses incurred by the Company in the construction of tangible fixed assets, which correspond to materials, work force and transportation, at cost, are capitalized under the caption ''Own work capitalized'', only when the following requirements are met: (a) the tangible fixed assets are identifiable; (b) the tangible fixed assets will generate future economic benefits; and (c) development expenses can be reliably measured.

3. Main accounting policies, judgments and estimates (Continued)

3.23. Losses and gains recognised under projects

The Company records losses and gains associated with projects based on their stage of completion. Accordingly, invoices issued related to work not yet performed are recorded under the caption ''Deferrals'', unbilled revenues related to work in progress are recorded under the caption ''Unbilled revenues'' and expenses related to unbilled performed work are recorded as work in progress under the caption ''Inventories''.

3.24. Financial assets and liabilities

Financial assets and liabilities are recognized in the balance sheet when the Company becomes party to the corresponding contractual terms, and are classified at cost or amortised cost.

(a) Financial assets and liabilities at cost or amortised cost

Assets and liabilities are classified at cost or amortised cost if they present the following characteristics: (a) have a defined maturity; (b) have a fixed or determined income; and (c) do not represent a derivative financial instrument or do not include a derivative financial instrument.

Assets and liabilities classified in this category are measured at amortised cost reduced by accumulated impairment losses (for financial assets) and correspond primarily to the following asset and liability captions included in the Company's balance sheet:

- Accounts payable to Group companies
- Accounts receivable—trade
- Unbilled revenues and accrued expenses
- Advances to suppliers and from accounts receivable
- State and other public entities
- Other accounts receivable and payable
- Other financial assets and liabilities
- Cash and bank deposits
- Loans obtained
- Suppliers and investments suppliers

Amortized cost is determined through the effective interest method. The effective interest rate is the one that discounts the estimated future payments and receipts until the term of the financial instrument to the carrying value of the financial asset or liability.

(b) Impairments on financial assets

Financial assets included under the caption ''cost or amortised cost'' are subject to impairment tests at each year end. Such assets are impaired when there is clear evidence that, as a result of one or more events occurred after its initial recognition, their future estimated cash flows will be negatively affected.

For assets measured at amortised cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the revised future estimated cash flows discounted using the initial effective interest rate. For financial assets measured at cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the best available estimate of the asset's fair value.

3. Main accounting policies, judgments and estimates (Continued)

Subsequently, if there is a reduction in the impairment loss as a result of an event occurring after the initial recognition of the loss, the impairment should be reversed through earnings. The reversal is recognized up to the amount that would be recorded if the loss had not been initially recognized.

Impairment losses and related reversals are recorded in earnings mainly under the captions ''Impairment of accounts receivable ((losses)/reversals)''.

(c) Derecognition of financial assets and liabilities

The Company derecognizes financial assets when its contractual rights to obtain the asset's cash flows expire, or when it transfers to another entity all the significant risks and rewards associated with the ownership of such assets. We also derecognize financial assets transferred in respect to which the Company has retained some significant risks and benefits, in the case that control over them has been assigned. The Company derecognizes financial liabilities only when the corresponding obligation is settled, cancelled or expired.

3.25. Main accounting estimates and judgements

To prepare the standalone financial statements under NCRF, the Company's Board of Directors uses estimates and assumptions that affect in the application of accounting policies and the amounts reported. Estimates and judgements are continually evaluated and are based on historical experience and on other factors including expectations of future events that are believed to be reasonable under the circumstances on which the estimate was based, or as a result of new information or more experience.

The most significant accounting estimates reflected in the financial statements are the following:

(a) Post-employment benefits

The present value of liabilities for post-employment benefits is calculated based on actuarial methodologies, which use certain actuarial assumptions that are reviewed annually by the Company. Any change in these assumptions will impact the carrying value of liabilities. The main assumptions used are described in Note 11.

(b) Analysis of goodwill impairment

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating assets are determined based on value-in-use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating asset, the choice of a growth rate to extrapolate cash flow projections and the estimate of a suitable discount rate for each cash generating asset. The main assumptions used in the goodwill analysis are disclosed in Note 8.

(c) Useful life of tangible fixed assets

The Company used estimates in order to determine to the useful life of tangible fixed assets.

(d) Provisions recognition

The Company is party to several legal proceedings in progress for which, based on the opinion of its lawyers, judgments are made to determine the recognition of any necessary provisions to meet these contingencies.

3. Main accounting policies, judgments and estimates (Continued)

(e) Impairment recognition

Impairment on accounts receivable are calculated mainly based on receivables seniority, the clients risk profile and their financial situation.

(f) Determining the fair value of assets measured by revaluation model

The Company uses the revaluation model to measure the book value of the asset classes ''Land and natural resources'', ''Buildings and other constructions'' and the ''Telecommunication infrastructure'' included under the caption ''Basic equipment'' under tangible fixed assets. In order to assess the fair value of real estate properties included under the assets classes ''Land and natural resources'' and ''Buildings and other constructions'', the Company uses external appraisers to determine their value based on certain specific indicators related to the real estate market. In order to assess the revalued amount of the asset class ''Telecommunication infrastructure'', the Company applied the cost replacement method based on current and observable prices of materials and construction work related to the installation underground of the telecommunication infrastructure.

Estimates used are based on the best information available during the preparation of financial statements, although future events, neither controlled nor foreseeable by the Company, could occur and have an impact on those estimates. In accordance with ''NCRF 4 Accounting Policies, Changes in Estimates and Errors'' (''NCRF 4''), changes to these estimates that occur after the date of the financial statements are recognized in net income, using a prospective methodology. For this reason and given the degree of uncertainty, real results of the transactions in question may differ from the corresponding estimates.

3.26. Events occurred after the balance sheet date

Events after the balance sheet date that provide additional information about conditions existing at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that provide information about conditions that occur after the balance sheet date are not reflected in the financial statements, but are disclosed in the notes to the financial statements, if material.

4. Cash flows

For the purposes of the cash flow statement, the caption ''Cash and cash equivalents'' includes cash, bank deposits immediately available and other short-term investments with high liquidity and with initial maturities up to three months, net of bank overdrafts.

The Company is exposed to a liquidity risk if its sources of funding, including cash balance, operating cash inflows, divestments and cash flows obtained from financing operations, do not match with our financing needs, such as operating and financing outflows, investments, shareholder remuneration and debt repayments. Based on the cash flows generated by its operations, on the available cash and in the possibility to obtain financing from Portugal Telecom under the centralized cash management system implemented in the Group, the Company believes that it is able to meet its obligations.

The cash flow statement was prepared in accordance with *''NCRF 2 Statement of Cash Flows''*, which includes the following:

(a) Cash receipts of income taxes

The Company is part of the special taxation regime for Groups of companies adopted by Portugal Telecom, and as such income taxes and withholding taxes by third parties are recorded on the balance sheet as payables and receivables from Portugal Telecom (Note 12). In this context, the Company paid in 2013 an amount of Euro 6,289,893 and received in 2012 an amount of Euro 35,940,339.

(Amounts in Euro)

4. Cash flows (Continued)

As a result of the merger of PT Prime company undertaken at the end of 2011, effective as from 1 January, and because PT Comunicações presented a tax loss in 2011, the Company recovered in 2012 the payments on account made by PT Prime in 2011, amounting to Euro 38,662,510, which explains the high amount received in 2012.

(b) Cash receipts resulting from the disposal of financial investments

In 2013, this caption includes basically the proceeds obtained from the disposals of the investments in CTM and PT Brasil, amounting to Euro 35,966,391 and Euro 8,869, respectively (Note 10) and the amount of Euro 500,000 which refers to the last part related with the disposal of the investment in WT Vision achieved in 2009.

(c) Cash receipts resulting from loans granted

In 2013, this caption relates to reimbursement, amounting to Euro 340,000,000 (Note 12.1), regarding loans granted in prior years to MEO, SA.

(d) Dividends received

In 2013 and 2012, PT Comunicações received dividends from the following companies:

	2013	2012
	Euro	
CTM[(i)]	2,703,029	2,625,352
Meo, SA (Nota 10)	—	235,479,275
Multicert—Serviços de Certificação Electrónica, S.A. (Nota 10)	—	117,198
Infonet Portugal—Serviços de Valor Acrescentado, Lda. (Nota 10)	—	51,328
	2,703,029	**238,273,153**

(i) The amounts received from this affiliated company differed from the attributable amounts of Euro 2,759,950 in 2013 and Euro 2,700,796 in 2012 (Note 10), as a result of exchange rate differences between the attribution and payment dates.

(Amounts in Euro)

4. Cash flows (Continued)

(e) Payments resulting from financial investments

In 2013 and 2012, this caption is composed as follows:

	2013	2012
	Euro	
Acquisition of Sportinveste Multimédia (Note 20)	32,618,669	—
Acquisition of Yunit (''Yunit'') (Note 1 b))	2,228,329	—
Constitution of Auto Sapo joint venture (Note 10)		
—Realization of share capital	25,000	—
—Additional paid capital contributions	150,000	—
Advances for the aquision of RETI (Note 10)	—	1,094,382
Acquisition of Fibroglobal—Comunicações Electrónicas, S. A. (''Fibroglobal'')[(i)]	—	1,000,000
Acquisition of PT Blueclip—Serviços de Gestão, S. A. (''PT Blue Clip'') (Note 10)	—	50,000
Other	10	15,990
	35,022,008	**2,160,372**

(i) During the year 2012, PT Comunicações subscribed a share capital increase of this company for a total amount of Euro 1,000,000, a result of which obtained a 5% interest in Fibroglobal, which was recorded under the caption ''Financial investments—other methods''.

(f) Cash receipts (payments) related to loans obtained

In 2013 and 2012, cash receipts from loans obtained, net of cash payments from loans obtained, has the following composition:

	2013	2012
	Euro	
Receipts (payments) obtained under commercial paper programmes	(592,000,000)	1,092,000,000
Loans granted by PT Portugal (Note 23.1)	252,000,000	—
Intercompany loans within centralized cash management	224,360,440	(472,161,084)
Leases and other loans obtained	(16,650,977)	(21,390,512)
Payments to the ''Caixa Geral de Aposentações''[(i)]	—	(454,316,000)
	(132,290,537)	**144,132,404**

(i) As at 31 December 2010 and following the transfer of unfunded regulatory pension obligations, the Company had recognized an account payable to the Portuguese State for the amount of Euro 921.7 million. Of this outstanding amount, the Company repaid Euro 17.4 million and Euro 450.0 million in January and December 2011, respectively, and the remaining amount due of Euro 454.3 million was repaid in December 2012.

(g) Cash and cash equivalents

In 2013 and 2012, this caption is composed as follows:

	2013	2012
	Euro	
Cash	1,078,695	14,669,035
Bank deposits immediately available	20,658,318	6,496,946
Cash and bank deposits	**21,737,013**	**21,165,981**

(Amounts in Euro)

5. Changes in accounting policies and estimates and errors

During the year ended 31 December 2013, the Company adopted the revised version of IAS 19 *Employee Benefits* (''IAS 19''), issued in June 2011 and applicable for years beginning on or after 1 January 2013. The revised version of this standard was adopted since the Portuguese local standard NCRF 28 *Employee Benefits* states that the accounting for post-retirement defined benefits should be based on IAS 19.

As a result of the adoption of the amendments to IAS 19, the tables below present the adjustments made to the previously reported Statements of Financial Position for the year ended 31 December 2012:

Balance sheet as at 31 December 2012

	Prior to IAS 19 amendment	Impacts of IAS 19 amendment	Restated balance sheet
		euros	
ASSETS			
Deferred tax assets	314,293,512	(3,549,714)	310,743,798
Other assets	14,394,053,900	—	14,394,053,900
Total assets	**14,708,347,412**	**(3,549,714)**	**14,704,797,698**
SHAREHOLDERS' EQUITY			
Other reserves	269,718,396	26,052,827	295,771,223
Retained earnings	(350,665,937)	(10,975,041)	(361,640,978)
Net (loss) / income	(86,901,669)	(4,428,645)	(91,330,314)
Other shareholders' equity	5,668,212,615	—	5,668,212,615
Total shareholders' equity	**5,500,363,405**	**10,649,141**	**5,511,012,546**
LIABILITIES			
Post retirement benefits	844,921,754	(14,198,855)	830,722,899
Other liabilities	8,363,062,253	—	8,363,062,253
Total liabilities	**9,207,984,007**	**(14,198,855)**	**9,193,785,152**
Total liabilities and shareholders' equity	**14,708,347,412**	**(3,549,714)**	**14,704,797,698**

Income statement for the period ended 31 December 2012

	Prior to IAS 19 amendment	Impacts of IAS 19 amendment	Restated statement
		euros	
Services rendered	1,749,171,088	—	1,749,171,088
Sales	25,146,653	—	25,146,653
Post retirement benefits costs	(51,716,640)	(5,612,380)	(57,329,020)
Curtailment costs	(867,969)	(292,480)	(1,160,449)
Other operating expenses, net	(1,006,108,804)	—	(1,006,108,804)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES	**715,624,328**	**(5,904,860)**	**709,719,468**
Depreciation and amortisation ((losses)/ reversals)	(497,654,649)	—	(497,654,649)
Interest and related expenses, net	(305,739,595)	—	(305,739,595)
Income taxes	868,247	1,476,215	2,344,462
Net income	**(86,901,669)**	**(4,428,645)**	**(91,330,314)**

(Amounts in Euro)

5. Changes in accounting policies and estimates and errors (Continued)

In 2013, in addition the above mentioned, the Company did not adopt any new or revised standard or interpretation and did not voluntarily change any other accounting policy, and no restatements of any material errors or significant changes in accounting estimates were made with respect to previous years.

6. Tangible fixed assets

6.1. Movements in tangible fixed assets

During the years ended 31 December 2013 and 2012, movements occurred in tangible fixed assets were as follows:

	2013								
	Land and natural resources	**Buildings and other constructions**	**Basic equipment**	**Transportation equipment**	**Administrative equipment**	**Other tangible fixed assets**	**Tangible fixed assets in progress**	**Advances to suppliers of assets**	**Total**
					Euro				
Gross value									
Opening balance	177,472,511	851,287,703	8,986,844,412	48,003,165	833,992,690	56,927,979	93,271,169	562,661	11,048,362,290
Acquisitions	9,477	2,758,641	253,738,657	6,285,577	20,945,471	329,584	49,220,847	—	333,288,254
Disposals	(488,338)	(2,501,788)	(2,521,540)	(2,180,702)	(163,857)	(1,343)	—	—	(7,857,568)
Transfers and write-offs	(333,089)	(2,807,627)	(79,670,606)	(6,628,106)	16,886,644	(572,732)	(53,053,815)	—	(126,179,331)
Closing balance	**176,660,561**	**848,736,929**	**9,158,390,923**	**45,479,934**	**871,660,948**	**56,683,488**	**89,438,201**	**562,661**	**11,247,613,645**
Accumulated depreciation and impairment losses									
Opening balance	9,732,669	467,304,995	6,913,921,393	33,482,364	755,136,578	55,083,105	—	—	8,234,661,104
Depreciation of the period (Note 34)	—	33,751,392	353,831,574	3,829,365	56,580,131	610,580	—	—	448,603,042
Disposals	(44,103)	(1,697,784)	(2,362,750)	(2,062,488)	(110,915)	(1,343)	—	—	(6,279,383)
Transfers and write-offs	115,018	(4,763,850)	(104,848,756)	(5,237,762)	(1,807,272)	(572,731)	—	—	(117,115,353)
Closing balance	**9,803,584**	**494,594,753**	**7,160,541,461**	**30,011,479**	**809,798,522**	**55,119,611**	**—**	**—**	**8,559,869,410**
Net value	**166,856,977**	**354,142,176**	**1,997,849,462**	**15,468,455**	**61,862,426**	**1,563,877**	**89,438,201**	**562,661**	**2,687,744,235**

	2012								
	Land and natural resources	**Buildings and other constructions**	**Basic equipment**	**Transportation equipment**	**Administrative equipment**	**Other tangible fixed assets**	**Tangible fixed assets in progress**	**Advances to suppliers of assets**	**Total**
					Euro				
Gross value									
Opening balance	176,915,964	843,331,948	8,811,120,172	43,405,353	788,963,712	56,033,699	114,855,017	511,125	10,835,136,990
Reti merger	—	604,699	2,997,334	71,479	—	214,812	—	—	3,888,324
Acquisitions	—	2,680,951	305,153,091	8,977,802	19,113,595	699,219	49,391,694	—	386,016,352
Disposals	(8,831)	—	(3,838,998)	(2,135,330)	(366,729)	(528)	—	—	(6,350,416)
Transfers and write-offs	565,378	4,670,105	(128,587,187)	(2,316,139)	26,282,112	(19,223)	(70,975,542)	51,536	(170,328,960)
Closing balance	**177,472,511**	**851,287,703**	**8,986,844,412**	**48,003,165**	**833,992,690**	**56,927,979**	**93,271,169**	**562,661**	**11,048,362,290**
Accumulated depreciation and impairment losses									
Opening balance	9,819,238	434,943,739	6,703,947,454	31,395,467	693,824,624	54,256,141	—	—	7,928,186,663
Reti merger	—	503,007	1,140,012	71,479	—	208,553	—	—	1,923,051
Depreciation of the period (Note 34)	—	35,801,344	362,087,366	5,376,746	62,910,358	665,788	—	—	466,841,602
Disposals	(1,406)	—	(2,570,127)	(1,829,584)	(294,195)	(528)	—	—	(4,695,840)
Transfers and write-offs	(85,163)	(3,943,095)	(150,683,312)	(1,531,744)	(1,304,209)	(46,849)	—	—	(157,594,372)
Closing balance	**9,732,669**	**467,304,995**	**6,913,921,393**	**33,482,364**	**755,136,578**	**55,083,105**	**—**	**—**	**8,234,661,104**
Net value	**167,739,842**	**383,982,708**	**2,072,923,019**	**14,520,801**	**78,856,112**	**1,844,874**	**93,271,169**	**562,661**	**2,813,701,186**

The additions occurred in 2013 and 2012 under the captions ''Basic equipment'', ''Administrative equipment'' and ''Tangible fixed assets in progress'' relate primarily to the acquisition of software, network infrastructure and terminal equipment focused mainly on the Pay-TV business.

6. Tangible fixed assets (Continued)

6.2. Revaluations

In 2008, PT Comunicações has changed the accounting policy on the valuation of real estate assets and ducts infra-structure, from the cost model to the revaluation model. The revaluations of real estate assets and ducts infra-structure were recorded as at 30 June and 30 September 2008 and resulted in the revaluation of those assets by Euro 208,268,320 and Euro 866,764,702, respectively. PT Comunicações, following the adoption of the SNC, maintained the accounting policy to use the revaluation model for these classes of assets, under which shall compute revaluation amounts, at maximum, every three years, and evaluates between those 3 year periods the possible existence of evidence that might result in a significant change in the revalued amount of those assets.

The determination of the fair value of real estate properties was made by an independent appraiser based primarily on: (i) observable prices of recent market transactions in an active market; (ii) profitability method for commercial and administrative real estate; and (iii) the cost of acquiring or producing similar real estate with the same purpose for technical buildings. Under the first methodology, the main assumptions used in 2008 were the discount rate (average of 8%) and the monthly rent per square meter (average of Euro 6).

The determination of the fair value of the ducts infra-structure was made internally based on the replacement cost approach. This valuation process was based primarily on: (i) current and observable prices of materials and construction work related to the installation of the ducts underground; (ii) the nature of the soil and road surface where ducts are installed, which has an impact on the construction cost; (iii) internal costs directly attributable to the construction of the ducts infra-structure network; (iv) a depreciation factor, in order to ensure that the replacement cost is consistent with the remaining useful life of the assets revalued; and (v) a technological factor, which reflects the technological changes occurred, namely related to the kinds of ducts which no longer exist and were replaced by other ones. Generally, the prices of materials and construction work together with other qualitative assumptions referred to above resulted in a valuation of the ducts infra-structure in 2008 which reflects an average cost per meter of duct between Euro 58 and Euro 119, depending on the area where the infra-structure is located.

In accordance with the Company's accounting policy to revalue these assets every three years, PT Comunicações performed another revaluation of the real estate assets and transmission infrastructure in 2011, through the same methodology described above. These revaluations were effective as at 31 December 2011 and resulted in a net reduction of tangible assets amounting to Euro 131,418,996, of which Euro 126,167,563 was recognized directly in shareholders' equity, under the caption ''Revaluation surplus'', and an impairment loss of Euro 5,251,433 was recognized in earnings.

The split of these impacts between real estate and telecommunication ducts infrastructure is as follows:

- A reduction in the carrying value of the telecommunication infrastructure amounting to Euro 189,372,570, recognized directly in shareholders' equity in order to reduce the existing revaluation reserves regarding these assets, which is primarily explained by a decrease in the construction cost and also technological improvements, leading to a reduction in the average cost per meter of duct to between Euro 42 and Euro 70, depending on the area where the infra-structure is located; and
- A net increase in the carrying value of real estate assets amounting to Euro 57,953,574, including a gain of Euro 63,205,007 recorded directly in shareholders' equity and a loss of Euro 5,251,433 recognized in the Income Statement. The increase in the carrying value of real estate assets recognized as a result of this revaluation reflects mainly the depreciation expenses recorded over the last three years, which more than offset the reduction in the fair value of these assets. Regarding the main assumption related to this revaluation, the average monthly rent per square meter for the real estate assets that were revalued in both 2008 and 2011 remained broadly stable at Euro 6,

(Amounts in Euro)

6. Tangible fixed assets (Continued)

although the overall average monthly rent per square meter increased to Euro 7, as a result of real estate assets acquired in 2009 and 2010.

The amortization of the surplus resulting from the revaluation of real estate properties and ducts infra-structure amounted to approximately Euro 9 million and Euro 32 million in 2013, respectively, and to Euro 10 million and Euro 32 million in 2012, respectively. If these assets had been carried under the cost model, the carrying amounts of the real estate properties and the ducts infra-structure as of 31 December 2013 would have been reduced by approximately Euro 178 million and Euro 466 million, respectively.

For other classes of assets that were previously revalued to the date of transition to NCRF, the Company opted, under the adoption of new accounting standards, to consider the book value at the date of transition as deemed cost, as permitted by the exception foreseen in paragraph 10 of NCRF 3, so that these assets are measured according to the cost model.

In accordance with the applicable legislation, a portion (40%) of the increase in depreciation resulting from legal revaluations made in previous years, and the entire increase in depreciation resulting from revaluations recognized in 2008 do not constitute a cost for the purpose of determining corporate income tax payable (except the revaluations resulting from Decree-Law no. 126/77 of April 2, which are included in their entirety). Consequently, a deferred tax liability was recorded corresponding to the revaluation surplus to be realized (Note 15).

6.3. Other situations related to tangible fixed assets

During the years ended 31 December 2013 and 2012, the following expenses were included in the carrying value of tangible assets and intangible assets in progress:

	2013	2012
	Euro	
Materials consumed	4,062,335	3,094,392
Wages and salaries	39,920,165	33,646,133
Other expenses and losses	5,654,791	5,323,514
	49,637,291	**42,064,039**

The nature of the main projects that include own work capitalized relates to the planning, supervision and monitoring of installation of terminal equipment, namely IPTV equipment and Fiber-to-the-Home (''FTTH'').

For the net carrying value of tangible fixed assets as at 31 December 2013, we note the following:

- There are buildings installed in properties of third parties in the total amount of Euro 7,761,392;
- There are assets of PT Comunicações composed mainly of real estate, that were not registered under the Company's name amounting to Euro 8,598,796, of which Euro 1,503,353 are registered under the name of PT SGPS;
- The Company has tangible fixed assets located overseas with a net book value of Euro 11,867,428, including primarily participation in submarine cable consortiums;
- The tangible fixed assets which, under the terms of article 5 of the Annex to Decree-Law no. 31/2003 of February 17 which constituted the Bases for the Concession of Public Telecommunications Service (Note 1), are subject to the Concession, had a carrying value of Euro 1,709,598,507.

(Amounts in Euro)

7. Investment properties

During the years ended 31 December 2013 and 2012, movements occurred in this caption were as follows:

	2013	2012
	Euro	
Gross value		
Opening balance	16,792,420	17,791,958
Aditions	4,432,233	—
Transfers, adjustments and other	—	(999,538)
Closing balance	**21,224,653**	**16,792,420**
Accumulated amortisation and impairment losses		
Opening balance	7,928,583	5,399,654
Amortisation (Nota 34)	1,120,137	482,639
Transfers, adjustments and other	(811,118)	2,046,290
Closing balance	**8,237,602**	**7,928,583**
Net value	**12,987,051**	**8,863,837**

Land and buildings that were not used in operating activities as at 31 December 2013 and 2012 were classified under this caption, according to the accounting policy adopted by the Company.

These assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. PT Comunicações makes periodic valuations of these assets. As at 31 December 2013, the real estate book value with acquisition cost exceeding Euro 50,000 amounted to approximately Euro 12.8 million, whereas the corresponding market value amounted to Euro 14.3 million.

During the years ended 31 December 2013 and 2012, PT Comunicações has obtained rental income from this real estate amounting to Euro 620,062 and Euro 638,953, respectively , which were classified under the caption ''Other income and gains'' (Note 32).

8. Goodwill

The composition of goodwill as at 31 December 2013, computed following the acquisition of subsidiaries, some of which were subsequently merged into the Company, is as follows:

Entity	Year of acquisition	Carrying value
		Euro
Mobile Business (Meo, SA)	2010	2,145,416,586
Wireline Business		
Internet Business / portal (ex- PT.Com)	2007	560,447,103
Corporate Business (ex- PT Prime)	2007	235,323,593
International Business (ex- Marconi)	2000	41,255,121
		2,982,442,403

For the purposes of impairment tests, goodwill was allocated to cash generating units. The recoverable amount was determined from the respective value in use through the discounted cash flows methodology, using a cash flow forecast of a four year period, which was prepared internally. The discount rate applied to projected cash flows, which was determined taking into account the risk

(Amounts in Euro)

8. Goodwill (Continued)

associated with each business, and the growth rates used to extrapolate cash flow projections beyond the period covered by the forecasts prepared internally were as follows:

Assumptions	Internet Business	Corporate Business
Growth rate	1.0% - 1.5%	1.0% - 1.5%
Discount rate	7.7% - 8.7%	7.7% - 8.7%

The recoverable amount of each cash generating unit was determined for the minimum and maximum values listed in the table above and the Company's management concluded that, as at 31 December 2013, the book value of the cash generating unit, including goodwill, did not exceed its recoverable amount.

9. Intangible assets

During the years ended 31 December 2013 and 2012, movements occurred in intangible assets were as follows:

	2013			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	503,370,847	708,092	1,049,571	505,128,510
Acquisitions	4,004,860	249,498	3,589,224	7,843,582
Disposals	(9,379)	—	—	(9,379)
Transfers and write- offs	1,046,067	516,482	(819,337)	743,212
Closing balance	**508,412,395**	**1,474,072**	**3,819,458**	**513,705,925**
Accumulated a mortisation and impairment losses				
Opening balance	269,518,825	337,007	—	269,855,832
Amortisation (Nota 34)	30,796,864	408,123	—	31,204,987
Disposals	(1,042)	—	—	(1,042)
Transfers and write- offs	(143,230)	—	—	(143,230)
Closing balance	**300,171,417**	**745,130**	**—**	**300,916,547**
Intangible assets, net	**208,240,978**	**728,942**	**3,819,458**	**212,789,378**

(Amounts in Euro)

9. Intangible assets (Continued)

	2012			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	497,805,369	487,590	1,694,348	499,987,307
Acquisitions	5,553,990	220,502	1,049,571	6,824,063
Transfers and write- offs	11,488	—	(1,694,348)	(1,682,860)
Closing balance	**503,370,847**	**708,092**	**1,049,571**	**505,128,510**
Accumulated amortisation and impairment losses	240,002,357	168,352	—	240,170,709
Opening balance				
Amortisation (Nota 34)	30,161,753	168,655	—	30,330,408
Transfers and write- offs	(645,285)	—	—	(645,285)
Closing balance	**269,518,825**	**337,007**	**—**	**269,855,832**
Intangible assets, net	**233,852,022**	**371,085**	**1,049,571**	**235,272,678**

In 2013 and 2012, additions under the caption ''Industrial property and other rights'' relate primarily to the acquisition of software licenses regarding projects to develop new applications and features in the commercial, financials and logistic areas.

As at 31 December 2013, the net book value of the caption ''Industrial property and other rights'' includes mainly:

– An amount of Euro 170 million related to the acquisition of full ownership of the Basic Network by PT Comunicações to the Portuguese State, concluded in December 2002, which corresponds to the gross value capitalized in 2002 amounting Euro 339.9 million net of accumulated depreciation;

– An amount of Euro 9.2 million related to a contract entered into by PT Comunicações in 2007 and 2009 for the acquisition of satellite capacity rights until 2015, which was recorded as a financial lease; and

– An amount of Euro 22.4 million, corresponding to the TDT licenses recorded in 2011 (Note 1 (a)).

In 2013 and 2012, the Company performed innovation, research and development activities under which the following expenses and fixed assets were recorded:

	2013	2012
	Euro	
Tangible fixed assets	60,176,061	72,940,479
Intangible assets	563,532	1,424,785
Other operation expenses	14,565,478	10,796,763
Total	**75,305,071**	**85,162,027**

(Amounts in Euro)

10. Financial investments-equity method of accounting

During the years ended 31 December 2013 and 2012, the movements occurred under this caption were as follows:

	2013				
	Investments in subsidiary companies (Note 12)	Additional paid in capital contributions to subsidiary	Investments in associated companies (Note 12)	Loans in associated companies	Total
			Euro		
Gross value					
Opening balance	7,256,393,289	—	774,495	—	7,257,167,784
Increases	25,000	150,000	1,995,202	3,117,210	5,287,412
Reductions	(9,390)	—	—	—	(9,390)
Equity method	(339,829,923)	—	57,449	—	(339,772,474)
Other	—	—	997,596	—	997,596
Closing balance	**6,916,578,976**	**150,000**	**3,824,742**	**3,117,210**	**6,923,670,928**
Impairment losses					
Opening balance	—	—	—	—	—
Increases	—	—	1,995,192	—	1,995,192
Other	—	—	997,596	—	997,596
Closing balance	**—**	**—**	**2,992,788**	**—**	**2,992,788**
Financial investments, net	**6,916,578,976**	**150,000**	**831,954**	**3,117,210**	**6,920,678,140**

	2012			
	Investments in subsidiary companies (Note 12)	Investments in associated companies (Note 12)	Advances for financial investments[(a)]	Total
		Euro		
Gross value				
Opening balance	7,675,544,256	5,794,961	6,771,730	7,688,110,947
Reti merger[(a)]	(71,699)	—	—	(71,699)
Increases	50,000	—	1,094,382	1,144,382
Equity method	(183,670,364)	2,867,410	—	(180,802,954)
Dividends	(235,530,603)	(2,817,994)	—	(238,348,597)
Non current assets held for sale[(b)]	—	(5,069,882)	—	(5,069,882)
Other movements[(b)]	71,699	—	(7,866,112)	(7,794,413)
Closing balance	**7,256,393,289**	**774,495**	**—**	**7,257,167,784**
Impairment losses				
Opening balance	—	—	6,771,730	6,771,730
Increases	—	—	1,094,382	1,094,382
Other	—	—	(7,866,112)	(7,866,112)
Closing balance	**—**	**—**	**—**	**—**
Financial investments, net	**7,256,393,289**	**774,495**	**—**	**7,257,167,784**

(a) On 3 May 2012, PT Comunicações concluded the acquisition of an investment in RETI that was previously held by TVI, through the payment of the fifth and last installment, amounting to Euro 1,094,382 (Note 4), that was considered in an agreement entered in December 2009, and following the amounts already paid in previous years as advances for financial investments, for the total amount of Euro 6,771,730. These amounts were fully adjusted based on the Company's

(Amounts in Euro)

10. Financial investments-equity method of accounting (Continued)

expectation that RETI's analogical network was redundant considering the network of PT Comunicações. As a result of the acquisition of this investment, the Company recorded an investment of Euro 71,699, corresponding to the shareholders' equity of the acquired company, and recorded a goodwill of Euro 7,794,413, corresponding to the difference between the acquisition price of Euro 7,866,112 and the financial investment. Both the goodwill and the impairment losses recognized in previous years over payments made or to be made under the agreement entered into in December 2009, amounting to Euro 7,866,112, were transferred to net income. In December 2012, the Board of Directors of both companies approved the merger of RETI into PT Comunicações as from 3 May 2012 and, as such, the Company eliminated the financial investment in RETI, amounting to Euro 71,699, and recorded in its balance sheet the assets and liabilities of RETI as of that date that were transferred to PT Comunicações.

(b) In the year ended 31 December 2012, the Company's investment in CTM amounting to Euro 5,069,882 (Note 20 a)), representing 3% of the capital of that company, was classified as a non-current asset held for sale. The disposal of this investment was completed in June 2013.

In 2013 and 2012, increases the gross value of financial investments accounted for by the equity method gross were as follows:

	2013	2012
	Euro	
Aquisition of Yunit—loans granted	2,228,328	—
Aquisition of INESC (Note 1) (b)		
Share capital	1,995,192	—
Additional paid in capital contributions	888,882	—
Constitution of Auto Sapo (Notes 1 and 4 (e))		
Share capital	25,000	—
Additional paid in capital contributions	150,000	—
Aquisition of Multicert (Notes 1 and 4 (e))	10	—
Advances for the aquision of financial investments (Note 4 (e))	—	1,094,382
Acquisition of PT Blueclip (Note 4 (e))	—	50,000
	5,287,412	**1,144,382**

During the year ended 31 December 2013, the reduction amounting to Euro 9,390 in gross value of investments in subsidiary companies relates sale of the investment in PT Brasil, in the amount of Euro 8,869 (Notes 1 (b) and 4 (b)), has been recorded an accounting loss on disposal in the amount of Euro 521 (Note 27).

In 2013 and 2012, the movements occurred in investments in subsidiaries and associated companies resulting from the application of the equity method of accounting were recorded as follows:

	2013	2012
	Euro	
Gains in affiliated companies net (Note 27)	201,666,539	120,535,593
Adjustments to financial assets (Note 21.5)	(541,439,013)	(301,338,547)
	(339,772,474)	**(180,802,954)**

During the year ended 31 December 2013 were not paid dividends by subsidiaries and associated companies, accounted for by equity method. The detail of dividends attributed by subsidiaries and associated companies in 2012 is as follows (Note 4):

	2012
	Euro
Meo, SA	235,479,275
CTM	2,700,796
Multicert	117,19 8
Infonet	51,328
	238,348,597

(Amounts in Euro)

11. Post-retirement benefits

As referred to in Note 3, PT Comunicações is responsible for the payment of post-retirement benefits under defined benefit plans, which include pensions and pension supplements to retired and active employees, healthcare services after retirement age and salaries to suspended and pre-retired employees.

The actuarial valuations of Portugal Telecom's defined benefit plans as at 31 December 2013, 2012 and 2011 were computed based on the projected unit credit method and considered the following main financial and demographic actuarial assumptions:

	2013	2012	2011
		Euro	
Financial assumptions			
Discount rate for obligations related to:			
Pension supplements	3.00%	3.00%	4.75%
Salaries to suspended and pre-retired employees	2.00%	2.00%	3.75%
Healthcare	4.00%	4.00%	4.75%
Salary growth rate for obligations related to:			
Pension supplements and healthcare	1.75%	1.75%	1.75%
Salaries to suspended and pre-retired employees[(i)]	0.00% - 1.75%	0.00% - 1.75%	0.00% - 1.75%
Pension growth rate	GDP linked	GDP linked	GDP linked
Social Security sustainability factor	Applicable	Applicable	Not applicable
Inflation rate	2.00%	2.00%	2.00%
Healthcare cost trend growth rate	3.00%	3.00%	3.00%

(i) For salaries payable until 2017, the salary growth rate ranges from 0% to 1% depending on the amount of the salary. As from 2018, the salary growth rate is 1.75% for all situations.

	2013	2012	2011
		Euro	
Demographic assumptions			
Mortality tables for active beneficiaries:			
Males	PA (90)m adjusted	PA (90)m adjusted	AM (92)
Females	PA (90)f adjusted	PA (90)f adjusted	AF (92)
Mortality tables for non-active beneficiaries:			
Males	PA (90)m adjusted	PA (90)m adjusted	PA (90)m adjusted
Females	PA (90)f adjusted	PA (90)f adjusted	PA (90)f adjusted
Retirement age[(i)]	65 - 66	65	65
Disability table (Swiss Reinsurance Company)	25%	25%	25%
Active employees with spouses under the plan	35%	35%	35%
Turnover of employees	Nil	Nil	Nil

(i) In 2013, the Portuguese retirement age changed from 65 to 66 years old, applicable for the majority of Portugal Telecom's beneficiaries under post retirement benefit plans, although the retirement at 65 years old is still applicable for certain other employees.

11. Post-retirement benefits (Continued)

The discount rate was computed based on long-term yield rates of high-rating bonds as of the date of the Balance sheet for durations comparable to the liabilities for pensions and pension supplements, salaries and health care benefits (between 4 and 15 years).

After the adoption of the amendment of IAS 19, the rate of return on long-term fund assets is the same as the discount rate used.

Salary growth rate was established in accordance with Group policy for wages and salaries and pension growth rates and the sustainability factor was established in line with Portuguese Government information.

Demographic assumptions considered by Portugal Telecom are based on mortality tables generally accepted for actuarial valuation purposes, with these tables being periodically adjusted to reflect the actual mortality rates observed among the plan participants.

In 2013 and 2012, the total impact of changes in actuarial assumptions a net losses of Euro 100,906,000, and Euro 136,212,106 (Notes 11.7), respectively, and was recognized directly in shareholders' equity.

The impact of an increase by 25 bp on the average discount rate actuarial assumption would be a decrease of the responsibilities for post retirement benefits by approximately Euro 23 million as at 31 December 2013, while the impact of an increase (decrease) in the health care cost trend rate by 1% would be an increase (decrease) of the responsibilities for post retirement benefits by approximately Euro 69 million (Euro 56 million) as at 31 December 2013.

The impact of an increase (decrease) by 1% in the discount rate actuarial assumption would be a increase (decrease) of post retirement benefit costs in the year 2013 by approximately Euro 8 million, corresponding to the increase (decrease) in net interest cost.

11.1. Supplement benefits

As referred to in Note 3, prior to the transfer of pension obligations to the Portuguese State, PT Comunicações was responsible for the payment of regulatory pensions and pension supplements to retired and active employees, and is no longer responsible for the payment of regulatory pensions following that transfer. These liabilities, which were estimated based on actuarial valuations, are as follows:

a) Retirees and employees of Companhia Portuguesa Rádio Marconi, SA (''Marconi'', a company merged into PT Comunicações in 2002) hired prior to 1 February 1998 are entitled to a supplemental pension benefit (''Marconi Complementary Fund''). In addition, PT Comunicações contributes to the fund ''Fundo de Melhoria Marconi'' with 1.55% of the salaries paid to these employees, which is responsible to pay the additional pension supplement.

b) Retirees and employees of TLP and TDP hired prior to 23 June 1994 are entitled to receive a pension supplement from PT Comunicações, which complements the pension paid by the Portuguese social security system.

c) On retirement, PT Comunicações pays a lump sum gratuity of a fixed amount which depends on the length of service completed by the employee.

Employees hired by PT Comunicações or any of its predecessor companies after the dates indicated above are not entitled to these benefits, as they are covered by the general Portuguese Government social security system.

As at 31 December 2013 and 2012, plans from PT Comunicações covered 19,763 and 19,814 beneficiaries, respectively, of which approximately 64% and 63%, are non active, respectively.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

Based on the actuarial reports, the pension benefit obligation and the fair value of the pension funds as at 31 December 2013 and 2012 were as follows:

	2013	2012
	Euro	
Projected benefit obligations related to pension, pension supplements and gratuities	116,358,866	126,751,790
Pension funds assets at fair value	(94,660,571)	(99,529,441)
Net liabilities recognized (Note 11.4)	**21,698,295**	**27,222,349**

During the years ended 31 December 2013 and 2012, the movement in the projected benefit obligations was as follows:

	2013	2012
	Euro	
Opening balance of the projected benefit obligation	**126,751,790**	**121,168,176**
Payments of benefits and contributions		
Benefits paid by the Company (Note 11.5)	(785,525)	(983,643)
Benefits paid by the funds	(9,008,399)	(9,392,359)
Pension costs		
Service cost	562,000	442,893
Interest cost	3,467,000	5,345,763
Prior year service gain	(2,168,000)	—
Work force reduction programme costs	498,000	87,682
Net actuarial losses	(2,958,000)	9,878,905
Transfers between plans (Note 11.3)	—	204,373
Closing balance of the projected benefit obligation	**116,358,866**	**126,751,790**

During the years ended 31 December 2013 and 2012, the movement in the projected benefit obligations was as follows:

	2013		2012	
	Amount	%	Amount	%
	Euro			
Equities(i)	19,300,270	20.4%	19,922,371	20.0%
Bonds(i)	57,294,887	60.5%	60,201,161	60.5%
Property	2,314,224	2.4%	2,545,908	2.6%
Cash, treasury bills, short- term stocks and other assets(ii)	15,751,190	16.6%	16,860,001	16.9%
	94,660,571	**100.0%**	**99,529,441**	**100.0%**

(i) The fair value of equity investments and bonds is quoted on active markets.

(ii) This caption includes term deposits amounting to Euro 5 million and 6 million as at 31 December 2013 and 2012, respectively.

Portugal Telecom is exposed to risks related to the changes in the fair value of the plan assets associated with Portugal Telecom's post-retirement defined pension supplement plans. The main purpose of the established investment policy is capital preservation through five main principles: (1) diversification; (2) stable strategic asset allocation and disciplined rebalancing; (3) lower exposure to currency fluctuations; (4) specialized instruments for each class of assets; and (5) cost control.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

During the years ended 31 December 2013 and 2012, the movement in the plan assets was as follows:

	2013	2012
	Euro	
Opening balance of the plan assets	**99,529,441**	**98,480,548**
Actual return on assets	3,660,130	9,341,252
Payments of benefits	(9,008,399)	(9,392,359)
Contributions made by the Company (Note 11.5)	479,399	1,100,000
Closing balance of the plan assets	**94,660,571**	**99,529,441**

A summary of the components of the pension net cost recorded in the years ended 31 December 2013 and 2012 is presented below:

	2013	2012
	Euro	
Service cost	562,000	442,893
Net interest cost	614,000	885,671
Prior years' service gains recognized in the period	(2,168,000)	—
Current pension cost (Notes 11.4 and 11.6)	**(992,000)**	**1,328,564**
Work force reduction program	498,000	87,682
Total cost of redundancy programme (Notes 11.4 and 11.6)	**498,000**	**87,682**
Total pension cost	**(494,000)**	**1,416,246**

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholders' equity. During the years ended 31 December 2013 and 2012, the movement in accumulated net actuarial losses was as follows:

	2013	2012
	Euro	
Opening balance	**126,801,616**	**121,803,871**
Change in actuarial assumptions (Note 11.7)	(1,044,000)	17,334,547
Differences between actual data and actuarial assumptions (Note 11.7)		
Pension benefit obligation related[(a)]	(1,914,000)	(7,455,642)
Asset related	(807,130)	(4,881,160)
Closing balance	**123,036,486**	**126,801,616**

(a) Differences between actual data and actuarial assumptions related to the PBO, results mainly from updated information regarding beneficiaries.

11.2. Health care benefits

As referred to in Note 3, PT Comunicações is responsible for the payment of post-retirement health care benefits to certain employees, suspended employees, pre-retired employees, retired employees and their eligible relatives. Health care services are rendered by PT-ACS, which was incorporated with the sole purpose of managing the Company's Health Care Plan.

This plan, sponsored by PT Comunicações, includes all employees hired by PT Comunicações until 31 December 2000 and by Marconi until 1 February 1998.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

As at 31 December 2013 and 2012, healthcare plans from PT Comunicações covered 23,402 and 23,894 beneficiaries related to employees and former employees, of which approximately 77% and 76% were non-active, respectively. In addition, as at 31 December 2013 and 2012, these plans also covered 10,265 and 10,850 beneficiaries related to relatives of employees and former employees.

The financing of the Health Care Plan is assured by defined contributions made by participants to PT ACS and the remainder by PT Comunicações, which incorporated a fund in 2004 that is managed independently for this purpose.

Based on the actuarial reports, the defined benefit obligations and the fair value of the health care plan assets as at 31 December 2013 and 2012 are as follows:

	2013	2012
	Euro	
Projected benefit obligations	375,657,623	374,474,961
Plan assets at fair value	(291,667,072)	(299,865,329)
Present value of unfunded obligations (Note 11.4)	**83,990,551**	**74,609,632**

During the years ended 31 December 2013 and 2012, the movement in the projected benefit obligations was as follows:

	2013	2012
	Euro	
Opening balance of the projected benefit obligations	**374,474,961**	**351,843,072**
Benefits paid by the Company (Note 11.5)	(18,817,338)	(18,977,302)
Health care cost		
Service cost	3,565,000	2,988,477
Interest cost	14,671,000	16,326,001
Work force reduction costs	1,324,000	(163,036)
Net actuarial losses	440,000	22,457,749
Closing balance of the projected benefit obligations	**375,657,623**	**374,474,961**

As at 31 December 2013 and 2012, the portfolio of the Company's autonomous fund to cover post-retirement health care benefit obligations was as follows:

	2013		2012	
	Amount	%	Amount	%
		Euro		
Equities[(a)]	87,389,300	30.0%	75,277,597	25.1%
Bonds[(b)]	57,595,149	19.7%	88,178,641	29.4%
Cash, treasury bills, short-term stocks and other assets[(c)]	146,682,623	50.3%	136,409,091	45.5%
	291,667,072	**100.0%**	**299,865,329**	**100.0%**

(a) As at 31 December 2013 and 2012, this caption corresponds to investments in shares of Banco Espírito Santo, which is quoted on an active market.

(b) As at 31 December 2013 and 2012, this caption includes mainly investments in bonds of Portugal Telecom, which is quoted on an active market.

(c) As at 31 December 2013 and 2012, this caption includes investments in the private equity funds ''Ongoing International Capital Markets'' and ''Ongoing International Private Equity'' totalling Euro 95 million and Euro 104 million, respectively, which are managed by Global investment Opportunities SICAV. In addition, this caption also includes term deposits

(Amounts in Euro)

11. Post-retirement benefits (Continued)

amounting to Euro 14 million and Euro 11 million as at 31 December 2013 and 2012, respectively, and receivables from customers of PT Group companies totalling Euro 15 million as at 31 December 2013, following an agreement entered into with those companies for the transfer of those receivables to the fund assets.

During 2013 and 2012, the movement in the plan assets was as follows:

	2013	2012
	Euro	
Opening balance of the plan assets	**299,865,329**	**246,214,842**
Actual return on assets	13,840,743	74,473,916
Refunds (Note 11.5)[(a)]	(22,039,000)	(20,823,429)
Closing balance of the plan assets	**291,667,072**	**299,865,329**

(a) This caption relates to refunds of expenses paid by PT Comunicações on behalf of PT ACS.

A summary of the components of the net periodic post-retirement health care cost in 2013 and 2012 is presented below:

	2013	2012
	Euro	
Service cost	3,565,000	2,988,477
Net interest cost	2,676,000	5,017,341
Current cost (Notes 11.4 and 11.6)	**6,241,000**	**8,005,818**
Work force reduction program costs	1,324,000	(163,036)
Total cost of redundancy programme (Notes 11.4 and 11.6)	**1,324,000**	**(163,036)**
Health care cost	**7,565,000**	**7,842,782**

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholder's equity. During the years ended 31 December 2013 and 2012, the movement in accumulated net actuarial losses was as follows:

	2013	2012
	Euro	
Opening balance	**277,244,343**	**317,951,850**
Change in actuarial assumptions (Note 11.7)	(1,073,000)	37,439,494
Differences between actual data and actuarial assumptions (Note 11.7):		
Health care benefit obligation related	1,513,000	(14,981,745)
Assets related	(1,845,743)	(63,165,256)
Closing balance	**275,838,600**	**277,244,343**

11.3. Pre-retired and suspended employees

As mentioned in Note 3, PT Comunicações is also responsible for the payment of salaries to suspended and pre-retired employees until they reach the Portuguese social security retirement age. As at 31 December 2013 and 2012, there were 5,304 and 5,441 suspended and pre-retired employees, respectively.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

These liabilities are not subject to any legal funding requirement, therefore the monthly payment of salaries is made directly by PT Comunicações.

During the years ended 31 December 2013 and 2012, the movement in the projected benefit obligation was as follows:

	2013	2012
	Euro	
Opening balance of the projected benefit obligation	**727,258,078**	**779,921,779**
Benefits paid by the Company (Notes 11.4 and 11.5)	(156,387,158)	(159,183,194)
Interest cost (Notes 11.4 e 11.6)	13,222,000	25,657,325
Work force reduction costs (Notas 11.4 e 11.6)	108,227,000	(246,969)
Net actuarial losses (Notes 11.4 and 11.7)	143,956,873	81,313,510
Transfers between plans (Note 11.1)	—	(204,373)
Closing balance of the projected benefit obligation (Note 11.4)	**836,276,793**	**727,258,078**

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholders' equity. During the years ended 31 December 2013 and 2012, the movement in accumulated net actuarial losses was as follows:

	2013	2012
	Euro	
Opening balance	**164,466,120**	**83,152,610**
Change in actuarial assumptions (Note 11.7)	103,023,000	81,438,065
Differences between actual data and actuarial assumptions (Note 11.7)	40,933,873	(124,555)
Closing balance	**308,422,993**	**164,466,120**

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.4. Responsibilities for post-retirement benefits

The movements observed in post-retirement benefit obligations, net of the related asset funds, during the years ended 31 December 2013 and 2012 were as follows:

	Pension benefits (Note 11.1)	Health care benefits (Note 11.2)	Salaries to pre-retired and suspended employees (Note 11.3)	Total
			Euro	
Balance as at 31 December 2011	**22,687,628**	**105,628,230**	**779,921,779**	**908,237,637**
Transfers between plans	204,373	—	(204,373)	—
Net periodic pension cost/(gain) (Note 11.6)	1,328,564	8,005,818	25,657,325	34,991,707
Work force reduction costs (Note 11.6)	87,682	(163,036)	(246,969)	(322,323)
Payments, contributions and refunds (Note 11.5)	(2,083,643)	1,846,127	(159,183,194)	(159,420,710)
Net atuarial losses (gains) (Notes 11.7 and 11.8)	4,997,745	(40,707,507)	81,313,510	45,603,748
Balance as at 31 December 2012	**27,222,349**	**74,609,632**	**727,258,078**	**829,090,059**
Net periodic pension cost/(gain) (Note 11.6)	(992,000)	6,241,000	13,222,000	18,471,000
Work force reduction costs (Note 11.6)	498,000	1,324,000	108,227,000	110,049,000
Payments, contributions and refunds (Note 11.5)	(1,264,924)	3,221,662	(156,387,158)	(154,430,420)
Net atuarial losses/(gains) (Notes 11.7 and 11.8)	(3,765,130)	(1,405,743)	143,956,873	138,786,000
Balance as at 31 December 2013	**21,698,295**	**83,990,551**	**836,276,793**	**941,965,639**

Certain post-retirement benefit plans have a surplus position and therefore were presented in the Balance sheet separately from those plans with a deficit position. As at 31 December 2013 and 2012, net post-retirement obligations were recognized in the Balance sheet as follows:

	2013	2012
	Euro	
Plans with a deficit position:		
Pensions	23,532,295	28,855,189
Healthcare	83,990,551	74,609,632
Salaries to pre- retired and suspended employees	836,276,793	727,258,078
	943,799,639	**830,722,899**
Plans with a surplus position:		
Pensions	(1,834,000)	(1,632,840)
	(1,834,000)	**(1,632,840)**
	941,965,639	**829,090,059**

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.5. Cash flows relating to post-retirement benefit plans

During the years ended 31 December 2013 and 2012, the payments and contributions regarding post-retirement benefits were as follows:

	2013	2012
	Euro	
Pensions		
Contributions to the funds (Note 11.1)	479,399	1,100,000
Payments of pension supplements (Note 11.1)	785,525	983,643
Sub total (Note 11.4)	**1,264,924**	**2,083,643**
Health care		
Refunds (Note 11.2)	(22,039,000)	(20,823,429)
Payments of health care expenses (Note 11.2)	18,817,338	18,977,302
Sub total (Note 11.4)	**(3,221,662)**	**(1,846,127)**
Other payments		
Payments of salaries to pre- retired and suspended employees (Notes 11.3 and 11.4)	156,387,158	159,183,194
Termination payments (Note 11.6)	2,751,916	1,482,772
Service cost related to liabilities tranferred to the Portuguese State[(a)]	21,751,776	25,482,982
Sub total	**180,890,850**	**186,148,948**
	178,934,112	**186,386,464**

(a) This caption corresponds to a fixed contribution paid by PT Comunicações to the Portuguese Social Security System relating to the annual service of active and suspended employees that were entitled to pension benefits under the Company's post-retirement benefit plans that were transferred to the Portuguese State in December 2010.

11.6. Post-retirement benefit costs

In 2013 and 2012, post-retirement benefit costs and curtailment and settlement costs were as follows:

	2013	2012
	Euro	
Post retirement benefits, net		
Pension supplements (Notes 11.1 and 11.4)	(992,000)	1,328,564
Health care benefits (Notes 11.2 and 11.4)	6,241,000	8,005,818
Salaries (Notes 11.3 and 11.4)	13,222,000	25,657,325
Service cost related to liabilities transfered to the Portuguese state[(a)]	21,783,067	22,337,313
	40,254,067	**57,329,020**
Redundancy costs and liquidation		
Pension supplements (Notes 11.1 and 11.4)	498,000	87,682
Health care (Notes 11.2 and 11.4)	1,324,000	(163,036)
Salaries (Notes 11.3 and 11.4)	108,227,000	(246,969)
Termination payments (Note 11.5)	2,751,916	1,482,772
	112,800,916	**1,160,449**

(a) This caption corresponds to a fixed contribution paid by PT Comunicações to the Portuguese Social Security System relating to the annual service of active and suspended employees that were entitled to pension benefits under the Company's post-retirement benefit plans that were transferred to the Portuguese State in December 2010.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.7. Net actuarial losses (gains)

In 2013 and 2012, the net actuarial gains and losses recorded in shareholders' equity were as follows:

	2013	2012
	Euro	
Changes in actuarial assumptions		
Pension benefits (Note 11.1)	(1,044,000)	17,334,547
Health care benefits (Note 11.2)	(1,073,000)	37,439,494
Salaries (Note 11.3)	103,023,000	81,438,065
Sub-total (Note 11)	**100,906,000**	**136,212,106**
Differences between actual data and actuarial assumptions		
Pension benefits (Note 11.1)	(2,721,130)	(12,336,802)
Health care benefits (Note 11.2)	(332,743)	(78,147,001)
Salaries (Note 11.3)	40,933,873	(124,555)
Sub-total	**37,880,000**	**(90,608,358)**
Total (Notes 11.4, 11.8 and 20.4)	**138,786,000**	**45,603,748**

Net actuarial losses and gains recorded in 2013 and 2012 related to changes in actuarial assumptions mainly resulting from the changes in the financial and demographic actuarial assumptions detailed above, as follows:

- Net actuarial losses recognized in 2013 amounting to Euro 101 million correspond to the impact of the change in the Portuguese retirement age from 65 to 66 years old;
- Net actuarial losses recorded in 2012, amounting to Euro 136 million, include primarily the impacts resulting from (1) the suspension of the early retirement regime (loss of Euro 39 million), either permanently for employees under the CGA regime or during the financial assistance programme to Portugal for the remaining employees, (2) the reduction in the discount rates for responsibilities with pension supplements, health care benefits and salaries payable to suspended and pre-retired employees (loss of Euro 102 million), and (3) the change in the mortality tables for active beneficiaries;

The detail of net actuarial gains and losses resulting from differences between actual data and actuarial assumptions is as follows:

- Net actuarial losses recognized in 2013 amounting to Euro 38 million include (1) a gain of Euro 3 million related to the difference between actual return on plan assets (+4.5%) and expected return on plan assets calculated based on discount rates used to compute PBO, and (2) a loss of Euro 41 million related to the difference between actual data and actuarial assumptions related to projected benefits obligations, namely those assumptions related to the salary, pension and healthcare cost trend growth rates;
- Actuarial gains recognized in 2012, amounting to Euro 91 million, include (i) a gain of Euro 68 million related to the difference between actual (+25.2%) and expected return on plan assets calculated based on discount rates used to compute PBO, and (ii) a gain of Euro 23 million corresponding to the difference between actual data and actuarial assumptions regarding projected responsibilities, particular assumptions about growth rates of wages, pensions and health care;

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.8. Other disclosures

The table below presents historical data for a five year period about the present value of projected benefit obligations, the fair value of the plan assets, the surplus or deficit in the plans and the net actuarial gains and losses. The detail of this data for all the plans mentioned above as at 31 December 2013, 2012, 2011, 2010 and 2009 and for the years then ended is as follows:

	2013	2012	2011	2010	2009
			Euro		
Projected benefit obligations[a]	1,328,293,282	1,228,484,830	1,252,933,027	1,393,777,823	3,836,029,063
Plan assets at fair value[a]	(386,327,643)	(399,394,770)	(344,695,390)	(448,145,688)	(2,369,524,484)
Net unfunded obligations	**941,965,639**	**829,090,060**	**908,237,637**	**945,632,135**	**1,466,504,579**

	2013	2012	2011	2010	2009
Changes in actuarial assumptions	100,906,000	136,212,106	(19,337,022)	441,557,656	(1,594,152)
Differences between actual data and actuarial assumptions					
Projected benefit obligations related	40,532,873	(22,561,941)	(7,065,466)	(67,501,464)	15,827,000
Plan assets related	(2,652,873)	(68,046,417)	92,782,990	72,411,885	(184,120,001)
Total net actuarial losses (gains) (Notes 11.4 and 11.7)	**138,786,000**	**45,603,748**	**66,380,502**	**446,468,077**	**(169,887,153)**

(a) The decrease in this caption in the year ended 31 December 2010, is mainly related to the Company's post-retirement benefit plans that were transferred to the Portuguese State.

As at 31 December 2013, the estimate of future undiscounted payments to be made by PT Comunicações related to salaries due to pre-retired and suspended employees and to expected contributions to the funds is as follows:

	Million Euro
2014	155.2
2015 - 2016	268.5
2017 - 2018	216.6
More than 5 years	394.5
Total	**1,034.8**

(Amounts in Euro)

12. Related parties

12.1. Balances with shareholders and group companies

As at 31 December 2013 and 2012, the captions ''Shareholders and group companies'' included in non-current assets and in current liabilities have the following composition:

	2013	2012
	Euro	
DEBIT BALANCES		
Non- Current		
Loans granted[(a)]	—	340,000,000
Total debit balances with shareholders and group companies	**—**	**340,000,000**
CREDIT BALANCES		
Current		
Accounts payable from PT SGPS within tax consolidation[(b)]	196,243	1,607,803
Other	3,006,565	49,440
Total credit balances with shareholders and group companies	**3,202,808**	**1,657,243**

(a) Loans granted to MEO, SA in November 2010, in connection with the acquisition of this company, for an amount of Euro 500,000,000, were repaid in 2011 and 2013 for the amounts of Euro 160,000,000 and Euro 340,000,000, respectively (Note 4 (c)).

(b) During the years ended as at 31 December 2013 and 2012, PT Comunicações reported tax losses that were used by PT SGPS consolidated tax, rather than being recognized as a gain in the Company's financial statements. The accounts payable at 31 December 2013 and 2012 correspond mainly to autonomous taxation.

12.2. Financial investments in subsidiaries and associated companies

As mentioned in the Introduction Note, Portugal Telecom is 100% held by PT Portugal which is fully held by PT SGPS. Consequently, all companies included in the Group were considered as PT Comunicações related parties, including not only its own subsidiaries and associates but also other subsidiaries of PT SGPS.

(Amounts in Euro)

12. Related parties (Continued)

As at 31 December 2013 and 2012, the detail of Portugal Telecom's financial investments in its subsidiaries and associated companies and the main financial information of these entities is detailed as follows (Notes 10, 22 and 27):

	2013				2012			
Company name	% held	Financial investments	Provision for financial investments	Share on net income	% held	Financial investments	Provision for financial investments	Share on net income
				Euro				
SUBSIDIARIES:								
Meo, SA	100.00%	6,914,013,261	—	202,353,669	100.00%	7,253,097,184	—	117,781,680
Janela Digital[(a)]	50.00%	2,048,674	—	—	50.00%	2,048,674	—	(128,292)
Infonet	90.00%	411,530	—	(777,439)	90.00%	1,188,968	—	(111,958)
PT Blueclip[(b)]	100.00%	84,037	—	36,234	100.00%	47,803	—	(2,198)
Auto Sapo[(c)]	50.00%	21,474	—	(3,526)	—	—	—	—
PT Prestações	100.00%	—	(293,898)	2,444	100.00%	—	(296,342)	(4,286)
PT Brasil,S.A. (''PT Brasil'')[(d)(e)]	0.01%	—	—	127	0.01%	10,660	—	106
PT-Sistemas de Informação (''PT-SI'')[(e)]	0.10%	—	(2,779)	(2,447)	0.10%	—	(1,006)	(3,015)
		6,916,578,976	**(296,677)**	**201,609,062**		**7,256,393,289**	**(297,348)**	**117,532,037**
ASSOCIATED COMPANIES:								
Multicert, SA (''Multicert'')[(f)]	20.00%	734,468	—	24,664	20.00%	709,793	—	161,282
Capital Criativo SCR, S.A. (''Capital Criativo'')	10.00%	97,486	—	32,811	10.00%	64,702	—	3,320
Yunit[(g)]	33.33%	—	(103,583)	—	—	—	—	—
CTM[(h)]	—	—	—	—	3.00%	—	—	2,833,844
		831,954	**(103,583)**	**57,475**		**774,495**	**—**	**2,998,446**
		6,917,410,930	**(400,260)**	**201,666,537**		**7,257,167,784**	**(297,348)**	**120,530,483**

(a) The 2013 and 2012 information does not correspond to figures of 31 December.

(b) This company was acquired in 2012 to PT SGPS.

(c) This company was incorporated in July 2013 (Note 1 b)) and its shareholders´ equity includes additional paid amounting to Euro 300,000, having PT Comunicações granted Euro 150,000.

(d) This company was sold in December 2013 to PT SGPS (Note 1 b)).

(e) Portugal Telecom Group has a 100% stake in these companies.

(f) In December 2013, PT Communications acquired 0.0004% of Multicert capital, a company owned by PT SGPS, so now holds a stake of 20% in the share capital of that company (Note 1 b)).

(g) This company was acquired in December 2013 to PT SGPS, as mentioned in the Note 1 b).

(h) As mentioned in Note 20, the stake in this company was classified as non-current asset held for sale at 31 December 2012, following an agreement for disposal of this investment. This operation was completed in June 2013.

(Amounts in Euro)

12. Related parties (Continued)

In 2013 and 2012, the main financial information regarding the above entities, except for those which have no activity or are fully adjusted for, is as follows:

	2013					
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity
			Euro			
SUBSIDIARIES:						
Meo, SA[(a)]	Av. Álvaro Pais, 2 1649- 041 Lisboa	7,661,874,641	747,861,380	1,054,564,457	202,353,669	6,914,013,261
Janela Digital[(b)]	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	5,182,382	1,085,035	3,910,781	1,029,962	4,097,347
Infonet	Rua Castilho, 39, 12G 1250- 068 Lisboa	661,235	203,980	562,996	(863,821)	457,255
PT Blueclip	Av. Fontes Pereira de Melo, n.º 40 1050- 122 Lisboa	245,415	161,378	52,544	36,234	84,037
Auto Sapo[(c)]	Edifício Manheim—MARL Lugar do Quintanilha 2660 - 421 São Julião do Tojal	358,339	15,391	—	(7,052)	342,948
PT Prestações[(d)]	Rua Andrade Corvo, n.º 6 1050- 009 Lisboa	301,234,792	43,818,626	161,290	2,444	257,416,166
PT-SI[(e)]	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edificios Inovação III e IV 2740-122 Porto Salvo	53,092,434	45,842,091	92,083,746	(2,446,656)	7,250,343
ASSOCIATED COMPANIES:						
Multicert[(f)]	Estrada do Casal do Canas, Lote 6 2610- 264 Alfragide	5,106,952	1,434,590	988,606	138,654	3,672,362
Capital Criativo[(g)]	Urbanização de Loures Business Park, EN 115, Lt. 5, 2660-515 Loures	1,503,681	528,822	476,020	195,617	974,859
Yunit[(h)]	Rua de Entrecampos, n.º 28, Lisboa	12,004,907	12,315,651	3,898,317	(367,284)	(310,744)

(Amounts in Euro)

12. Related parties (Continued)

	2012					
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity
			Euro			
SUBSIDIARIES:						
Meo, SA[(a)]	Av. Álvaro Pais, 2 1649- 041 Lisboa	8,241,316,756	988,219,572	1,153,310,003	117,781,680	7,253,097,184
Janela Digital[(b)]	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	5,182,382	1,085,035	3,910,781	1,029,962	4,097,347
Infonet	Rua Castilho, 39, 12G 1250- 068 Lisboa	1,466,516	145,440	1,142,323	(124,398)	1,321,076
PT Blueclip	Av. Fontes Pereira de Melo, n.º 40 1050- 122 Lisboa	50,506	2,703	—	(2,198)	47,803
PT Prestações[(d)]	Rua Andrade Corvo, n.º 6 1050- 009 Lisboa	300,151,428	20,699,195	179,114	(4,286)	279,452,233
PT Brasil	Av. Brigadeiro Faria de Lima, n.º 2277, 15.º 1503 Jardim Paulistano S. Paulo—Brasil	236,382,533	25,282,479	—	2,099,615	211,100,054
PT-SI[(e)]	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edificios Inovação III e IV 2740-122 Porto Salvo	69,907,667	60,884,381	110,995,705	(3,014,854)	9,023,286
ASSOCIATED COMPANIES:						
Multicert	Estrada do Casal do Canas, Lote 6 2610- 264 Alfragide	5,059,265	1,510,224	2,731,569	756,080	3,549,041
Capital Criativo[(g)]	Urbanização de Loures Business Park, EN 115, Lt. 5, 2660-515 Loures	664,658	17,649	190,282	33,199	647,009
CTM	Edifício Telecentro Ilha da Taipa Macau	268,583,983	99,587,914	456,240,787	94,428,628	168,996,069

(a) The Company's financial information was adjusted in order to reflect the impacts resulting from the purchase price allocation of this investment, which was concluded in 2011 and recognized retrospectively to the acquisition date, as mentioned above.

(b) The 2013 and 2012 information does not correspond to figures of 31 December.

(c) Information reported as of 31 August 2013. Shareholders' equity includes additional paid in capital amounting to Euro 300,000.

(d) As of 31 December 2013 and 2012, shareholders' equity includes additional paid in capital amounting to Euro 257,710,064 end Euro 279,748,575, respectively.

(e) As of 31 December 2013 and 2012, shareholders' equity includes additional paid in capital amounting to Euro 10,028,970.

(f) Information reported as of 30 April 2013.

(g) The 2013 and 2012 information correspond to figures of 30 November 2013 and 2012, respectively.

(h) Information reported as of 30 November 2013.

12.3. Balances and transactions with related parties

Besides the receivables and payables included under the captions ''Shareholders and group companies'', as detailed above (Note 12.1), the Company has other receivables and payables with

(Amounts in Euro)

12. Related parties (Continued)

related parties included in other captions. The nature and detail of the main balances with related parties as at 31 December 2013 and 2012 are as follows:

	2013		
	Accounts receivable and unbilled revenues	Other accounts receivable	Total accounts receivable
		Euro	
Meo, SA	48,906,478	71,239	**48,977,717**
UNITEL, SARL (''UNITEL'')	11,988,808	297,326	**12,286,134**
Fibroglobal	1,179,557	9,751,562	**10,931,119**
CST—Companhia Santomense Telecomunicações, SARL (''CST'')	5,551,450	—	**5,551,450**
PT PRO, Serviços Administrativos e de Gestão Partilhados, SA (''PT Pro'')	3,157,838	19,662	**3,177,500**
PT Centro Corporativo SA (''PT CC'')	3,003,764	7,554	**3,011,318**
PT SI	1,161,651	1,547,848	**2,709,499**
PT ACS	2,561,008	80,219	**2,641,227**
Timor Telecom	1,835,375	—	**1,835,375**
Portugal Telecom Inovação, SA (''PT Inovação'')	1,698,276	2	**1,698,278**
PT Contact—Telemarketing e Serviços de Informação, S.A. (''PT Contact'')	1,338,542	82,648	**1,421,190**
PT SGPS	135,686	383,441	**519,127**
Other	4,769,986	534,775	**5,304,761**
	87,288,419	**12,776,276**	**100,064,695**

	2012			
	Shareholders and group companies (Note 12.1)	Accounts receivable and unbilled revenues	Other accounts receivable	Total accounts receivable
		Euro		
Meo, SA	340,000,000	72,830,941	27,491,489	**440,322,430**
UNITEL	—	7,988,639	—	**7,988,639**
PT Pro	—	5,714,830	568	**5,715,398**
Páginas Amarelas	—	4,163,169	903,834	**5,067,003**
CST	—	4,966,063	—	**4,966,063**
PT Data Center	—	4,134,813	—	**4,134,813**
PT Contact	—	3,200,753	109	**3,200,862**
PT SI	—	786,919	1,882,137	**2,669,056**
Fibroglobal	—	1,966,391	603,272	**2,569,663**
PT CC	—	2,261,542	505	**2,262,047**
PT ACS	—	1,834,544	(37,364)	**1,797,180**
PT Inovação	—	1,710,012	2,165	**1,712,177**
Other	—	4,007,301	272,928	**4,280,229**
	340,000,000	**115,565,917**	**31,119,643**	**486,685,560**

(Amounts in Euro)

12. Related parties (Continued)

As at 31 December 2013 and 2012, the nature and detail of the main credit balances with related parties are as follows:

	2013				
	Loans obtained (Note 23)	Shareholders and Group companies (Note 12.1)	Accounts payable and Accrued expenses	Other accounts payable	Total accounts payable
			Euro		
PT Portugal	3,779,000,000	—	86,112,509	—	**3,865,112,509**
PT SGPS	342,322,714	3,179,972	5,855,598	92	**351,358,376**
Meo, SA	—	10,224	66,978,393	1,280,580	**68,269,197**
PT Sales	—	—	19,855,330	3,771	**19,859,101**
PT Pro	—	—	19,099,755	3,306	**19,103,061**
PT SI	—	12,612	14,442,823	119,601	**14,575,042**
PT CC	—	—	12,420,442	7,908	**12,428,350**
PT Inovação	—	—	8,856,969	94,190	**8,951,159**
PT ACS	—	—	4,650,084	2,183,936	**6,834,020**
PT Contact	—	—	5,476,056	77,108	**5,553,164**
Cabo Verde Telecom, SARL (''CVT'')	—	—	3,977,115	378	**3,977,493**
UNITEL	—	—	3,929,860	—	**3,929,860**
CST	—	—	2,235,865	—	**2,235,865**
Other	—	—	4,004,233	1,015,150	**5,019,383**
	4,121,322,714	**3,202,808**	**257,895,038**	**4,786,020**	**4,387,206,580**

	2012				
	Loans obtained (Note 23)	Shareholders and Group companies (Note 12.1)	Accounts payable and accrued expenses	Other accounts payable	Total accounts Payable
			Euro		
PT Portugal	3,527,000,000	—	61,422,333	—	**3,588,422,333**
PT SGPS	117,962,274	1,607,803	1,804,520	127	**121,374,724**
PT Contact	—	—	42,615,164	7,446	**42,622,610**
PTPRO	—	—	24,541,904	5,193	**24,547,097**
Meo, SA	—	41,582	15,554,866	2,930,466	**18,526,914**
PT SI	—	7,590	16,196,351	6,968	**16,210,909**
PT Sales	—	—	12,054,638	10,124	**12,064,762**
PT Inovação	—	—	11,472,188	9,464	**11,481,652**
PT CC	—	—	9,309,436	9,016	**9,318,452**
PT ACS	—	268	6,088,695	3,211,554	**9,300,517**
Páginas Amarelas	—	—	6,518,341	1,847	**6,520,188**
UNITEL	—	—	2,681,438	—	**2,681,438**
CST	—	—	1,884,940	—	**1,884,940**
Other	—	—	3,872,464	126,357	**3,998,821**
	3,644,962,274	**1,657,243**	**216,017,278**	**6,318,562**	**3,868,955,357**

(Amounts in Euro)

12. Related parties (Continued)

During the years ended 31 December 2013 and 2012, the nature and detail of the main transactions with related parties are as follows:

	2013						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries[a]	Other operating income and gain	Other operating expenses and losses	Net interest expenses
				Euro			
Meo, SA	95,275,288	(105,789,247)	(6,420,531)	4,827,835	17,661,266	(111,494)	2,706,196
UNITEL	10,536,187	(5,272,401)	(5,039)	—	8,708	(48,357)	—
Páginas Amarelas	2,614,350	(20,672,485)	18,392	—	—	—	—
PT Contact	1,860,991	(2,504,097)	(65,373,897)	8,801,546	4,309,886	—	—
Timor Telecom	1,614,654	(1,172,713)	—	209,722	91,929	(82,071)	—
CST	1,407,967	(1,739,623)	—	—	1,212,084	(3,622)	—
Fibroglobal	1,330,517	(1,822,163)	—	317,969	259,963	(40,888)	298,644
MTC	1,281,330	(309,545)	—	—	32,977	(6,686)	—
PT ACS	1,250,355	—	(61,900)	(3,707,466)	31,396	—	—
CVT	855,974	(7,399,715)	13,846	—	7,499	(885)	—
Cabo Verde Multimédia, Sociedade Unipessoal, S.A. (''CV Multimédia'')	690,761	(3,735)	—	—	—	—	—
Vortal	519,796	—	(6,000)	—	140	—	—
PT Inovação	337,289	(218,167)	(6,588,019)	9,106,593	127,234	—	—
Fundação PT	335,125	—	2,323	1,807,004	68,374	(1,900,000)	—
PT Pro	307,551	(3,217,789)	(32,942,494)	17,239,484	3,997	—	—
PT SI	288,119	(8,745,728)	(14,842,989)	2,346,955	1,220,125	(13,251)	—
PT CC	18,254	—	(36,321,273)	10,764,631	1,203,812	—	—
INESC	13,249	—	—	48,470	15,840	—	(1,995,192)
SIRESP	12,720	—	—	—	1,187,696	—	—
PT II	6,186	—	225	1,668,727	156,308	(21,328)	—
PT SGPS	412	—	—	—	348,273	(88)	(12,092,103)
PT Sales	5	—	(42,717,622)	3,173,627	60,841	—	—
PT Portugal	—	—	—	1,082,183	—	—	(185,221,469)
Other	932,948	(1,428,943)	(380,400)	785,919	182,325	(101,183)	(102,720)
	121,490,028	**(160,296,351)**	**(205,625,378)**	**58,473,199**	**28,190,673**	**(2,329,853)**	**(196,406,644)**

(Amounts in Euro)

12. Related parties (Continued)

	2012						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries[(a)]	Other operating income and gain	Other operating expenses and losses	Net interest expenses
				Euro			
Meo, SA	164,965,708	(111,976,275)	(6,968,237)	4,752,819	16,928,352	(17,177)	14,056,685
UNITEL	10,345,303	(4,077,035)	—	—	170,011	(37,794)	—
CST	2,401,232	(1,206,169)	—	—	1,391,761	—	—
Páginas Amarelas	2,054,498	(26,423,673)	33,218	—	1,560	—	—
Timor Telecom	1,987,507	(3,019,038)	—	350,372	119,413	(48,286)	—
PT Contact	1,856,728	(1,039,335)	(66,361,944)	11,066,703	4,425,989	—	—
CVT	1,139,618	(8,243,991)	(129,642)	—	120	(9,242)	—
MTC	1,120,661	(543,470)	—	—	17,540	(7,835)	—
CV Multimédia	767,650	(13,143)	—	—	—	—	—
Vortal—Comércio Electrónico, Consultadoria e Multimédia, S.A.	653,768	—	(9,320)	—	145	—	—
Fibroglobal	459,448	—	—	55,314	—	(2,970)	3,262
PT Inovação	371,134	(1,003,497)	(6,938,224)	9,349,102	107,125	—	—
Fundação PT	330,305	—	7,175	1,505,558	217,566	(25,772)	—
PT PRO	304,815	(6,505,698)	(33,130,277)	17,053,348	16,413	—	—
Multitel—Serviços de Telecomunicações Lda	283,883	(427,458)	(95,483)	—	1,931	(6,404)	—
PT SI	173,205	(9,599,102)	(20,815,238)	1,890,084	1,336,637	—	—
PT CC	55,639	—	(38,758,871)	8,952,942	1,074,208	—	—
PT Compras	21,988	—	244	1,818,315	326,415	—	—
Siresp	12,242	—	(172)	—	1,141,565	—	—
PT Sales	7,519	—	(49,151,733)	3,226,378	64,174	—	—
PT II	6,898	—	225	1,932,968	150,946	(417)	—
PT SGPS	691	—	—	90,322	342,230	—	(14,332,391)
PT Portugal	—	—	—	684,964	—	—	(144,625,092)
PT ACS	—	—	(83,123)	(3,614,777)	72,300	—	—
Other	573,657	(926,554)	(729,309)	616,015	65,370	(83,477)	—
	189,894,097	**(175,004,438)**	**(223,130,711)**	**59,730,427**	**27,971,771**	**(239,374)**	**(144,897,536)**

(a) Transactions with related parties included under this caption correspond primarily to gains resulting from amounts charged to other Group entities related to the Company's employees which are currently working in those other entities.

12.4. Other information

Remunerations of the Company's executive and non-executive board members in 2013 and 2012 were as follows:

	2013	2012
	Euro	
Acountant		
Statutory audit fees	50,000	50,000
Audit related services fees	—	7,000
	50,000	**57,000**

The remunerations of Board members are fully supported by PT Portugal.

(Amounts in Euro)

13. Deferrals

As at 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
PREPAID EXPENSES		
Current		
Direct costs	6,954,434	7,242,623
Interest and other financial expenses	6,003,406	7,458,782
Maintenance	851,418	1,117,278
Rentals	461,008	433,719
Telephone directories	413,499	726,752
Other	1,337,218	1,012,508
Total current	**16,020,983**	**17,991,662**
Total prepaid expenses	**16,020,983**	**17,991,662**
DEFERRED INCOME		
Non- current		
Transfer of rights of telecom infrastructure use	—	665,145
Total non- current	**—**	**665,145**
Current		
Penalties imposed to customers relating to violations of contracts[(a)]	68,767,241	45,827,448
Advance billing	14,627,803	19,375,671
Assignment of user rights for submarine cable stations	1,947,864	1,678,943
Transfer of rights of telecom infrastructure use	686,251	3,583,034
Other	6,561,347	3,853,817
Total current	**92,590,506**	**74,318,913**
Total deferred income	**92,590,506**	**74,984,058**

(a) The increase in this caption relates to penalties for violation of contracts by customers of the Pay-tv service and certain irregularities undertaken by other operators regarding the portability of customers.

14. Other financial assets

As at 31 December 2013 and 2012, these captions consist of the following:

	2013	2012
	Euro	
Accounts receivable—trade (Note 17)	76,189	365,032
Other[(a)]	4,001,661	8,599
Total	**4,077,850**	**373,631**

(a) This caption includes loans granted in 2013 to the subsidiary Fibroglobal amounting to Euro 4,000,000.

15. Income taxes

15.1. Introduction

In 2013, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 25%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rate of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million (Euro 10.0 million in 2012) and at the rate of 5.0% on taxable income in excess of Euro 7.5 million (Euro 10.0 million in 2012).

As from 2014, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 23%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35.0 million and 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35.0 million.

As the Company reported tax losses for both years ended 31 December 2013 and 2012, neither the 1.5% municipal tax nor the state taxes are applicable. Consequently, and based on its expectations regarding future taxable results, PT Comunicações used the 23% and 25% tax rates for purposes of computing deferred taxes, at 31 December 2013 and 2012, respectively.

The Company's income taxes are computed based on the tax rate mentioned above and are determined on the basis of profit before-tax adjusted in accordance with tax legislation.

The Company is part of the Special Taxation Regime for Groups of Companies (RETGS) whose dominant company is PT SGPS, so the income tax estimate and deductions made by third parties are recorded on the balance sheet as accounts payable and receivable of PT SGPS.

In accordance with the prevailing legislation, taxation returns are subject to review and correction by the tax authorities during a period of four years (five years for Social Security, Security), except where there have been tax losses, fiscal benefits have been granted, or there are inspections, claims or challenges pending; in such cases, these periods may be extended or suspended, depending on the circumstances. Based upon the information supplied by its tax advisory services, the Board of Directors considers that any corrections to the tax returns that might result from reviews carried out by the tax authorities will not have a significant effect on the financial statements as at 31 December 2013, considering the provisions recorded and the current expectations of settlement regarding tax contingencies described in Note 22.

15.2. Deferred taxes

As mentioned in Note 3.11, deferred tax assets are recognised to the extent that it is reasonably likely that taxable income will be available against which deductible temporary differences can be used, or when there are deferred tax liabilities the reversal of which is expected in the same period in which the deferred tax assets reverse. PT Comunicações believes that deferred tax assets recorded in the Balance Sheet are recoverable either through its future taxable income, based on its budget for the year 2014 and projections of results for the subsequent years adjusted for differences between the accounting and taxable earnings and for certain financial operations to be undertaken in the future, or through the reversal of deferred tax liabilities.

In assessing income tax expenses for the year, in addition to the current tax determined on the basis of profit before-tax adjusted in accordance with tax legislation, the effects of temporary differences between income before tax and taxable earnings arising in the given year or in previous years is also considered.

(Amounts in Euro)

15. Income taxes (Continued)

Movements occurred in deferred tax assets during the years ended 31 December 2013 and 2012 were as follows:

	2013					
	Post retirement benefits	Impairment of accounts receivable	Depreciation and amortisation tangible assets	Other provision and adjustments	Other temporary differences	Total
			Euro			
Opening balance	281,272,183	10,276,194	9,766,858	2,207,224	7,221,339	**310,743,798**
Increases (reductions)						
Net income	(5,523,240)	(3,047,694)	1,698,488	617,009	(559,162)	**(6,814,599)**
Shareholders' equity (Note 21.4)	34,696,499	—	—	—	—	**34,696,499**
Change in the statutory tax rate						
Net income	(11,287,075)	(578,280)	(917,228)	(225,939)	(532,974)	**(13,541,496)**
Shareholders' equity (Note 21.4)	(13,548,560)	—	—	—	—	**(13,548,560)**
Closing balance	**285,609,807**	**6,650,220**	**10,548,118**	**2,598,294**	**6,129,203**	**311,535,642**

	2013						
	Post retirement benefits	Additional contribution to pension funds	Impairment of accounts receivable	Depreciation and amortization of tangible	Other provision and adjustments	Other temporary differences	Total
				Euro			
Opening balance	286,308,291	4,684,889	—	9,732,610	2,330,385	5,085,030	**308,141,205**
Increases (reductions)							
Net income	(16,437,044)	(4,684,889)	10,276,194	34,248	(123,161)	2,136,309	**(8,798,343)**
Shareholders' equity (Note 21.4)	11,400,936	—	—	—	—	—	**11,400,936**
Closing balance	**281,272,183**	**—**	**10,276,194**	**9,766,858**	**2,207,224**	**7,221,339**	**310,743,798**

Movements occurred in deferred tax liabilities during the years ended 31 December 2013 and 2012 were as follows:

	2013			
	Assets revaluation	Earnings not attributed to associated companies	Capital gain with deferred taxation	Total
		Euro		
Opening balance	171,519,487	1,133,959	1,053,237	**173,706,683**
Increases (reductions)				
Net income	(10,526,934)	(951,103)	(520,215)	**(11,998,252)**
Shareholders' equity (Notes 21.5)	—	(182,856)	—	**(182,856)**
Change in the statutory tax rate				
Net income	—	—	(42,642)	**(42,642)**
Shareholders' equity (Note 21.6)	(12,879,404)	—	—	**(12,879,404)**
Closing balance	**148,113,149**	**—**	**490,380**	**148,603,529**

	2012			
	Assets revaluation	Earnings not attributed to associated companies	Capital gain with deferred taxation	Total
		Euro		
Opening balance	182,457,075	1,131,131	1,341,723	**184,929,929**
Increases (reductions)				
Net income	(10,937,588)	33,262	(288,486)	**(11,192,812)**
Shareholders' equity (Note 21.5)	—	(30,434)	—	**(30,434)**
Closing balance	**171,519,487**	**1,133,959**	**1,053,237**	**173,706,683**

(Amounts in Euro)

15. Income taxes (Continued)

15.3. Tax rate reconciliation

In 2013 and 2012, the reconciliation between the expected tax computed by applying the nominal tax rate to income before taxes and the total income tax is as follows:

	2013	2012
	Euro	
Income before taxes	**(200,347,849)**	**(93,674,776)**
Nominal tax rate	25.00%	25.00%
Expected tax	**(50,086,962)**	**(23,418,694)**
Permanent differences[a]	(45,972,128)	(28,719,166)
Tax loss used in connection with RETGS[b]	90,846,088	170,121,916
Effect of the change in tax rate	13,498,854	—
Collection adjustments	1,819,982	1,909,491
Write- off / Derecognition of deferred tax assets[c]	—	(113,579,000)
Surplus of prior year accrued income tax	(257,730)	(1,859,485)
Other	29,351	(6,799,524)
	9,877,455	**(2,344,462)**
Income tax		
Income tax- current	1,562,254	50,007
Deferred tax	8,315,201	(2,394,469)
	9,877,455	**(2,344,462)**

(a) Permanent differences are as follows:

	2013	2012
	Euro	
Equity method of accounting (Note 27)[i]	(201,666,537)	(117,696,638)
Provisions and adjustments not deductible for tax purposes	23,683,108	7,495,389
Disposal of CTM[ii]	(2,112,732)	—
Write- off of accounts receivable	534,816	743,000
Recognition of capital gains and losses[iii]	(1,592,844)	(660,323)
Tax benefits	(3,969,590)	(3,185,478)
Other	1,235,269	(1,572,614)
	(183,888,510)	**(114,876,664)**
Nominal tax rate	25.00%	25.00%
	(45,972,128)	**(28,719,166)**

(i) In 2012, except for the Company's share in the earnings of CTM, for which we recognized a positive deferred tax, gains and losses in affiliated companies represent permanent differences.

(ii) This caption reflects the impact non-taxable gains, recorded upon the disposal of the investment in CTM (Note 20).

(iii) This caption refers to the difference between the accounting capital gains and losses and corresponding tax capital gains and losses related to the disposal of fixed assets.

(b) This caption corresponds to the taxable loss computed in both years by the Company in accordance with Income Tax legislation. In accordance with the fiscal policy set by Portugal Telecom Group, the gain related to the use of these tax losses has been recorded at the group level in PT SGPS' financial statements.

(Amounts in Euro)

15. Income taxes (Continued)

(c) Based on its expectation regarding its individual tax results, the Company in 2011 wrote off a portion of deferred tax assets related to post-retirement benefits that would have been used in 2012, since it believes that the referred tax results will not be enough to allow the use of these deferred tax assets. In 2012, the Company incurred in the tax costs associated with the deferred taxes derecognized in 2011, which therefore contributed to the tax loss generated in the year 2012, as detailed in the table above, and led to the permanent difference presented in 2012.

15.4. Other information

In connection with the Law 40/2005, of August 3, which approved the program SIFIDE—Tax Incentives on Research and Development System, the Company filed in 2013 the application related to the year 2012, amounting to Euro 578,170.

Under the law 10/2009 of March 10, which approved the RFAI—Tax Regime to Support Investment, the Company included in its 2012 income tax declaration form a tax benefit amounting to Euro 5,769,684, related to the significant investments made on the creation of new generation broadband networks.

In 2013, it was approved the Law 49/2013 of 16 July, which establishes an Extraordinary Tax Credit on Investment in the form of an income tax deduction amounting to 20% of the investments related to the company's operations that are realized after 1 June 2013. In the entities that are included in the tax consolidation regime, that deduction will be realized based on the Group's taxable income, and the amount that cannot be deducted may be used in the subsequent five fiscal years, in the same conditions. The Company is evaluation weather will use this benefit or not, based on the investment realized in 2013, the maximum amount of which eligible for tax purposes is Euro 5,122,814, and as such did not reflect this matter in the financial statements.

16. Inventories

As at 31 December 2013 and 2012, this caption consists of the following:

	2013			2012		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Goods	24,238,390	(9,554,491)	14,683,899	39,253,567	(10,310,480)	**28,943,087**
Raw materials and consumables	18,401,315	(1,577,504)	16,823,811	22,264,647	(1,574,336)	**20,690,311**
Work in progress	(796,234)	—	(796,234)	(723,425)	—	**(723,425)**
	41,843,471	**(11,131,995)**	**30,711,476**	**60,794,789**	**(11,884,816)**	**48,909,973**

The cost of products sold was determined as follows:

	2013			2012		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	39,253,567	22,264,647	**61,518,214**	47,441,728	24,094,933	**71,536,661**
Purchases	77,931,344	33,955,104	**111,886,448**	109,250,244	52,331,420	**161,581,664**
Adjustments(a)	(74,892,824)	(30,925,818)	**(105,818,642)**	(91,569,563)	(48,391,866)	**(139,961,429)**
Closing balance	24,238,390	18,401,315	**42,639,705**	39,253,567	22,264,647	**61,518,214**
Costs of products sold and materials consumables	**18,053,697**	**6,892,618**	**24,946,315**	**25,868,842**	**5,769,840**	**31,638,682**

(a) Adjustments to inventories refer mainly to transfers to fixed assets, upon the installation of terminal equipment leased to customers and materials installed in building network infrastructures.

(Amounts in Euro)

16. Inventories (Continued)

The production variation in 2013 and 2012 is as follows:

	2013	2012
	Euro	
Opening balance	723,425	(789,102)
Adjustments	1,135,904	—
Closing balance	(796,234)	(723,425)
Production variation	**1,063,095**	**(1,512,527)**

In the years ended as at 31 December 2013 and 2012, the evolution of accumulated impairment losses relative to inventories was as follows:

	2013			2012		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	10,310,480	1,574,336	**11,884,816**	15,851,031	2,389,398	**18,240,429**
Increases	284,215	3,168	**287,383**	3,716,474	—	**3,716,474**
Reversals	(1,040,204)	—	**(1,040,204)**	(6,468,289)	(815,062)	**(7,283,351)**
Utilizations	—	—	**—**	(2,788,736)	—	**(2,788,736)**
Closing balance	**9,554,491**	**1,577,504**	**11,131,995**	**10,310,480**	**1,574,336**	**11,884,816**

17. Accounts receivables and unbilled revenues

As at 31 December 2013 and 2012, this caption consists of:

	2013			2012		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Trade accounts receivable— current assets	589,980,787	(128,449,223)	461,531,564	624,272,775	(154,117,676)	470,155,099
Trade accounts receivable— non- current assets (Note 14)	76,189	—	76,189	365,032	—	365,032
Accounts receivable	**590,056,976**	**(128,449,223)**	**461,607,753**	**624,637,807**	**(154,117,676)**	**470,520,131**
Unbilled revenues	88,412,138		88,412,138	64,005,319	—	64,005,319
	678,469,114	**(128,449,223)**	**550,019,891**	**688,643,126**	**(154,117,676)**	**534,525,450**

In the years ended as at 31 December 2013 and 2012, the evolution of accumulated impairment losses related to accounts receivable was as follows:

	2013	2012
	Euro	
Opening balance	154,117,676	177,563,099
Reti merger	—	1,953
Increases (reversals)	22,960,728	25,750,763
Utilizations[a]	(48,629,181)	(49,198,139)
Closing balance	**128,449,223**	**154,117,676**

(a) This caption corresponds to the write-off of receivables that were previously fully adjusted for through the use of accumulated impairment losses.

(Amounts in Euro)

17. Accounts receivables and unbilled revenues (Continued)

The Company is exposed to the credit risk arising from the possibility that a third party does not fulfil its contractual obligations, resulting in a financial loss. The credit risk is primarily related to accounts receivable from services provided to customers and is monitored regularly with the following objectives: (a) limit the credit granted to customers, considering their profile and aging of receivables; (b) monitor the evolution of the credit level granted; (c) make regular reviews of the receivables recoverability; (d) analysis of market risk where the customer is located. The Company is not exposed to any significant credit risk related to a particular customer, to the extent that its receivables arise from a large number of customers.

As at 31 December 2013 and 2012, the aging of receivables, net of impairment losses, was as follows:

	2013			2012		
	Accounts receivable from group companies	Accounts receivable from other companies	Total	Accounts receivable from group companies	Accounts receivable from other companies	Total
	Euro					
Unexpired balance	42,608,964	221,010,359	263,619,323	69,799,276	200,206,525	270,005,801
Expired balance						
0 - 60 days	12,989,475	59,198,336	72,187,811	21,946,132	59,967,759	81,913,891
60 - 90 days	1,394,253	12,051,217	13,445,470	1,523,605	13,832,752	15,356,357
90 - 180 days	4,679,416	24,538,629	29,218,045	3,633,891	25,682,526	29,316,417
180 - 360 days	7,430,439	28,506,439	35,936,878	5,089,602	29,449,088	34,538,690
360 - 720 days	4,715,807	14,327,098	19,042,905	1,457,161	22,052,724	23,509,885
More than 720 days	1,238,234	26,919,087	28,157,321	781,305	15,097,785	15,879,090
Accounts receivable	**75,056,588**	**386,551,165**	**461,607,753**	**104,230,972**	**366,289,159**	**470,520,131**

Some of the accounts receivable with a higher aging relate to penalties for contracts violation imposed to customers and other operators, the revenues of which were deferred, as mentioned in Note 13.

18. State and other public entities

As at 31 December 2013 and 2012, the balances with these entities were as follows:

	2013		2012	
	Debit balances	Credit balances	Debit balances	Credit balances
	Euro			
Value added tax[(a)]	—	2,988,848	150,458	18,247,876
Social security taxes	—	8,199,142	—	7,518,077
Personnel income taxes	—	7,236,881	—	12,638,888
Municipality taxes	—	531,602	—	431,181
Corporate income taxes	—	—	—	5,533
Other taxes	—	25,754	43,294	2,998
	—	**18,982,227**	**193,752**	**38,844,553**

(a) As at 31 December 2013, this caption refers to the Value Added Tax payable regarding the month of December, which includes the tax recoverable determined in November and carried over to the following month. As at 31 December 2012, this caption includes Value Added Tax payable regarding the months of November and December, amounting to Euro 7,181,420 end Euro 11,066,456, respectively.

(Amounts in Euro)

19. Other accounts receivable and payable

As at 31 December 2013 and 2012, these captions consisted of the following:

	2013	2012
	Euro	
OTHER ACCOUNTS RECEIVABLE		
Current		
Group companies[(a)]	6,074,634	27,865,224
Several charges[(b)]	17,477,101	15,106,226
SNS—Comparticipação no Plano de Saúde[(c)]	8,225,736	8,225,736
Personnel	4,023,515	2,968,286
European Community subsidies	531,853	49,857
Other accounts receivable[(d)]	95,385,116	71,918,438
Total current	**131,717,955**	**126,133,767**
Accumulated impairment losses	(8,261,557)	(8,245,012)
Total other accounts receivable	**123,456,398**	**117,888,755**
OTHER ACCOUNTS PAYABLE		
Current		
PT ACS	1,287,448	2,327,116
Personnel	917,618	829,894
Group companies	38,309	15,942
Other accounts payable[(e)]	26,539,020	11,783,064
Total current	**28,782,395**	**14,956,016**

(a) The reduction in this caption correspond mainly to interest in connection with loans granted, which were repaid in 2013 (Note 12).

(b) This caption includes mainly accounts receivable related with equipment's sale to occasional customers.

(c) The balances related to Serviço Nacional de Saúde correspond to the amount receivable by the Company regarding the State co-participation in the costs of healthcare plan.

(d) The increase in this caption reflects mainly a gain of approximately Euro 31 million recorded in 2013 related to (i) an amount of Euro 5 million relates to the net compensation receivable from the Portuguese State for prior years costs supported by PT Comunicações with the universal service obligation under the Concession Agreement, in accordance with Law 66/2012, and (ii) an amount of Euro 26 million following the early termination of the concession contract by the Portuguese State assigning the universal service to other operator.

(e) The change in this caption is primarily explained by an amount of Euro 15,236,897 paid by PT Prestações in 2013, in connection with a transfer of receivables from public entities to this company.

During the years ended 31 December 2013 and 2012, the evolution in accumulated impairment losses related to accounts receivable was as follows:

	2013	2012
	Euro	
Opening balance	8,245,012	8,721,353
Increases	16,545	9,319
Reversals	—	(485,660)
Closing balance	**8,261,557**	**8,245,012**

(Amounts in Euro)

20. Non-current assets held for sale

The composition of non-current assets held for sale as at 31 December 2013 and 2012 is as follows:

	2013	2012
	Euro	
Opening balance	5,069,882	—
Acquisition of Sportinvest Multimédia[(i)]	4,653,742	—
Transfer of the CTM from the caption ''Financial investments-equity method of accounting'' (Note 10)	—	5,069,882
Sale of the stake in CTM (Note 10)	(2,309,932)	—
Dividends CTM (Note 10)	(2,759,950)	—
Closing balance	**4,653,742**	**5,069,882**

(i) This stake was acquired for an amount of 32,618,669 euros (Note 4), corresponding to the nominal value of additional paid and supplies granted to this entity, and was recognized an impairment loss in the amount of EUR 27,964,927 (Note 33) to meet the estimated realizable value.

a) CTM

On 13 January 2013, Portugal Telecom entered into a definitive agreement for the sale to CITIC Telecom of its 28% equity stake held in CTM and as such this investment was classified as a non-current asset held for sale as at 31 December 2012. Upon the closing of this transaction on 20 June 2013, PT Comunicações received a total amount of Euro 35,966,391 (Notes 1 (b), 4 (b) and 10) by its 3% stake in the share capital of CTM, and recognized a gain of Euro 32,729,421 (Note 27), which includes: (1) a gain of Euro 33,656,459 corresponding to the difference between the proceeds obtained from this transaction and the carrying value of this investment as at 31 December 2012, of Euro 5,069,882, net of dividends received during the first quarter of 2013, amounting to Euro 2,759,950 and a loss of Euro 927,038 (Note 21.5) corresponding to the cumulative amount of negative foreign currency translation adjustments relating to this investment that were reclassified to profit and loss upon the completion of the sale.

b) Sportinveste Multimédia

On 20 December 2012, Portugal Telecom reached an agreement on a number of transactions that will allow Portugal Telecom to have a 25% stake in a joint-venture that will combine Sport TV Portugal S.A. (''Sport TV''), Sportinveste Multimédia SGPS, S.A. (''Sportinveste Multimédia'') and P.P. TV—Publicidade de Portugal e Televisão, S.A. (''PPTV''). Portugal Telecom will contribute its current 50% stake in Sportinveste Multimédia and invest, through a rights issue in Sport TV, a net amount of up to Euro 21 million. Following these transactions, Portugal Telecom will own 25% of Sport TV, which will incorporate PPTV and Sportinveste Multimédia. As a result of this agreement, Portugal Telecom's investment in Sportinveste Multimédia was classified as a non-current asset held for sale as at 31 December 2012, the carrying value of which amounted to Euro 5 million as of that date. This investment in Sportinveste Multimédia was disposed of in 2013 by PT SGPS to PT Comunicações (Note 1 b)), having been also classified as non-current asset held for sale by the recoverable amount of this investment.

Sport TV produces one of the most complete and broad sports content offering worldwide and PPTV promotes television rights. Sportinveste Multimédia is currently equally owned by Portugal Telecom and Sportinveste SGPS and its core business is the production and development of sports contents through any multimedia platform. This transaction will result in a joint-venture that will allow a higher operational efficiency in management of sports contents in the various distribution platforms, including pay-TV, mobile networks and Internet. This will benefit all operators in the market as well as their customers. Taking into consideration that sports contents are core to its strategy in the various market segments,

(Amounts in Euro)

20. Non-current assets held for sale (Continued)

Portugal Telecom will continue to distribute other sports contents thus striving to retain a diversified and competitive offer to its customers.

On 31 December 2013, these corporate transactions are subject to the approval of the competent authorities, particularly the Competition Authority—Autoridade da Concorrência, and the accomplishment of certain contractual conditions by the companies involved, including the conclusion of Sport TV's refinancing following the transaction.

21. Shareholders' equity

21.1. Share capital

As at 31 December 2013 and 2012, the Company's share capital was fully paid and amounted to Euro 1,150,000,000 and was represented by 1,150,000,000 nominal shares (Note 36), with a nominal value of 1 Euro each. As at 31 December 2013 and 2012, the entirety of the Company's share capital was held by PT Portugal.

21.2. Other shareholders' equity instruments

This caption corresponds to additional paid in capital contributions granted by PT Portugal, which do not bear interest and have no reimbursement term defined. In accordance with applicable law, reimbursement may be made only if, after payment, shareholders' equity is greater than the sum of capital, legal reserves and unrealised revaluation reserves.

21.3. Legal reserve

Portuguese law provides that at least 5% of annual profits must be appropriated to a legal reserve until this reserve equals the minimum requirement of 20% of share capital. This reserve is not available for distribution to shareholders but may be capitalized or used to absorb losses, once all other reserves and retained earnings have been exhausted.

21.4. Other reserves

During the years ended 31 December 2013 and 2012, the movements under this caption were as follows:

	Net actuarial losses	Free reserves	Total
		Euro	
Balance as at 1 January 2012	**(369,029,838)**	**699,003,873**	**329,974,035**
Actuarial losses			
Base (Note 11.7)	(45,603,748)	—	**(45,603,748)**
Tax effect (Note 15)	11,400,936	—	**11,400,936**
Balance as at 31 December 2012	**(403,232,650)**	**699,003,873**	**295,771,223**
Actuarial losses			
Base (Note 11.7)	(138,786,000)	—	**(138,786,000)**
Tax effect (Note 15)	34,696,499	—	**34,696,499**
Change in tax rate (Note 15)	(13,548,560)	—	**(13,548,560)**
Balance as at 31 December 2013	**(520,870,711)**	**699,003,873**	**178,133,162**

(Amounts in Euro)

21. Shareholders' equity (Continued)

21.5. Adjustments to financial assets

During the years ended 31 December 2013 and 2012, the movements under this caption were as follows:

	Unpaid dividends	Foreign currency exchange differences[(a)]	Other changes in shareholders' equity[(b)]	Total
		Euro		
Balance as at 1 January 2012	**25,432,194**	**(231,013,947)**	**(800,854)**	**(206,382,607)**
Equity method	—	(350,270,498)	48,931,770	**(301,338,728)**
Dididends not received from subsidiaries and associated companies	50,868,659	—	—	**50,868,659**
Deferred taxes (Note 15.2)	—	30,434	—	**30,434**
Balance as at 31 December 2012	**76,300,853**	**(581,254,011)**	**48,130,916**	**(456,822,242)**
Equity method	—	(534,611,613)	(6,826,726)	**(541,438,339)**
Dididends not received from subsidiaries and associated companies	250,643,469	—	—	**250,643,469**
Alienation of CTM (Note 20 a))	—	927,038	879,912	**1,806,950**
Alienation of PT Brasil	—	5,667	8,605	**14,272**
Deferred taxes (Note 15.2)	—	182,856	—	**182,856**
Balance as at 31 December 2013	**326,944,322**	**(1,114,750,063)**	**42,192,707**	**(745,613,034)**

(a) The foreign currency exchange differences determined following the application of the equity method of accounting are related to the update of financial investment in Oi, which is indirectly owned through the affiliated company MEO, SA.

(b) In 2012, other changes in shareholders' equity resulting from the equity method of accounting include primarily a gain recorded by Bratel Brasil (a company of PT Group that holds the investment in Oi Group and is held indirectly by MEO, SA), amounting to Euro 49 million, corresponding to the impact of a corporate restructuring undertaken by the Oi Group in March 2012.

Movements related to the equity method of accounting were recorded under the following captions:

	2013	2012
	Euro	
Investments in subsidiaries and associated companies (Note 10)	(541,439,013)	(301,338,547)
Provision for negative financial investments (Note 22.5)	674	(181)
	(541,438,339)	**(301,338,728)**

(Amounts in Euro)

21. Shareholders' equity (Continued)

21.6. Revaluation surplus

During the years ended 31 December 2013 and 2012, the movements under this caption were as follows:

	2013	2012
	Euro	
Opening balance	**589,044,034**	**623,874,447**
Realization of revaluation surplus		
Base	(44,956,340)	(45,768,002)
Tax effect	10,526,934	10,937,589
Impact of change in tax rate (Note 15.2)	12,879,404	—
Closing balance	**567,494,032**	**589,044,034**

In accordance with the applicable legislation and the accounting practices used in Portugal, the revaluation reserves cannot be distributed to shareholders; they can only be used, under certain circumstances and in accordance with Portuguese legislation, for future capital increases.

The revaluation reserves recognized under this caption are related to both (1) assets measured in accordance with the revaluation model, and also (Note 6.2), (2) other assets revalued previously, for which the Company, in connection with the adoption of SNC and as permitted by NCRF 3, adopted the cost model. The Company decided to include both of these revaluation reserves under this caption as they are both non-distributable to shareholders, as mentioned above.

Annually, PT Comunicações transfers to retained earnings the revaluation reserve realized in the year, primarily through the depreciation of the asset that originated these reserves. The amounts transferred during the years ended 31 December 2013 and 2012, net of the corresponding tax effects, amounted to Euro 34,429,406 and Euro 34,830,413, respectively.

21.7. Other shareholders' equity

PT Comunicações recognises under this caption subsidies associated with the acquisition or production of non-current assets (investment subsidies), which were entirely received and are non-refundable, where the Company is not under obligation to comply with conditions associated with the subsidy.

These subsidies are subsequently recognized in earnings during the useful lives of the related assets for which those subsidies were granted. The Company recognized gains amounting to Euro 2,150,776 in 2013 and Euro 2,997,997 in 2012 (Note 32). The balance of this caption corresponds to the remaining amount of subsidies that have not yet been recognized in earnings.

21.8. Application of earnings

In 2012, as approved by the General Shareholders Meeting held on 29 March 2012, the negative net income of 2011, was entirely transferred to the caption ''Retained earnings''.

In 2013, as approved by the General Shareholders Meeting held on 27 March 2013, the negative net income of 2012 was entirely transferred to the caption ''Retained earnings''.

(Amounts in Euro)

22. Provisions, contingent liabilities and contingent assets

22.1. Movements occurred in provisions

During the years ended 31 December 2013 and 2012, the movements in provisions were as follows:

	2013				
	Tax claims	Other litigation	Provision for negative financial investments (Note 12)	Other provisions	Total
			Euro		
Opening balance	**14,908,002**	**9,674,993**	**297,348**	**61,240**	**24,941,583**
Increases	1,321,681	1,343,448	102,912	1,646,721	**4,414,762**
Reductions	(5,896,106)	(4,544,954)	—	—	**(10,441,060)**
Utilizations	(5,215,159)	—	—	(729,553)	**(5,944,712)**
Closing balance	**5,118,418**	**6,473,487**	**400,260**	**978,408**	**12,970,573**
Current	5,118,418	6,473,487	—	978,408	**12,570,313**
Non-current	—	—	400,260	—	**400,260**

	2012				
	Tax claims	Other litigation	Provision for negative financial investments (Note 12)	Other provisions	Total
			Euro		
Opening balance	**14,629,879**	**9,674,288**	**292,057**	**1,162,606**	**25,758,830**
Increases	9,079,743	1,601,337	5,291	1,113,060	**11,799,431**
Reductions	(2,004,714)	(1,600,632)	—	(6,984)	**(3,612,330)**
Utilizations	(6,796,906)	—	—	(2,207,442)	**(9,004,348)**
Closing balance	**14,908,002**	**9,674,993**	**297,348**	**61,240**	**24,941,583**
Current	14,908,002	9,674,993	—	61,240	**24,644,235**
Non-current	—	—	297,348	—	**297,348**

22.2 Claims and legal proceedings

a) Proceedings with probable losses

Provisions for tax claims and legal proceedings are related to liabilities arising from legal proceedings against the Company, and are computed based on the advice of PT Comunicações' tax and legal advisors.

(Amounts in Euro)

22. Provisions, contingent liabilities and contingent assets (Continued)

As at 31 December 2013 and 2012, there were several legal proceedings and tax contingencies which, in accordance with "NCRF 21 Provisions, Contingent Liabilities and Contingent Assets" ("NCRF 21") and based on the opinion of the Company's internal and external tax and legal counsels, were considered as probable losses, since the Company considered probable the outflow of resources to settle the obligation. The nature of these claims is as follows:

	2013	2012
	Euro	
Legal proceedings		
Civil contingencies	1,372,668	3,321,484
Labor contingencies	2,130,323	2,504,227
Other contingencies	2,970,496	3,849,282
	6,473,487	**9,674,993**
Tax contingencies	5,118,418	14,908,002
	11,591,905	**24,582,995**

Set forth below are several tax claims assessed as constituting a probable loss, namely related to a portion of the VAT and IRC tax assessments in regard to the years 1998 of Marconi and 1999 of Portugal Telecom, S.A., and the years 2002 to 2012 of PT Comunicações, among others, the Company has recorded a provision amounting to Euro 5,118,418 in 2013, including tax and interest. However, the Company is contesting these claims with the tax authorities.

b) Proceedings with possible losses

As at 31 December 2013 and 2012, the Company, in accordance with the definitions of NCRF 21 and based on the advice of its internal and external tax and legal counsels, had classified several claims and legal proceedings and tax contingencies as proceedings with possible losses. The nature of these proceedings is as follows:

	2013	2012
	Euro	
Legal proceedings		
Civil contingencies	70,241,929	74,163,129
Labor contingencies	542,461	478,806
Other contingencies	13,682,689	21,125,828
	84,467,079	**95,767,763**
Tax contingencies	1,764,553	2,562,502
	86,231,632	**98,330,265**

22.3 Description of the main claims with regulatory entities and other legal proceedings

The following litigation processes relate to the main claims and legal proceedings filed by regulatory entities against PT Comunicações, some of which the Company considers, based on the advice of its internal and external legal counsels that related losses are remote, in accordance with the definitions of NCRF 21.

a) Claims for municipal taxes and fees

Pursuant to a statute enacted on 1 August 1997, as an operator of a basic telecommunications network, Portugal Telecom was exempt from municipal taxes and rights-of-way and other fees with respect to its

22. Provisions, contingent liabilities and contingent assets (Continued)

network in connection with its obligations under the Concession. The Portuguese Government has advised Portugal Telecom in the past that this statute confirmed the tax exemption under our Concession. The Portuguese Government has informed Portugal Telecom it will continue to take the necessary actions in order for PT Comunicações to maintain the economic benefits contemplated by the Concession.

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. This regime was implemented in 2005 but does not affect the lawsuit described above based on the former statute. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in various legal actions.

Some municipalities however, continue to interpret that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain. Currently, there are legal proceedings filed by some municipalities regarding this matter.

b) Regulatory proceedings

Portugal Telecom's operations are regularly subject to regulatory inquiries and investigations involving their operations. In addition, ANACOM (the telecommunications regulator), the European Commission, and the Autoridade da Concorrência (the competition authority) regularly make inquiries and conduct investigations concerning compliance with applicable laws and regulations. Current inquires and investigations include several investigations by the (Autoridade da Concorrência) related to PT Comunicações for alleged anti-competitive practices in the Digital Terrestrial Television market. The Company believes that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses and the novelty of the relevant antitrust laws. However, if PT Comunicações is found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, it could become subject to penalties, fines, damages or other sanctions. It is however permitted under Portuguese law to appeal any adverse decision to the Courts.

In April 2007, the Autoridade da Concorrência filed a complaint alleging that PT Comunicações abused its dominant market position by granting, in 2003, discriminatory discounts on lease lines. PT Comunicações challenged this claim with the authorities. However, on 1 September 2008, the Autoridade da Concorrência imposed a fine of Euro 2.1 million on PT Comunicações. PT Comunicações appealed to the Commerce Court of Lisbon, on 29 September 2008 and, on 29 February 2012, the Commerce Court of Lisbon cleared PT Comunicações of the fine. The Company, based on the opinion of its internal and external legal counsels, has not recorded any provision for this matter.

c) Other legal proceedings

In March 2004, TV TEL Grande Porto—Comunicações, SA. (''TVTEL''), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL alleges that PT Comunicações intended to favor both itself and CATVP—TV Cabo Portugal, S.A, a PT Multimedia subsidiary and at the time a direct competitor of TV TEL. TV TEL is claiming an amount of approximately Euro 15 million from Portugal Telecom for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. In addition, TV TEL has demanded that PT Comunicações be required to give full access to its ducts in Oporto. PT Comunicações submitted its

(Amounts in Euro)

22. Provisions, contingent liabilities and contingent assets (Continued)

defence to these claims, stating that: (1) TV TEL did not have a general right to install its network in PT Comunicações' ducts; (2) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy; and (3) TV TEL's claims for damages and losses were not factually sustainable. On February 2013, the court decided a compensation related to increased costs of financing incurred and a value regarding loss of clients to be liquidated by TV TEL. Both parties have appealed.

In March 2011, Optimus—Comunicações S.A. (''Optimus'') filed a claim against Portugal Telecom in the Judicial Court of Lisbon for the payment of approximately Euro 11 million and, in October 2011, Onitelecom—Infocomunicações, S.A (''Oni'') filed a claim against Portugal Telecom in the same court for the payment of approximately Euro 1.5 million, both related to a proceeding of the Autoridade da Concorrência that terminated in 2011 for prescription reasons, in relation to which Autoridade da Concorrência had imposed a fine to Portugal Telecom of approximately Euro 45 million. Optimus and Oni sustained their position by arguing that they suffered losses and damages as a result of Portugal Telecom's conduct. In the Optimus action, the Company is waiting for the schedule of the trial, while regarding the Oni legal action, Portugal Telecom was acquitted due to prescription reasons.

22.4 Other tax contingencies

In addition to the tax contingencies mentioned above, the risk of loss of which was deemed as either probable or possible (Note 22.2), there are other tax claims pending appeal or judicial decision, totalling Euro 21 million, which include primarily (1) tax assessments filed by the tax authorities with respect to the income tax from 1997 to 1998 of Portugal Telecom, SA and Marconi, and for 2002 and 2010 of PT Comunicações, and (2) additional payments of VAT from 2000 to 2004. The Company's opinion, based on the advice of its tax and legal counsel, is that the risk of loss associated with these claims is remote.

22.5 Provisions for losses on financial investments

Provisions for losses on financial investments are related to losses in subsidiaries and associated companies that have negative shareholders' equity (Note 12), and are computed based on the Company's share in the shareholders' equity of those entities. Movements in these provisions during the years ended 31 December 2013 and 2012 were as follows:

	2013	2012
	Euro	
Equity method		
Losses in subsidiaries and associated companies (Note 27)	2,446	5,110
Gains in subsidiaries and associated companies (Note 27)	(2,444)	—
Adjustments to financial assets (Note 21.5)	(674)	181
Acquisition of Yunit (Notes 1 and 4)	103,584	—
	102,912	**5,291**

22.6 Contingent assets

As at 31 December 2013, the main contingent asset relates to a request for the transmission of tax losses from PT.Com, a company that was merged into PT Comunicações in 2004, amounting to Euro 56 million. The recovery of this amount depends on the appeal filed by the Company. The request filed by the Company was overruled by the tax authorities on 2 February 2007, and the Company challenged this decision on 15 May 2007 through a special administrative proceeding, which is pending a final decision.

(Amounts in Euro)

23. Loans obtained

Loans obtained as at 31 December 2013 and 2012 have the following composition:

	2013		2012	
	Non-current	Current	Non-current	Current
			Euro	
Intragroup loans (Note 12.3)	3,779,000,000	—	3,527,000,000	—
Centralized cash management (Note 12.3)	—	342,322,714	—	117,962,274
Commercial programme	3,086,750,000	—	2,631,600,000	1,047,150,000
Leases	11,656,946	20,576,337	20,261,415	19,142,242
	6,877,406,946	**362,899,051**	**6,178,861,415**	**1,184,254,516**

23.1 Loans to Group companies

In March 2013, the Company obtained a loan from PT Portugal, amounting to Euro 252,000,000 (Note 4), as a result of which the total amount due increased to Euro 3,779,000,000. These loans have no defined maturity, but shall be repaid, partially or entirely, in more than one year, subject to the cash needs of the Company. The interest on these loans is linked to market rates.

23.2 Centralized cash management

As from March 2006, Portugal Telecom centralized all cash receipts and payments from Group companies located in Portugal. The financings obtained by the Company under this system have short term maturities and bear interest at market rates.

23.3 Commercial paper

On 25 June 1999, Portugal Telecom established a commercial paper program. Following subsequent amendments to this program, the maximum amount under this program as at 31 December 2013 is Euro 3,500,000,000. This program is in place until 7 July 2015, and is automatically renewable for two year periods, until 7 July 2025, unless one of the parties objects to it. As at 31 December 2013 and 2012, the Company had issued an amount of Euro 898,400,000 and Euro 1,440,400,000, respectively, under this program, which was fully subscribed by PT Finance.

On 1 June 2000, Portugal Telecom had issued another commercial paper program. Following subsequent amendments to this program, the maximum amount under this program as at 31 December 2013 is Euro 3,000,000,000. This program is in place until 1 June 2014, and is automatically renewable for two year periods, until 1 June 2020, unless one of the parties objects to it. As at 31 December 2013 and 2012, the Company had issued an amount of Euro 2,188,350,000 and Euro 2,238,350,000, respectively, under this program, which was fully subscribed by PT Finance.

23.4 Finance leases

Financial leasing obligations are essentially the result of: (i) lease contracts with respect to vehicles, under which there are generally purchase options at the end of their term, and (ii) contracts for the acquisition of satellite capacity, under which the Company has the right to use this capacity in the normal course of telecommunications operations, a right that is recorded by the Company as an intangible asset. The contracts for the acquisition of satellite capacity do not include purchase options but, generally, the Company has a preference in the allocation of future transponders' capacity.

(Amounts in Euro)

23. Loans obtained (Continued)

As at 31 December 2013 and 2012, the Company had recorded in the balance sheet the following assets under finance leases:

	2013			2012		
	Gross value	Accumulated depreciation	Carrying value	Gross value	Accumulated depreciation	Carrying value
			Euro			
Tangible fixed assets						
Transport equipment	25,273,664	10,407,145	14,866,519	25,029,846	11,068,954	13,960,892
Other tangible fixed assets	1,699,129	869,412	829,717	1,441,277	467,471	973,806
	26,972,793	11,276,557	15,696,236	26,471,123	11,536,425	14,934,698
Intangible assets						
Industrial property and other rights	52,443,905	43,169,946	9,273,959	51,562,961	35,076,858	16,486,103
	79,416,698	**54,446,503**	**24,970,195**	**78,034,084**	**46,613,283**	**31,420,801**

As at 31 December 2013 and 2012, the maturity of minimum lease payments of leasing contracts was as follows:

	2013			2012		
	Capital	Interest	Total	Capital	Interest	Total
			Euro			
Up to 1 year	20,576,337	733,795	**21,310,132**	19,142,242	1,695,621	**20,837,863**
Between 1 and 2 years	5,592,304	320,728	**5,913,032**	14,479,139	883,072	**15,362,211**
Between 2 and 3 years	1,910,966	241,731	**2,152,697**	4,252,715	152,839	**4,405,554**
Between 3 and 4 years	1,725,636	183,241	**1,908,877**	835,871	63,208	**899,079**
Between 4 and 5 years	876,091	145,655	**1,021,746**	693,690	22,604	**716,294**
More than 5 years	1,551,949	25,464	**1,577,413**	—	—	**—**
	32,233,283	**1,650,614**	**33,883,897**	**39,403,657**	**2,817,344**	**42,221,001**

23.5 Other information

As at 31 December 2013, the Company was party, along with PT SGPS and PT Finance, to one Credit Facilities, with the amount of Euro 800 million, with maturity in June 2016.

As at 31 December 2013, the Company was also part, along with PT SGPS and PT Finance, in an Export Credit Facility, amounting to Euro 180 million, with a maturity in 2023. As at 31 December 2013, the amount used under the Credit Facilities, mentioned above, by PT Finance was Euro 400 million and Euro 70 million, respectively.

As at 31 December 2013, the main covenants included in financing contracts, in relation to which the Company is collectively responsible along with PT SGPS and PT Finance, are as follows and refer to the consolidated accounts:

- **Change in control:** The exchangeable bonds, the credit facilities amounting to Euro 670 million and the loans obtained from the European Investment Bank (''EIB'') totalling Euro 527 million establish penalties in the case of a change in control of PT SGPS. According to the terms and conditions of these debt instruments, a change of control would occur if any person or group of persons acting in concert acquires or controls more than 50 per cent of voting rights, whether obtained by ownership of share capital, the holding of voting rights or pursuant to the terms of a shareholders' agreement. In certain cases, gaining the power to appoint or remove all, or the majority, of the directors or other equivalent officers of PT SGPS or to give directions with respect to

(Amounts in Euro)

23. Loans obtained (Continued)

the operating and financial policies of PT SGPS with which the directors or equivalent officers of the company are obliged to comply are also considered a change of control.

The Euro 750 million Eurobond issued in 2009, the Euro 600 million Eurobond issued in 2011, the Euro 750 million Eurobond issued in 2012 and the Euro 1,000 million Eurobonds issued in 2013, establish penalties in the case of any change of control of Portugal Telecom, as described above, only if simultaneously a rating downgrade to sub-investment grade occurs (in case the securities are investment grade securities) or a rating downgrade occurs (in case the securities are sub-investment grade securities) during the Change of Control Period, as defined under the terms and conditions of these notes.

- **Control/disposal of subsidies:** Certain revolving credit facilities amounting to Euro 670 million require PT SGPS to, directly or indirectly, maintain majority ownership and control of each material subsidiary. Material subsidiaries are those companies whose total assets are equal or exceed 10% of total consolidated assets or whose total revenues are also equal or exceed 10% of total consolidated revenues.
- **Disposal of assets:** The loans obtained from the EIB totalling Euro 527 million as at 31 December 2013 include certain restrictions regarding the disposal of assets by PT SGPS.
- **Financial ratios:** Certain revolving credit facilities totalling Euro 670 million require that Consolidated Net Debt/EBITDA PT SGPS's ratio does not exceed certain values, which vary depending on each financing.
- **Negative Pledge:** The Euro Medium Term Notes, the exchangeable bonds, the credit facilities, under which Portugal Telecom Group had contracted loans amounting to Euro 670 million, the loans obtained from the EIB and the commercial paper programmes are subject to negative pledge clauses, which restrict the pledge of security interests in the assets of companies included in the consolidation.

The penalties applicable in the event of default in any of these covenants are generally the early payment of the loans obtained or the termination of available credit facilities. As at 31 December 2013, Portugal Telecom and PT Comunicações had fully complied with the covenants mentioned above.

Although current liabilities exceed current assets, the Company is not subject to liquidity risk, because of its ability to obtain needed capital from within the Portugal Telecom Group.

24 Suppliers

The captions ''Suppliers'' and ''Investment suppliers'' as at 31 December 2013 and 2012 consist of the following:

	2013	2012
	Euro	
Trade suppliers		
Current	319,470,088	259,336,226
Invoices to be issued	25,651,226	28,605,385
	345,121,314	**287,941,611**
Investment suppliers		
Current	74,443,261	78,225,664
Invoices to be issued	25,684,107	29,906,857
	100,127,368	**108,132,521**

(Amounts in Euro)

25 Accrued expenses

As at 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Interest and other financial expenses payable[(a)]	107,973,460	67,038,381
Direct costs of services rendered[(b)]	84,806,581	64,347,556
Charges for vacations, vacation subsidies and other payroll costs	42,964,245	43,592,100
Other supplies and external services	16,132,996	15,159,167
Credits related to invoices issued	10,153,020	8,427,354
Support services[(c)]	8,186,121	38,711,199
Rentals	4,495,887	5,693,006
Maintenance and repairs	3,957,839	2,840,937
Specialized work	3,176,246	2,469,338
Marketing and publicity	2,192,106	2,560,743
Other	9,266,319	17,179,148
	293,304,820	**268,018,929**

(a) The increase in this caption reflects primarily (i) the loans obtained from PT Portugal, the accrued interest of which increased from Euro 62.1 million as at 31 December 2012 to Euro 86.9 million as at 31 December 2013, (ii) the interest associated with commercial paper programs which increased from Euro 3.4 million as at 31 December 2012 to Euro 18.4 million as at 31 December 2013.

(b) The increase in this caption reflects primarily to amounts billed by the MEO, SA, relating to sales made on behalf of the company, under the provision of converged products and services from fixed and mobile businesses called ''M4O'', which was launched commercially at the beginning of year 2013.

(c) The decrease in this caption is related primarily with the accrued expenses with PT Communicators Group companies.

26 Services rendered and sales

As at 31 December 2013 and 2012, these captions consisted of the following:

	2013	2012
	Euro	
Services rendered		
Fixed telephone services	517,081,338	560,932,329
Television services	564,564,801	504,959,708
Leased lines and capacity	173,862,385	205,970,299
Internet	121,082,379	131,382,406
Data communications (services)	74,362,602	88,946,049
Publicity	37,167,294	47,073,327
Other	198,131,681	209,906,970
Sales	21,975,806	25,146,653
	1,708,228,286	**1,774,317,741**

(Amounts in Euro)

27 Equity in earnings of affiliated companies

As at 31 December 2013 and 2012, this caption consists of the following:

	2013	2012
	Euro	
Gains and losses in affiliated companies		
Gains	202,449,949	120,780,232
Losses	(783,412)	(249,749)
Gains and losses on the disposal of affiliated companies		
Gains[a]	32,729,421	—
Losses[b]	(521)	—
	234,395,437	**120,530,483**

(a) In 2013, this caption corresponds to the gain recorded with the disposal of the investment in CTM (Note 20).

(b) In 2013, this caption refers to the loss recorded with the disposal of the investment in PT Brasil (Note 10).

In 2013 and 2012, gains and losses in affiliated companies, resulting from the application of the equity method of accounting (Note 12), were recognized in the following captions:

	2013	2012
	Euro	
Financial investments (Note 10)		
Meo, SA	202,353,668	117,781,679
PT Blue Clip	36,234	(2,198)
Capital Criativo	32,811	3,320
Multicert	24,664	161,282
PT Brasil	127	106
CTM	—	2,833,845
Janela Digital	—	(128,293)
PT Sistemas de Informação	—	(2,191)
Auto Sapo	(3,526)	—
Infonet	(777,439)	(111,957)
	201,666,539	**120,535,593**
Provision for negative financial investments (Note 22)		
PT Prestações	2,444	(4,286)
PT Sistemas de Informação	(2,446)	(824)
	(2)	**(5,110)**
	201,666,537	**120,530,483**

(Amounts in Euro)

28 Direct costs

For the year ended 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Telecommunications costs	318,059,050	313,292,455
Programming costs	127,947,120	122,587,397
Directories	20,672,485	26,422,716
Contents of internet and mobile service	9,364,310	8,892,759
Other	16,129,936	12,849,356
	492,172,901	**484,044,683**

29 Supplies and external services

For the year ended 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Support services	173,456,303	179,003,249
Maintenance and repairs	74,354,917	74,820,724
Commissions	61,380,164	65,991,475
Electricity	32,832,623	33,370,729
Rentals	22,500,926	21,467,867
Specialized work	17,553,741	19,385,996
Communications	13,684,748	14,200,652
Fuel, water and other fluids	7,215,780	7,276,597
Other	28,068,032	29,887,307
	431,047,234	**445,404,596**

As at 31 December 2013, the Company's obligations under operating lease contracts mature as follows:

	2013
	Euro
Up to 1 year	100,918,198
Between 1 and 2 years	92,711,646
Between 2 and 3 years	1,616,462
Between 3 and 4 years	1,464,969
Between 4 and 5 years	569,775
More than 5 years	2,152,143
	199,433,193

(Amounts in Euro)

30 Wages and salaries

For the year ended 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Salaries	201,499,220	206,325,671
Social Security charges	22,821,971	21,517,595
Social events	2,360,328	3,481,623
Healthcare	2,234,429	1,788,231
Training	1,227,334	1,129,498
Other	1,746,627	1,247,970
	231,889,909	**235,490,588**

31 Indirect taxes

As at 31 December 2013 and 2012, this caption consists of the following:

	2013	2012
	Euro	
Anacom taxes	10,772,408	11,390,709
Direct taxes	1,286,790	1,411,517
Value Added Tax	528,635	1,036,709
Other	1,597,751	1,559,638
	14,185,584	**15,398,573**

32 Other income and gains

As at 31 December 2013 and 2012, this caption consists of the following:

	2013	2012
	Euro	
Suplemental income		
Studies, projects and technical assistance	3,229,295	3,755,443
Lease	16,420,759	14,174,671
Other suplemental income[(a)]	68,283,235	94,520,141
Income and gains in non financial investments	4,344,687	2,121,896
Investment subsidies (Note 21.7)	2,150,776	2,997,997
Interest due	1,879,164	2,457,716
Recovery of accounts receivable	1,222,790	837,609
Gains on exchange rate differences	1,123,165	1,293,338
Income from investment properties (Note 7)	620,062	638,953
Other	127,774	1,040,090
	99,401,707	**123,837,854**

(a) In this caption were recorded a gain of approximately Euro 26 million in 2013 related to a compensation to assign to PT Comunicações by the Portuguese State, following the Concession Agreement revocation related with the universal service (Note 1 (a)) and a gain of approximately Euro 60 million in 2012 related to a net compensation receivable from the Portuguese State for prior years costs supported by PT Comunicações with the universal service obligation under the Concession Agreement.

(Amounts in Euro)

33 Other expenses and losses

For the year ended 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Write-off of tangible fixed assets	6,097,136	11,830,758
Donations	3,290,318	693,260
Losses on exchange rate differences	1,625,855	1,687,604
Contractual penalties incurred	1,625,417	1,463,704
Losses in inventories	1,556,527	2,526,114
Other[(a)]	42,327,010	10,315,064
	56,522,263	**28,516,504**

(a) This caption includes an impairment loss in amount of Euro 27,964,927 (Note 20), corresponding to the difference between the acquisition value of the investment in Sportinveste Multimédia and its estimated realizable value.

34 Depreciation and amortisation ((losses)/reversals)

For the year ended 31 December 2013 and 2012, this caption consisted of the following:

	2013	2012
	Euro	
Tangible fixed assets (Note 6)	448,603,042	466,841,602
Intangible assets (Note 9)	31,204,987	30,330,408
Investment properties (Note 7)	1,120,137	482,639
	480,928,166	**497,654,649**

35 Interest and related income/expenses

The detail of these captions in the year ended 31 December 2013 and 2012 were as follows:

	2013	2012
	Euro	
Interest and related income		
Interest income	3,349,339	14,190,982
Gains on exchange rate differences	2,991,516	262,517
Other	576,864	814,413
	6,917,719	**15,267,912**
Interest and related expenses		
Interest expense	358,573,654	311,664,796
Bank commissions and expenses	5,556,369	3,954,254
Losses on exchange rate differences	4,848,196	288,259
Finance leases	1,319,353	2,730,486
Other	2,748,135	2,369,712
	373,045,707	**321,007,507**

(Amounts in Euro)

35 Interest and related income/expenses (Continued)

The detail of interest income and interest expenses in 2013 and 2012 is as follows:

	2013	2012
	Euro	
Interest income		
Intragroup loans[a]	3,006,362	14,059,430
Other	342,977	131,552
	3,349,339	**14,190,982**
Interest expense		
Intragroup loans[b]	197,313,572	158,957,483
Other	161,260,082	152,707,313
	358,573,654	**311,664,796**

(a) The decrease in interest income under this caption results primarily from the full repayment of loans granted to MEO, SA, in the amount of Euro 340,000,000 at 1 March 2013 (Note 12.3).

(b) The increase in this caption reflects mainly a higher level of loans obtained from PT Portugal (Note 23.1).

36 Earnings per share

Earnings per share for the years 2013 and 2012 were computed as follows:

	2013	2012
		restated
Net income	(210,225,304)	(91,330,314)
Number of shares (Note 21)	1,150,000,000	1,150,000,000
Basic earnings per share	**(0.18)**	**(0.08)**

There are no situations that create a dilutive effect, so the diluted earnings per share are the same as basic earnings per share.

(Amounts in Euro)

37 Guarantees and other financial commitments

As at 31 December 2013 and 2012, the Company had presented guarantees and comfort letters to third parties, as follows:

	2013	2012
	Euro	
Guarantees in favour of courts	**1,608,722**	**1,871,435**
Bank guarantees in favor of other entities:		
Highway construction entities	5,734,356	4,325,822
Ministry of Education	3,161,016	3,041,118
Ministry of Justice	7,789,951	2,487,978
Municipalities	2,496,807	5,501,487
CTT	2,007,831	2,007,831
Ministry of Health	1,038,512	1,038,512
Other	6,714,826	4,518,108
	28,943,299	**22,920,856**
Total guarantees	**30,552,021**	**24,792,291**
Commitments of purchase before:		
Fixed asset and content suppliers	19,956,279	34,242,977
Suppliers of inventories	20,398,178	27,768,745
Other services	46,780,174	58,700,454
	87,134,631	**120,712,176**

Bank guarantees presented to the tax authorities relate primarily to additional income tax assessments for which the Company submitted a claim or an appeal.

Purchase commitments refer to orders placed and not rendered, essentially for the acquisition of materials of infrastructure and telecommunications equipment in the normal course of operations.

38 Events occurred after the balance sheet date

The financial statements for the year ended 31 December 2013 were approved by the Board of Directors and authorized for issuance on 4 February 2014, but are still subject to General Shareholders Meeting approval, under the terms of Portuguese law.

There were no significant events after 31 December 2013 that would require adjustment or disclosure in these financial statements.

39 Note added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese, in accordance with generally accepted accounting principles in Portugal. In case of discrepancies, the original version, in Portuguese, prevails.

STATUTORY AUDITORS' REPORT

(Translation of a report originally issued in Portuguese—Note 38)

Introduction

1. We have audited the accompanying financial statements of PT Comunicações, S.A. (''the Company''), which comprise the balance sheet as of 31 December 2012 that presents a total of 14,708,347,412 Euros and shareholders' equity of 5,500,363,405 Euros, including a net loss of 86,901,669 Euros, the statements of income by nature, of changes in shareholders' equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of financial statements that present a true and fair view of the financial position of the Company, the results of its operations, the changes in its shareholders' equity and its cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of an appropriate system of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our audit.

Scope

3. Our audit was performed in accordance with the auditing standards *(''Normas Técnicas e as Directrizes de Revisão/Auditoria'')* issued by the Portuguese Institute of Statutory Auditors *(''Ordem dos Revisores Oficiais de Contas'')*, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An audit also includes assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements. Our audit also included verifying that the financial information contained in the Managements' Report is in accordance with the financial statements. We believe that our audit provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, in all material respects, the financial position of PT Comunicações, S.A. as of 31 December 2012 and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Emphasis

5. The financial statements mentioned in paragraph 1 above refer to the Company on a standalone basis and were prepared in accordance with current legislation for approval and publication. The Company will not prepare consolidated financial statements as, in accordance with number 3 of article 7 of Decree-Law 158/2009, of 13 July 2009 is not required to do so, as its financial statements will be included in the consolidated financial statements of Portugal Telecom, SGPS, S.A.. As described in Note 3.7, although the financial investments have been accounted for by the equity method, under which the Company´s net profit for the year and shareholders' equity include the effect of consolidating the subsidiary and associated companies, the accompanying financial statements do not include the effects of a full consolidation of their assets, liabilities, revenues and costs.

Report on other legal requirements

6. It is also our opinion that the financial information contained in the Managements' Report is consistent with the financial statements for the year.

Lisbon, 14 March 2013

Deloitte & Associados, SROC S.A.
Represented by João Luís Falua Costa da Silva

PT COMUNICAÇÕES, S.A.

BALANCE SHEETS

31 DECEMBER 2012 AND 2011

	Notes	2012	2011
		Euro	
ASSETS			
Non-current assets			
Tangible fixed assets	6	2,813,701,186	2,906,950,327
Investment properties	7	8,863,837	12,392,304
Goodwill	8	2,982,442,403	2,982,442,403
Intangible assets	9	235,272,678	259,816,598
Financial investments—equity method of accounting	10	7,257,167,784	7,681,339,217
Financial investments—other methods		1,125,252	125,252
Post retirement benefits	11	1,632,840	1,688,553
Shareholders and group companies	12	340,000,000	340,000,000
Other financial assets	14	373,631	2,628,965
Deferred tax assets	15	314,293,512	312,129,716
Total non-current assets		**13,954,873,123**	**14,499,513,335**
Current assets			
Inventories	16	48,909,973	54,085,334
Accounts receivable—trade	17	470,155,099	512,113,421
Unbilled revenues	17	64,005,319	121,039,215
Advances to suppliers		8,093,866	6,030,678
State and other public entities	18	193,752	230,428
Shareholders and group companies	12	—	39,993,766
Other accounts receivable	19	117,888,755	44,501,745
Deferrals	13	17,991,662	14,019,807
Non-current assets held for sale	10	5,069,882	—
Cash and bank deposits	4	21,165,981	55,191,387
Total current assets		**753,474,289**	**847,205,781**
Total assets		**14,708,347,412**	**15,346,719,116**
SHAREHOLDERS' EQUITY			
Share capital	20	1,150,000,000	1,150,000,000
Other shareholders' equity instruments	20	4,350,466,191	4,350,466,191
Legal reserve	20	30,000,000	30,000,000
Other reserves	20	269,718,396	307,033,462
Adjustments to financial assets	20	(456,822,242)	(206,382,607)
Revaluation surplus	20	589,044,034	623,874,447
Other shareholders' equity variations	20	5,524,632	8,522,629
Retained earnings		(350,665,937)	34,725,662
Net (loss) / income		(86,901,669)	(369,353,353)
Total shareholders' equity		**5,500,363,405**	**5,928,886,431**
LIABILITIES			
Non-current liabilities			
Provisions	21	297,348	292,057
Loans obtained	22	6,178,861,415	5,223,837,526
Deferrals	13	665,145	1,530,022
Post retirement benefits	11	844,921,754	925,880,233
Deferred tax liabilities	15	173,706,683	184,929,929
Other financial liabilities		135,417	—
Total non-current liabilities		**7,198,587,762**	**6,336,469,767**
Current liabilities			
Provisions	21	24,644,235	25,466,773
Loans obtained	22	1,184,254,516	1,985,462,710
Deferrals	13	74,318,913	65,573,712
Accounts payable to group companies	12	1,657,243	—
Suppliers	23	287,941,611	340,332,586
Investment suppliers	23	108,132,521	176,944,027
Accrued expenses	24	268,018,929	401,550,430
Advances from accounts receivable		6,627,708	10,236,291
State and other public entities	18	38,844,553	26,053,311
Other accounts payable	19	14,956,016	49,743,078
Total current liabilities		**2,009,396,245**	**3,081,362,918**
Total liabilities		**9,207,984,007**	**9,417,832,685**
Total liabilities and shareholders' equity		**14,708,347,412**	**15,346,719,116**

The accompanying notes form an integral part of these financial statements.

Accountant

The Board of Directors

PT COMUNICAÇÕES, S.A.

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Notes	2012	2011
		Euro	
Services rendered	25	1,749,171,088	1,765,074,481
Sales	25	25,146,653	31,683,399
Subsidies to operation		104,184	114,114
Production variation	16	(1,512,527)	(691,549)
Equity in earnings of affiliated companies, net	26	120,530,483	153,266,793
Own work capitalized	6	42,064,039	40,519,680
Costs of products sold	16	(31,638,682)	(38,816,731)
Direct costs	27	(484,044,683)	(413,429,371)
Marketing and publicity		(20,749,856)	(26,220,418)
Supplies and external services	28	(445,404,596)	(473,981,468)
Wages and salaries	29	(235,490,588)	(240,055,639)
Post retirement benefit costs	11	(51,716,640)	(53,879,150)
Curtailment and settlement costs	11	(867,969)	(32,920,244)
Indirect taxes	30	(15,398,573)	(13,779,798)
Impairment of inventories ((losses)/reversals)	16	3,566,877	6,670,382
Impairment of accounts receivable ((losses)/reversals)	17, 19	(25,274,422)	(13,702,570)
Provisions (increases/reductions)	21	(8,181,810)	(8,467,556)
Other income and gains	31	123,837,854	51,140,517
Other expenses and losses	32	(28,516,504)	(22,758,849)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**715,624,328**	**709,766,023**
Depreciation and amortisation ((losses)/reversals)	33	(497,654,649)	(517,980,453)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**217,969,679**	**191,785,570**
Interest and related income	34	15,267,912	24,486,965
Interest and related expenses	34	(321,007,507)	(323,492,720)
INCOME BEFORE TAXES		**(87,769,916)**	**(107,220,185)**
Income taxes	15	868,247	(262,133,168)
NET (LOSS) / INCOME		**(86,901,669)**	**(369,353,353)**
Basic earnings per share	35	(0.08)	(0.32)

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

PT COMUNICAÇÕES , S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2012

		Share capital (Note 20.1)	Other shareholders' equity instruments (Note 20.2)	Legal reserve (Note 20.3)	Other reserves (Note 20.4)	Adjustments to financial assets (Note 20.5)	Revaluation surplus (Note 20.6)
						Euro	
Balance as at 1 January 2011 . .	A	**1,150,000,000**	**5,948,966,191**	**30,000,000**	**(338,105,921)**	**454,706**	**763,950,232**
Changes:							
Foreign currency translation adjustments		—	—	—	—	(229,730,525)	—
Acturial losses recognised in the period (Note 11.7)		—	—	—	(71,819,321)	—	—
Unpaid dividends		—	—	—	—	23,582,446	—
Deferred taxes adjustments (Nota 15.2)		—	—	—	17,954,831	(53,834)	31,541,890
Revaluation of tangible fixed assets (Note 6)		—	—	—	—	—	(126,167,563)
Realization of revaluation surplus		—	—	—	—	—	(45,450,112)
Recognition of investments subsidies		—	—	—	—	—	—
Other changes in shareholders ' equity		—	—	—	—	(635,400)	—
	B	**—**	**—**	**—**	**(53,864,490)**	**(206,837,313)**	**(140,075,785)**
Net loss	C						
Comprehensive income	B+C						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	—
Share capital increase		1,598,500,000	—	—	—	—	—
Devolution of additional paid-in capital contributions		—	(1,598,500,000)	—	—	—	—
Reduction of shareholders'equity by incorporation in retained earnings and other reserves . .		(1,598,500,000)	—	—	699,003,873	—	—
	D	**—**	**(1,598,500,000)**	**—**	**699,003,873**	**—**	**—**
Balance as at 31 December 2011	E=A+B+C+D	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**307,033,462**	**(206,382,607)**	**623,874,447**

PT COMUNICAÇÕES , S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continu

FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2012

		Share capital (Note 20.1)	Other shareholders' equity instruments (Note 20.2)	Legal reserve (Note 20.3)	Other reserves (Note 20.4)	Adjustments to financial assets (Note 20.5)	Revaluation surplus (Note 20.6)
		Euro					
Changes:							
Foreign currency translation adjustments		—	—	—	—	(350,270,498)	—
Acturial losses recognised in the period (Note 11.7)		—	—	—	(49,753,420)	—	—
Unpaid dividends		—	—	—	—	50,868,659	—
Deferred taxes adjustments (Nota 15.2)		—	—	—	12,438,354	30,434	—
Realization of revaluation surplus		—	—	—	—	—	(34,830,413)
Recognition of investments subsidies		—	—	—	—	—	—
Other changes in shareholders' equity		—	—	—	—	48,931,770	—
	F	**—**	**—**	**—**	**(37,315,066)**	**(250,439,635)**	**(34,830,413)**
Net loss	G						
Comprehensive income	F+G						
Operations with shareholders:							
Application of earnings		—	—	—	—	—	—
	H	**—**	**—**	**—**	**—**	**—**	**—**
Balance as at 31 December 2012	I = E+F+G+H	**1,150,000,000**	**4,350,466,191**	**30,000,000**	**269,718,396**	**(456,822,242)**	**589,044,034**

The accompanying notes form an integral part of these financial statements.

Accountant

PT COMUNICAÇÕES, S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Notes	2012	2011
		Euro	
OPERATING ACTIVITIES			
Collections from clients		2,404,763,511	2,402,744,802
Payments to suppliers		(1,409,895,617)	(1,318,124,706)
Payments to employees		(206,406,932)	(211,786,410)
Cash flows from operations		**788,460,962**	**872,833,686**
Cash receipts (payments) relating to income taxes	4.(a)	35,940,339	(52,218,724)
Payments relating to post retirement benefits	11.5	(186,386,464)	(194,463,921)
Other cash payments, net		(94,253,860)	(47,496,340)
Cash flows from operating activities (1)		**543,760,977**	**578,654,701**
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible fixed assets		3,658,939	3,177,083
Financial investments		—	138,970
Loans granted	4.(b)	—	160,000,000
Interest and related income		2,897,304	3,005,350
Dividends	4.(c)	238,273,153	2,390,033
		244,829,396	**168,711,436**
Payments resulting from:			
Tangible fixed assets		(531,243,187)	(559,676,945)
Intangible assets		(7,758,325)	(10,302,619)
Financial investments	4.(d)	(2,160,372)	(2,275,982)
Loans granted		(600,000)	—
		(541,761,884)	**(572,255,546)**
Cash flows from investing activities (2)		**(296,932,488)**	**(403,544,110)**
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Loans obtained	4.(e)	1,092,000,000	1,231,761,996
Share capital realization	20.1	—	1,598,500,000
Subsidies		1,251,413	114,114
		1,093,251,413	**2,830,376,110**
Payments resulting from:			
Loans repaid	4.(e)	(947,867,596)	(1,207,274,782)
Interest and related expenses	4.(f)	(426,211,970)	(155,756,690)
Reductions of other equity instruments	20.2	—	(1,598,500,000)
		(1,374,079,566)	**(2,961,531,472)**
Cash flows from financing activities (3)		**(280,828,153)**	**(131,155,362)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**(33,999,664)**	**43,955,229**
Effect of exchange differences		(25,742)	484,977
Cash and cash equivalents at the beginning of the period		55,191,387	2,918,786
PT Prime Merger		—	7,832,395
Cash and cash equivalents at the end of the period	4.(g)	**21,165,981**	**55,191,387**

The accompanying notes form an integral part of these financial statements.

Accountant   The Board of Directors

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PT Comunicações
Notes to Financial Statements
As at 31 December 2012
(Amounts in Euro)

1. Introduction

(a) Development of the company

PT Comunicações, S.A. (''PT Comunicações'' or the ''Company'') was incorporated in 2000, in accordance with a resolution from the General Meeting of Portugal Telecom, S.A. on April 27, 2000 within the business restructuring process in Portugal Telecom Group and by spin-off from Portugal Telecom, S.A. The conditions for this spin-off were defined under Decree-Law no. 219/00, of September 9, and Joint Order no. 936-A/2000 issued by the Ministers for Social Provision and for Finance on September 14.

On 30 September 2006, under the restructuring process of the Group Portugal Telecom, Portugal Telecom, SGPS, S.A. (''PT SGPS''—Holding company of the Group) sold to PT Portugal, SGPS, S.A. (''PT Portugal''—a sub-Holding company of the Group) all of the shares of PT Comunicações.

On 27 December 2002, PT Comunicações and the Portuguese Government signed the Contract of Purchase and Sale of the Basic Telecommunications Network (''Basic Network'') and the Telex Network, under which the State transferred the full property of the Basic Network and the Telex Network to PT Comunicações, free of any lien or encumbrance. Under the terms of this contract, PT Comunicações is obliged to: i) guarantee the functioning of the Basic Network as an open network, serving as support for the transmission of a general range of services and available to all telecommunications operators and service providers under equal conditions; and ii) provide the acquired network, during the concession period, with the necessary infrastructure for the provision of the concession services and without prejudice to the possibility of its transfer, replacement and/or encumbrance, provided that this does not affect those services.

On 17 February 2003 Decree-Law no. 31/2003 was published, approving the Amendment Agreement to the Concession Contract, which changed the conditions for the concession of public telecommunications services approved by Decree-Law no. 40/95 of February 15. This decree introduced the following fundamental changes to the previous Concession Contract: i) rent payment will no longer be made to the Portuguese State; ii) rights and assets subject to the concession will not revert to the State upon termination; and iii) the State will compensate the Company, under certain compensation mechanisms, for possible negative margins incurred by the Company arising from compliance with the obligations inherent to the provision of the fixed telex, telegraphic and broadcasting services and the mobile marine service.

Under the terms of the above-mentioned Amendment Agreement, the objectives of the concession are: the development and operation of the infrastructure that make up the basic network for telecommunications and signal transmission and emission; the provision of a universal telecommunications service, as defined under Decree-Law no. 458/99, of 5 November; the provision of a telex service; the provision of a data transmission service; the provision of a service for the emission and distribution of telecommunications broadcasts; and the provision of a telegraphic service.

The provision of the universal telecommunications service includes the following: i) connection to the fixed telephone network and access to fixed telephone services; ii) availability of public telephones in public places; and iii) availability of telephone directories and an information service.

The concession period expires in March 2025. As mentioned above, both the Amendment Agreement to the Concession Contract and the Portuguese Law impose certain obligations to PT Comunicações as a universal service provider. On February 2012, following a public hearing about the selection of the universal service provider, Anacom issued a final decision splitting the universal service into three functions: (1) connection to a public communications network in a fixed location and rendering of a telephone service through this network (Tender 1); (2) public phones offer (Tender 2); and (3) make available a complete telephone list and a related service (Tender 3). In 2012, the Portuguese State launched a public tender to select the universal service providers, approved the definition of the universal service cost and established a compensation fund for the universal service providers. PT

1. Introduction (Continued)

Comunicações is qualified to receive compensation from the fund established by Anacom to cover the costs incurred up to date with the universal service.

On 11 February 2004, Law 5/2004 or the ''Electronic Communications Act'' was published, which establishes the legal regime applicable to electronic communications networks and services, and to the associated resources and services, and defines the authority of the national regulatory agency in this area.

On 9 December 2008, ANACOM attributed to PT Comunicações the rights to the use frequencies, on a national basis, to provide digital television services (TDT) for the broadcasting television programs with unconditional access (also known as public access channels) which is associated with Multiplexer A (Mux A). During the year 2011, ANACOM defined the obligations associated with such rights, and as a result PT Comunicações recognized an intangible asset corresponding to the present value of the commitments under such rights (Note 9).

(b) Corporate transactions

During 2007, PT Comunicações acquired the shares of PT Prime—Enterprise Solutions and Telecommunication Systems, SA (''PT Prime''), PT Corporate—Enterprise Solutions for Telecommunications and Information Systems, SA (''PT Corporate'') and PT.Com—Interactive Communications, SA (''PT.COM''), previously held by PT SGPS, seeking to consolidate all fixed line services into PT Comunicações.

In March 2008, PT.Com and PT Corporate were merged through their incorporation into PT Comunicações and, consequently, the equity, rights and obligations of those companies were transferred to PT Comunicações, and PT.Com and PT Corporate ceased to exist as separate entities.

In July 2009, PT Comunicações acquired from Novabase—Sociedade Gestora de Participações Sociais, SGPS, S.A. (''Novabase'') a 36.25% stake in Superemprego—Sistemas de Informação para a Gestão de Recursos Humanos, S.A. (''Superemprego''), and therefore Superemprego became fully owned by Portugal Telecom Group. In November 2009, Superemprego was merged through its incorporation into PT Comunicações and, consequently, its equity, rights and obligations were transferred to PT Comunicações and Superemprego was ceased to exist as a separate entity.

On 30 November 2010, and considering the need to adjust the corporate structure to reflect the consolidation of its fixed-line and mobile business, PT Comunicações acquired from PT Portugal the full stake in TMN—Telecomunicações Móveis Nacionais, S.A. (''TMN'').

On 29 December 2011, PT Prime was merged into PT Comunicações through the incorporation of its shareholders' equity and rights and obligations. For accounting purposes, this merger was reported as of 1 January 2011 and, accordingly, all transactions made by PT Prime as from that date were made on behalf of PT Comunicações.

On 3 May 2012, PT Comunicações concluded the acquisition from TVI—Televisão Independente, S.A. (''TVI'') of its former wholly-owned subsidiary RETI—Rede Teledifusora Independente, S.A. (''RETI''), which therefore became a wholly-owned subsidiary of PT Comunicações (Notes 4 and 10). On 12 December 2012, RETI was merged into PT Comunicações through the incorporation of its shareholders' equity and rights and obligations. For accounting purposes, this merger was reported as of 3 May 2012 and, accordingly, all transactions made by RETI as from that date were made on behalf of PT Comunicações.

(c) Other information

Under the terms of article 7 of Decree-Law no. 158/2009, despite holding financial stakes in group companies and associates, the Company is not required to prepare consolidated financial statements,

1. Introduction (Continued)

given that it is indirectly fully held by PT SGPS, which already presents consolidated financial statements which include the financial statements of the Company and its affiliated companies.

2. Basis of presentation

These financial statements were prepared in accordance with Portuguese legislation, based on Decree-law nº. 158/2009, which approved the new Portuguese accounting system, named Sistema de Normalização Contabilística (''SNC''), including the conceptual structure, Normas Contabilísticas e de Relato Financeiro (''NCRF'') and Interpretative Standards, as approved by Notices nº 15652/2009, 15655/2009 and 15653/2009, respectively.

The Company adopted NCRF for the first time in 2010 and applied for this purpose the *''NCRF 3 First Time Adoption Of NCRF''* (''NCRF 3''), with the transition date being 1 January 2009 for the purposes of the presentation of these financial statements. Previously, the Company's financial statements were prepared in accordance with accounting standards as previously in effect in Portugal (Plano Oficial de Contabilidade—''POC'') and other complementary legislation, which were modified by SNC. The conversion adjustments made to the financial statements as at 1 January 2009 were computed retrospectively, as determined by NCRF 3.

As permitted by Decree-Law nº. 158/2009, the Company also applies the International Financial Reporting Standards (''IAS/IFRS'') and related interpretations (''SIC/IFRIC'') issued by International Accounting Standards Board (IASB), in order to fill in the gaps or omissions in SNC regarding specific situations of certain transactions.

3. Main accounting policies, judgments and estimates

These financial statements were prepared assuming the continuity of operations. The main accounting policies used in the preparation of these financial statements are described below and were applied consistently, unless indicated otherwise.

3.1. Tangible fixed assets

Tangible fixed assets other than land and buildings and ducts infrastructure are stated at acquisition or production cost, which includes the purchase price and any expenses directly attributable to bringing the asset to the location and making them operational.

Land, buildings and the ducts infrastructure are presented in accordance with the revaluation model based on regular assessments, at least tri-annually, deducted from subsequent depreciation for buildings and infrastructure. The fair value of real estate properties is determined by external appraisers based on market prices or the income obtained by these assets, under the provisions of NCRF 7 Tangible Fixed Assets. Regarding the ducts infra-structure, the Company, has applied IAS/IFRS by assessing the fair value of these assets based on the depreciated replacement cost method, as this methodology is not provided under NCRF 7. The Company maintained these assets recognized at the revaluation model, although the valuation methodology is not provided under NCRF 7, in order to ensure the consistency with Portugal Telecom's consolidated financial statements regarding the valuation of this type of asset, through the application of IAS/IFRS.

Subsequent expenses are included in the asset's carrying amount only when it is probable that future economic benefits flow to the Company and the cost can be measured reliably. The costs of maintenance and repair that are not likely to generate future economic benefits are recognized as an expense in the period they are incurred.

Increases resulting from revaluations are recorded in equity under the caption ''Revaluation surplus'', except for increases that reverse a decline previously recognized in earnings. Decreases resulting from

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

revaluations are recorded directly under the caption ''Revaluation surplus'' up to the credit balance of the revaluation surplus for the relevant asset. Any excess in relation to the relevant credit balance is recognized in earnings. When the revalued asset is written off, the revaluation surplus included in equity regarding the asset is not reclassified to net income and is instead transferred to retained earnings. Annually, the revaluation surpluses are transferred to retained earnings in the same proportion of their depreciation.

With the exception of lands that are not depreciated, the depreciation of other tangible fixed assets is recognized, from the month in which the asset is available for use, on a straight-line basis over the useful life of asset, which is determined according to expected utility. The amortization period of tangible assets is reviewed on an annual basis and adjusted in order to reflect the estimated useful lives. The annual rates applied reflect the estimated useful life for each class of assets, as follows:

Asset Class	Years of useful life
Buildings and other constructions	3 - 50
Basic equipment	
Network installations and equipment	7 - 40
Ducts infra-structure	40
Telephones, switchboards and other	4 - 10
Submarine cables	15 - 20
Other basic equipment	4 - 20
Transportation equipment	4 - 8
Administrative equipment	3 - 10
Other tangible fixed assets	4 - 8

Following the approval of the Amendment Agreement to the Concession Contract, concluded in 2003 in connection with the acquisition of the Basic Network from the Portuguese Government, which now provides that the fixed assets related to the concessions will no longer be returned to the Portuguese State after the concession, the Company revised the amortization period of the assets which previously had useful lives that exceeded the term of the Concession Contract.

The useful lives and depreciation methods are reviewed annually, and the effect of any changes to these estimates is recognized prospectively in the income statement.

Gains or losses arising from the write-off or disposal of tangible fixed assets are determined as the difference between the amount received and the net recorded amount of the asset, and are recognized in the income statement.

3.2. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The remaining lease contracts are considered operating leases. The classification of leases depends on the substance of the transaction and not on the form of the contract.

Assets acquired under finance leases and the corresponding liabilities are accounted at the beginning of the contract as the lesser amount between the fair value of the assets and the present value of minimum lease payments. Rents include interest and capital amortisation, with the first being recognized in the income statement in the related period.

Under operating leases, rents are recognized on a straight-line basis during the period of the lease.

3. Main accounting policies, judgments and estimates (Continued)

3.3. Investment properties

Investment properties includes mainly buildings and land held to earn rent and/or capital appreciation and not for use in the normal course of the business.

Investment properties are stated at acquisition cost plus transaction expenses and reduced by accumulated depreciation and accumulated impairment losses, if any. Expenditures incurred (maintenance, repairs, insurance and real estate taxes) and income and rents obtained are recognized in the income statement of the period.

Investment properties are depreciated on a straight-line basis, during their expected useful lives. Generally depreciation rates correspond to the respective estimated useful lives (Note 3.1).

3.4. Business combinations and goodwill

Acquisitions of subsidiaries are recorded based on the purchase method (NCRF 14). The purchase price includes, on the acquisition date, the following components: (a) the fair value of assets acquired; (b) the fair value of liabilities incurred; (c) the fair value of equity instruments issued by the Company in exchange for the control of the subsidiary; and (d) expenses directly attributable to the acquisition. When applicable, the purchase price includes the effect of contingent payments agreed under the transaction, with subsequent changes in those payments being recorded as an adjustment to goodwill.

Any excess of the acquisition cost over the fair value of net assets acquired and contingent liabilities of the acquired company at the date of acquisition is recorded as goodwill, in accordance with NCRF 14. If the acquisition cost is lower than the fair value of identifiable net assets, the difference is recorded as a gain in the net income. As provided for in NCRF 3, the Company will apply NCRF 14 only to acquisitions after 1 January 2009 and accordingly goodwill related to acquisitions prior to that date were maintained as initially computed under POC.

Goodwill resulting from the acquisition of subsidiaries is included in the balance sheet under the caption ''Goodwill''.

Goodwill is not amortised, but tested, on an annual basis or whenever there is evidence of a potential loss of value, for impairment losses. For impairment test purposes, goodwill is allocated to cash generating units. Any impairment loss is recognized in the income statement of the period, and cannot be reversed in a subsequent period.

3.5. Intangible assets

Intangible assets include mainly (1) the amount for the acquisition of the Basic Network, (2) software licenses, (3) TDT license acquisition cost and (4) satellite capacity rights. Intangible assets acquired separately are recorded at cost net of accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis and over a period of three years, except: (a) the value of the acquisition of the property of the Basic Network, which is amortised over the remaining period until the end of the concession (2025), (b) the value of the commitments assumed under the of TDT license, which is amortized until the end of the first renewal period of the same (2038); and (c) the satellite capacity rights, which are amortised over the period of their respective contracts. The useful lives and depreciation method of the intangible assets are reviewed annually, and the effect of any changes to these estimates is recognized prospectively in the income statement.

Expenses with research activities are recognized in earnings when incurred. Development expenses are capitalized when it is demonstrated the technical and economic feasibility of the product, and the

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

Company has the intention and ability to complete its development and starts its commercialization or use, as provided in the ''NCRF 6 Intangible Assets''.

3.6. Impairment of tangible and intangible assets

The Company performs impairment tests for its tangible and intangible assets if any event or change results in an indication of impairment. In case of any such indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to determine the recoverable amount of an individual asset, the estimated recoverable amount of the cash-generating unit to which the asset belongs is used.

The recoverable amount is the greater of fair value less cost to sell and the value in use. The net selling price is the amount that could be received from a transaction between independent parties, reduced by direct costs related to the sale. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risk to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized in the income statement.

3.7. Financial investments

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally represented by the majority of the voting rights. Associated companies are entities over which the Company has significant influence but does not control, generally represented by stakes between 20% and 50% of voting rights.

Financial investments in subsidiaries and associated companies are recorded under the equity method of accounting. Under this method, financial investments are initially recorded at acquisition cost and subsequently adjusted for the changes, after the acquisition date, in the Company's share in the net assets of those entities. The entity's earnings include its share in the earnings of those companies.

Under the application of the equity method of accounting, adjustments are made to the financial statements of affiliated companies in order to (1) conform their accounting policies with those adopted by the Company, (2) reflect the impacts of purchase price allocation processes and, (3) eliminate gains and losses resulting from transactions between affiliated companies of PT Comunicações.

Financial investments in foreign entities are translated to Euros using the exchange rates prevailing at the balance sheet date, while the Company's share in the earnings of those entities is computed based on the average exchange rates for the reported period. The effect of translation differences is recognized in shareholders' equity under the caption ''Adjustments in financial assets''.

The exchange rates used in the translation of the main financial statements of the foreign entities are as follows:

	2012		2011	
Currency	Closing	Average	Closing	Average
Macao Pataca	10.5328	10.2624	10.3525	11.1619
Brazilian Real	2.7036	2.5084	2.4159	2.3265

Financial investments are evaluated whenever there is evidence that it might be impaired, with impairment losses being recorded in the income statement.

3. Main accounting policies, judgments and estimates (Continued)

3.8. Post-retirement benefits

(a) Post-retirement pensions

The Company has the obligation to pay to a group of employees a pension supplement. In order to finance these obligations, various funds were incorporated by PT Comunicações (Note 11.1).

In order to estimate the amount of the Company's liabilities under these pension plans, the Company obtains periodically actuarial valuations, using the ''Projected Unit Credit Method''. As mentioned above, according to ''NCRF 28—Employee Benefits'' and ''IAS 19—Employee Benefits'', PT Comunicações has decided to adopt the alternative treatment referred in IAS 19 for recognition of actuarial gains and losses directly in equity, namely those resulting from changes in actuarial assumptions and from differences between actual data and actuarial assumptions.

Plan amendments related to reduction or increase of the benefits granted to employees are recorded as prior years' service gains or losses. Prior years' service gains or losses related to vested rights are recognized under the caption ''Costs with post-retirement benefits'' when they occur. Those related to unvested rights are recognized on a straight-line basis until they become vested (generally corresponding to the retirement date). Gains obtained with the settlement of any plan are recognized when incurred under the caption ''Curtailment and settlement costs''.

Liabilities stated in the balance sheet correspond to the difference between the Projected Benefit Obligation (''PBO'') related to pensions deducted from the fair value of pension fund assets and any prior years' service gains or losses not yet recognized.

Contributions made by the Company to defined contribution pension plans are recognized in net income when incurred.

(b) Health care benefits

Under a defined benefit plan, PT Comunicações is responsible to pay, after the retirement date, health care expenses to a group of employees and relatives. This health care plan is managed by Portugal Telecom—Associação de Cuidados de Saúde (''PT-ACS''). In 2004, the Group established PT Prestações—Mandatária de Aquisições e Gestão de Bens, SA (''PT Prestações'') to manage an autonomous fund to finance these obligations (Note 11.2).

The amount of the Company's liabilities with respect to these benefits after the respective retirement date is estimated based on actuarial valuations, using the ''Projected Unit Credit Method''. As mentioned above, the Company recognises actuarial gains and losses directly in equity, namely those resulting from changes in actuarial assumptions and from differences between actual data and actuarial assumptions.

Plan amendments related to reduction or increase of the benefits granted to employees are recorded as prior years' service gains or losses. Prior years' service gains or losses related to vested rights are recognized under the caption ''Post-retirement benefit costs'' when they occur and those related to unvested rights are recognized on a straight-line basis until they become vested, which usually corresponds to the retirement date. Gains obtained with the settlement of any plan are recognized when incurred under the caption ''Curtailment and settlement costs''.

Accrued post-retirement health care liabilities stated in the Balance sheet correspond to the present value of obligations from defined benefit plans, deducted from the fair value of fund assets and any prior years' service gains or losses not yet recognized.

3. Main accounting policies, judgments and estimates (Continued)

(c) Pre-retired and suspended employees

In connection with the programs related to employees that are under a suspended contract agreement or that have been pre-retired, the Company recognises a liability in the balance sheet equivalent to the present value of salaries payable up to the retirement age. The related cost is recorded in the income statement under the caption ''Curtailment and settlement costs'' (Note 11.3).

3.9. Accruals and deferrals

The Company records its revenue and expenses as they are generated or incurred, regardless of when they are received or paid, respectively.

3.10. Income taxes

Income tax expense corresponds to the sum of current and deferred taxes. Deferred taxes are recognized in the income statement except when they relate to items recorded directly in shareholders' equity and accordingly are also recorded in shareholders' equity.

Current taxes are computed based on the taxable income of the period computed under the Corporate Income Tax (''IRC'').

Portugal Telecom adopted the special taxation regime for Groups of companies, in which PT Comunicações is included. Consequently, the income tax due, net of withholding taxes and payments on accounts are recorded on the balance sheet as accounts payable or receivable from Portugal Telecom.

The income tax recorded in the financial statements was assessed in accordance with the terms of *''NCRF 25 Income Taxes''.* In assessing the cost of income tax for the year, besides the current tax determined on the basis of profit before-tax adjusted in accordance with the tax legislation, we also consider the effects resulting from temporary differences between the carrying value of assets and liabilities and the related tax amounts. Deferred tax assets and liabilities are computed and analysed annually, based on the expected tax rate that will be effective on the date on which such temporary differences are no longer applicable.

Deferred tax assets are recorded only when there is a reasonable expectation of sufficient future tax profits. As at the balance sheet date the Company conducts a reassessment of the above-mentioned temporary differences with respect to the deferred tax assets, in order to record deferred tax assets that were not recognized previously because they had not met the necessary conditions for their recognition, and/or reduce the amount of deferred tax assets which are recognized based on the current estimate of their future recoverable amounts.

3.11. Inventories

Inventories are stated at average acquisition cost. Adjustments to the carrying value of inventories are recognized based on technological obsolescence or low rotation.

Work in progress relating to installation of telecommunication equipments for clients is valued at production cost, which mainly includes expenses on equipment and various materials used, as well as wages and salaries related to the project.

Impairment losses on inventories includes the value of materials for which there is no intended use due to obsolescence and/or low rotation, as well as the difference between prices of materials that have a fair value lower than the average acquisition cost, when the difference is higher than the discount granted in current market conditions. Impairment losses and related reversals are recorded in earnings primarily under the caption ''Impairment of inventories ((losses)/reversals)''.

3. Main accounting policies, judgments and estimates (Continued)

3.12. Trade receivables and other

Trade receivables and other receivables are initially recognized at fair value and subsequently measured at cost or amortised cost, based on the effective interest method, deducted from impairment losses.

Impairment losses for doubtful accounts receivable are computed based on the evaluation of estimated risks resulting from the non-collection of receivables, and are recognized in the income statement of the period in which they are calculated.

3.13. Subsidies

Subsidies are only recognized when they are received and after reasonable assurance that the Company will comply with their respective requirements for their assignment.

Subsidies associated with the acquisition or production of non-current assets (investment subsidies) are initially recognized in equity under the caption ''Other shareholders' equity'', and subsequently allocated on a straight-line basis as income for the year, during the useful lives of the assets to which they relate.

Operating subsidies are recognized in the income statement on a constant basis over the periods in which expenses that they intended to compensate are recognized.

3.14. Provisions and contingent liabilities

Provisions are recognized when (i) there is a present obligation as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Where any of the above-mentioned criteria is not met, the Company discloses the event as a contingent liability, unless the chance of cash outflow is remote.

Provisions are recognized for an amount corresponding to the present value of the best available estimate, at the reporting date, of the resources required to settle the obligation. That estimate is determined considering the risks and uncertainties associated with the obligation. Provisions are reviewed at the end of each year and adjusted in order to reflect the best available estimate as of that date.

The present obligations arising from onerous contracts (in which the cost of meeting the obligations under the contract exceed the economic benefits expected thereunder) are calculated and recorded as provisions.

3.15. Loans obtained

Loans obtained are initially recognized at fair value, net of transaction costs incurred, and subsequently presented at amortised cost, based on the effective interest method.

3.16. Borrowing costs

The Company has the policy of capitalizing of borrowing costs related to loans obtained to finance the acquisition, construction or production of tangible assets. However, the Company has recognized borrowing costs as expenses when incurred, since the construction period of tangible assets is usually short.

3.17. Vacation pay and vacation subsidies

Vacation pay and vacation subsidies and related social charges are recorded as a cost for the period in which the employee acquires the right to receive them. Consequently, the amount of vacation pay and

(Amounts in Euro)

3. Main accounting policies, judgments and estimates (Continued)

subsidies and related social charges due and unpaid at the balance sheet date are estimated and included under the caption ''Accrued expenses''.

3.18. Balance classification

Realizable assets and liabilities under which the Company has an unconditional right to defer its settlement for a period over one year from the balance sheet date are classified under non-current assets and non-current liabilities, respectively, at present value.

3.19. Foreign currency transactions and balances

Transactions denominated in foreign currencies (different from the domestic currency of the Company) are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities in foreign currency for which there is no agreement for fixing an exchange rate are translated to Euros using the exchange rates prevailing at the balance sheet date. Gains or losses arising from the differences between exchange rates in force at the date of the respective transactions and those applying on the date of collection, payment or balance sheet date are recorded as income and losses, respectively, in the income statement.

Assets and liabilities as at 31 December 2012 and 2011 were translated to Euro using the following exchange rates reported by the Bank of Portugal:

Currency	2012	2011
Special Drawing Rights	1.1658	1.1865
American dollar	1.3194	1.2939
Namibian dollar	11.1727	10.4830
Cape Verde escudo	110.2650	110.2650
Swiss franc	1.2072	1.2156
Angolan Kwanza	126.8460	133.9285
British pound	0.8161	0.8353
Mozambique metical	39.2400	34.9600
Brazilian real	2.7036	2.4159

3.20. Revenue recognition

Revenue is measured at fair value of the amount received or receivable. Revenue recognition is deducted from the estimated amount of returns, discounts and other rebates and does not include the Value Added Tax (VAT) and other taxes paid related to the sale.

Revenue from the services rendered is recognized by reference to the stage of completion of the transaction at the reporting date, if all the following conditions are met: (1) the revenue amount can be reliably measured; (2) it is probable that future economic benefits associated with the transaction will flow to the Company; (3) the expenses incurred or to be incurred with the transaction can be measured reliably; and (4) the stage of completion of the transaction at the reporting date can be reasonably estimated.

(a) National fixed national communications

Revenues from telecommunication activities are recognized at their gross amounts when services are rendered. Billings for these services are made on a monthly basis throughout the month. Amounts not yet invoiced but already due or incurred are recorded based on estimates and included under the caption ''Unbilled revenues''. Differences between accrued amounts and the actual unbilled revenues are recognized in the following period.

3. Main accounting policies, judgments and estimates (Continued)

(b) International fixed communications

The income from international telecommunication services are calculated according to fixed termination rates under bilateral agreements with several telecom operators. These agreements also establish whether it is the operator of the sending network that must submit the credit to the operator of the receiving network or whether the operator of the network receiving must provide the debit first.

(c) Internet Protocol Television (''IPTV'') and Direct to Home (''DTH'') services

The income from the television service through Internet Protocol Television (IPTV) and satellite are recognized as follows: (i) the amounts charged for monthly subscription of services used are recognized in the period in which the service is rendered; (ii) equipment rental is recognized over the lease period; (iii) equipment sales are recognized upon sale; and (iv) penalties imposed to customers are recognized when received.

(d) Internet services

Revenues from ISP services result essentially from monthly subscription fees and telephone traffic when the service is used by customers. These revenues are recognized when the service is rendered.

(e) Advertising services

Advertising revenues from telephone directories and related costs are recognized in the period in which the directories are effective. PT Comunicações has a contract with Páginas Amarelas whereby the latter is responsible for production, publishing and distribution of PT Comunicações' telephone directories, as well as for selling advertising space in the directories. The total cost to be paid by PT Comunicações for such services is set at a fixed 78% of its gross revenues from the sale of advertising space in telephone directories. The prices of advertising space are fixed, not contingent, and based on the expected volume of the distributed directories (approximately one to every telephone number). Revenues from the sale of advertising space are invoiced directly by PT Comunicações to its corporate clients during the one-year advertising period. These revenues are recognized in earnings on a monthly basis during the period for the respective directory.

(f) Leased lines and rental of ducts and capacity

Income from leased lines is recorded as operating leases in the respective period, under the caption ''Services rendered''.

(g) Interest

Interest revenue is recognized based on the effective interest method.

Income relative to advance payments made by customers are deferred and recognized when the service is rendered.

3.21. Own work capitalized

Internal expenses incurred by the Company in the construction of fixed assets, which correspond to materials, work force and transportation, at cost, are capitalized under the caption ''Own work capitalized'', only when the following requirements are met: (a) the tangible assets are identifiable; (b) the tangible assets will generate future economic benefits; and (c) development expenses can be reliably measured.

3. Main accounting policies, judgments and estimates (Continued)

3.22. Losses and gains recognised under projects

The Company records losses and gains associated with projects based on their stage of completion. Accordingly, invoices issued related to work not yet performed are recorded under the caption ''Deferrals'', unbilled revenues related to work in progress are recorded under the caption ''Unbilled revenues'' and expenses related to unbilled performed work are recorded as work in progress under the caption ''Inventories''.

3.23. Financial assets and liabilities

Financial assets and liabilities are recognized in the balance sheet when the Company becomes party to the corresponding contractual terms, and are classified at cost or amortised cost.

(a) Financial assets and liabilities at cost or amortised cost

Assets and liabilities are classified at cost or amortised cost if they present the following characteristics: (a) have a defined maturity; (b) have a fixed or determined income; and (c) do not represent a derivative financial instrument or do not include a derivative financial instrument.

Assets and liabilities classified in this category are measured at amortised cost reduced by accumulated impairment losses (for financial assets) and correspond primarily to the following asset and liability captions included in the Company's balance sheet:

- Accounts payable to Group companies
- Accounts receivable—trade
- Unbilled revenues and accrued expenses
- Advances to suppliers and from accounts receivable
- State and other public entities
- Other accounts receivable and payable
- Other financial assets and liabilities
- Cash and bank deposits
- Loans obtained
- Suppliers and investments suppliers

Amortized cost is determined through the effective interest method. The effective interest rate is the one that discounts the estimated future payments and receipts until the term of the financial instrument to the carrying value of the financial asset or liability.

(b) Impairments on financial assets

Financial assets included under the caption ''cost or amortised cost'' are subject to impairment tests at each year end. Such assets are impaired when there is clear evidence that, as a result of one or more events occurred after its initial recognition, their future estimated cash flows will be affected.

For assets measured at amortised cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the revised future estimated cash flows discounted using the initial effective interest rate. For financial assets measured at cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the best available estimate of the asset's fair value.

3. Main accounting policies, judgments and estimates (Continued)

Subsequently, if there is a reduction in the impairment loss as a result of an event occurring after the initial recognition of the loss, the impairment should be reversed through earnings. The reversal is recognized up to the amount that would be recorded if the loss had not been initially recognized.

Impairment losses and related reversals are recorded in earnings mainly under the captions ''Impairment of accounts receivable ((losses)/reversals)''.

(c) Derecognition of financial assets and liabilities

The Company derecognizes financial assets when its contractual rights to obtain the asset's cash flows expire, or when it transfers to another entity all the significant risks and rewards associated with the ownership of such assets. We also derecognize financial assets transferred in respect to which the Company has retained some significant risks and benefits, in the case that control over them has been assigned. The Company derecognizes financial liabilities only when the corresponding obligation is settled, cancelled or expired.

3.24. Main accounting estimates and judgements

To prepare the standalone financial statements under NCRF, the Company's Board of Directors uses estimates and assumptions that affect in the application of accounting policies and the amounts reported. Estimates and judgements are continually evaluated and are based on historical experience and on other factors including expectations of future events that are believed to be reasonable under the circumstances on which the estimate was based, or as a result of new information or more experience.

The most significant accounting estimates reflected in the financial statements are the following:

(i) Post-employment benefits

The present value of liabilities for post-employment benefits is calculated based on actuarial methodologies, which use certain actuarial assumptions that are reviewed annually by the Company. Any change in these assumptions will impact the carrying value of liabilities. The main assumptions used are described in Note 11.

(ii) Analysis of goodwill impairment

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating assets are determined based on value-in-use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating asset, the choice of a growth rate to extrapolate cash flow projections and the estimate of a suitable discount rate for each cash generating asset. The main assumptions used in the goodwill analysis are disclosed in Note 8.

(iii) Useful life of tangible fixed assets

The Company used estimates in order to determine to the useful life of tangible fixed assets.

(iv) Provisions recognition

The Company is party to several legal proceedings in progress for which, based on the opinion of its lawyers, judgments are made to determine the recognition of any necessary provisions to meet these contingencies.

3. Main accounting policies, judgments and estimates (Continued)

(v) Impairment recognition

Impairment on accounts receivable are calculated mainly based on receivables seniority, the clients risk profile and their financial situation.

(vi) Determining the fair value of assets measured by revaluation model

The Company uses the revaluation model to measure the book value of the asset classes ''Land and natural resources'', ''Buildings and other constructions'' and the ''Telecommunication infrastructure'' included under the caption ''Basic equipment'' under tangible fixed assets. In order to assess the fair value of real estate properties included under the assets classes ''Land and natural resources'' and ''Buildings and other constructions'', the Company uses external appraisers to determine their value based on certain specific indicators related to the real estate market. In order to assess the revalued amount of the asset class ''Telecommunication infrastructure'', the Company applied the cost replacement method based on current and observable prices of materials and construction work related to the installation underground of the telecommunication infrastructure.

(vii) Purchase price allocation of the investment in TMN

In connection with the acquisition of TMN completed on 30 November 2010, the Company completed in 2011 the purchase price allocation of this investment. For that purpose, certain intangible assets of TMN were adjusted to fair value, based on a valuation methodology that required the estimate of future cash flows resulting from the operations of this affiliated company, the choice of a growth rate to extrapolate cash flow projections beyond the time horizon covered and the definition of a suitable discount rate to compute the present value of those cash flows.

Estimates used are based on the best information available during the preparation of financial statements, although future events, neither controlled nor foreseeable by the Company, could occur and have an impact on those estimates. In accordance with ''NCRF 4 Accounting Policies, Changes in Estimates and Errors'' (''NCRF 4''), changes to these estimates that occur after the date of the financial statements are recognized in net income, using a prospective methodology. For this reason and given the degree of uncertainty, real results of the transactions in question may differ from the corresponding estimates.

3.25. Events occurred after the balance sheet date

Events after the balance sheet date that provide additional information about conditions existing at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that provide information about conditions that occur after the balance sheet date are not reflected in the financial statements, but are disclosed in the notes to the financial statements, if material.

4. Cash flows

For the purposes of the cash flow statement, the caption ''Cash and cash equivalents'' includes cash, bank deposits immediately available and other short-term investments with high liquidity and with initial maturities up to three months, net of bank overdrafts.

The Company is exposed to a liquidity risk if its sources of funding, including cash balance, operating cash inflows, divestments and cash flows obtained from financing operations, do not match with our financing needs, such as operating and financing outflows, investments, shareholder remuneration and debt repayments. Based on the cash flows generated by its operations, on the available cash and in the possibility to obtain financing from Portugal Telecom under the centralized cash management system implemented in the Group, the Company believes that it is able to meet its obligations.

(Amounts in Euro)

4. Cash flows (Continued)

The cash flow statement was prepared in accordance with ''*NCRF 2 Statement of Cash Flows*'', which includes the following:

(a) Cash receipts of income taxes

The Company is part of the special taxation regime for Groups of companies adopted by Portugal Telecom, and as such income taxes and withholding taxes by third parties are recorded on the balance sheet as payables and receivables from Portugal Telecom (Note 12). In this context, the Company received in 2012 an amount of Euro 35,940,339 and paid in 2011 an amount of Euro 52,218,724.

The payments made in 2011 reflect primarily the payments made by PT Prime on behalf of PT Comunicações, amounting to Euro 57,295,923, which relate mainly to payments on account related to the 2011 income tax payable in 2012 and the settlement of the fourth and last instalment due on the 2010 income tax. As a result of the merger of this affiliated company undertaken at the end of 2011, effective as from 1 January, and because PT Comunicações presented a tax loss in 2011, the Company recovered in 2012 the payments on account made in 2011, amounting to Euro 38,662,510.

(b) Cash receipts resulting from loans granted

In 2011, this caption relates to a partial reimbursement, amounting to Euro 160,000,000 (Note 12.1), regarding loans granted to TMN.

(c) Dividends received

In 2012 and 2011, PT Comunicações received dividends from the following companies:

	2012	2011
	Euro	
TMN (Nota 10)	235,479,275	—
CTM—Companhia de Telecomunicações, S.A.R.L. (''CTM'')(i)	2,625,352	2,134,792
Multicert—Serviços de Certificação Electrónica, S.A. (Nota 10)	117,198	—
Infonet Portugal—Serviços de Valor Acrescentado, Lda. (Nota 10)	51,328	255,241
	238,273,153	**2,390,033**

(i) The amounts received from this affiliated company differed from the attributable amounts of Euro 2,700,796 and Euro 2,280,036 (Note 10), respectively, as a result of exchange rate differences between the attribution and payment dates.

(d) Payments resulting from financial investments

In 2012 and 2011, this caption is composed as follows:

	2012	2011
	Euro	
Advances for the aquision of RETI (Note 10)	1,094,382	2,271,730
Acquisition of Fibroglobal—Comunicações Electrónicas, S. A. (''Fibroglobal'') (Note 10)(i)	1,000,000	—
Acquisition of PT Blueclip—Serviços de Gestão, S. A. (''PT Blue Clip'') (Note 10)	50,000	—
Other	15,990	4,252
	2,160,372	**2,275,982**

(i) During the year 2012, PT Comunicações subscribed a share capital increase of this company for a total amount of Euro 1,000,000, a result of which obtained a 5% interest in Fibroglobal, which was recorded under the caption ''Financial investments—other methods''.

(Amounts in Euro)

4. Cash flows (Continued)

(e) Cash receipts (payments) related to loans obtained

In 2012 and 2011, cash receipts from loans obtained, net of cash payments from loans obtained, has the following composition:

	2012	2011
	Euro	
Receipts (payments) obtained under commercial paper programmes	1,092,000,000	(227,000,000)
Loans granted by PT Portugal (Note 22.1)	—	727,000,000
Leases and other loans obtained	(21,390,512)	(12,914,385)
Payments to the ''Caixa Geral de Aposentações'' (Note 22.4)(i)	(454,316,000)	(467,360,397)
Intercompany loans within centralized cash management	(472,161,084)	4,761,996
	144,132,404	**24,487,214**

(i) As at 31 December 2010 and following the transfer of unfunded regulatory pension obligations, the Company had recognized an account payable to the Portuguese State for the amount of Euro 921.7 million. Of this outstanding amount, the Company repaid Euro 17.4 million and Euro 450.0 million in January and December 2011 (Note 22.4), respectively, and the remaining amount due of Euro 454.3 million (Note 22.4) was repaid in December 2012.

(f) Interest and related expenses

The increase in payments of interest and related expenses, from Euro 155,756,690 in 2011 to Euro 426,211,970 in 2012, reflects primarily lower accrued expenses, which amounted to Euro 163,750,159 and Euro 67,038,381 as at 31 December 2011 and 2012 (Note 24), respectively, corresponding to interest and similar expenses incurred in 2011 and 2012, respectively, but which payment occurred only in the following year.

(g) Cash and cash equivalents

In 2012 and 2011, this caption is composed as follows:

	2012	2011
	Euro	
Cash	14,669,035	35,473,531
Bank deposits immediately available	6,496,946	19,717,856
Cash and bank deposits	**21,165,981**	**55,191,387**

5. Changes in accounting policies and estimates and errors

In the year ended 31 December 2012, the Company did not adopt any new or revised standard or interpretation and did not voluntarily change any other accounting policy. In 2012, PT Comunicações reviewed the useful life of certain tangible assets, including mainly transmission equipments, which resulted in lower depreciation and amortization costs by approximately Euro 19 million.

In 2012, no other regulations or new or revised interpretations were issued that are not already in force.

In 2012, no restatements of any material errors or significant changes in accounting estimates were made with respect to previous years.

(Amounts in Euro)

6. Tangible fixed assets

6.1. Movements in tangible fixed assets

During the years ended 31 December 2012 and 2011, movements occurred in tangible fixed assets were as follows:

	2012								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers of assets	Total
					Euro				
Gross value									
Opening balance	176,915,964	843,331,948	8,811,120,172	43,405,353	788,963,712	56,033,699	114,855,017	5 11,125	10,835,136,990
Fusão RETI	—	604,699	2,997,334	71,479	—	214,812	—	—	3,888,324
Acquisitions	—	2,680,951	305,153,091	8,977,802	19,113,595	699,219	49,391,694	—	386,016,352
Disposals	(8,831)	—	(3,838,998)	(2,135,330)	(366,729)	(528)	—	—	(6,350,416)
Transfers and write-offs	565,378	4,670,105	(128,587,187)	(2,316,139)	26,282,112	(19,223)	(70,975,542)	51,536	(170,328,960)
Closing balance	**177,472,511**	**851,287,703**	**8,986,844,412**	**48,003,165**	**833,992,690**	**56,927,979**	**93,271,169**	**562,661**	**11,048,362,290**
Accumulated depreciation and impairment losses									
Opening balance	9,819,238	434,943,739	6,703,947,454	31,395,467	693,824,624	54,256,141	—	—	7,928,186,663
Fusão RETI	—	503,007	1,140,012	71,479	—	208,553	—	—	1,923,051
Depreciation of the period (Note 33)	—	35,801,344	362,087,366	5,376,746	62,910,358	665,788	—	—	466,841,602
Disposals	(1,406)	—	(2,570,127)	(1,829,584)	(294,195)	(528)	—	—	(4,695,840)
Transfers and write-offs	(85,163)	(3,943,095)	(150,683,312)	(1,531,744)	(1,304,209)	(46,849)	—	—	(157,594,372)
Closing balance	**9,732,669**	**467,304,995**	**6,913,921,393**	**33,482,364**	**755,136,578**	**55,083,105**	**—**	**—**	**8,234,661,104**
Net value	**167,739,842**	**383,982,708**	**2,072,923,019**	**14,520,801**	**78,856,112**	**1,844,874**	**93,271,169**	**562,661**	**2,813,701,186**

	2011								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers of assets	Total
					Euro				
Gross value									
Opening balance	159,968,422	771,433,487	8,305,858,930	47,436,103	674,821,976	53,361,133	130,976,667	511,125	10,144,367,843
Fusão PT Prime	—	431,267	380,659,823	883,081	39,344,881	2,525,898	14,548,253	—	438,393,203
Acquisitions	793,000	7,776,249	358,711,426	2,556,179	38,416,684	2 11,937	77,644,085	—	486,109,560
Revalorizações	15,801,251	47,403,756	(189,372,570)	—	—	—	—	—	(126,167,563)
Disposals	(2,132)	(338,002)	(50,797,055)	(2,423,462)	(181,517)	(7,098)	—	—	(53,749,266)
Transfers and write-offs	355,423	16,625,191	6,059,618	(5,046,548)	36,561,688	(58,171)	(108,313,988)	—	(53,816,787)
Closing balance	**176,915,964**	**843,331,948**	**8,811,120,172**	**43,405,353**	**788,963,712**	**56,033,699**	**114,855,017**	**511,125**	**10,835,136,990**
Accumulated depreciation and impairment losses									
Opening balance	9,493,330	386,219,754	6,119,690,764	30,609,724	606,000,461	51,123,640	—	—	7,203,137,673
Fusão PT Prime	—	132,773	296,197,979	527,434	34,704,428	2,458,051	—	—	334,020,665
Depreciation of the period (Note 33)	—	43,027,379	382,078,021	4,822,869	56,752,968	683,643	—	—	487,364,880
Disposals	(441)	(202,275)	(47,457,616)	(1,547,775)	(131,511)	(1,341)	—	—	(49,340,959)
Transfers and write-offs	326,349	5,766,108	(46,561,694)	(3,016,785)	(3,501,722)	(7,852)	—	—	(46,995,596)
Closing balance	**9,819,238**	**434,943,739**	**6,703,947,454**	**31,395,467**	**693,824,624**	**54,256,141**	**—**	**—**	**7,928,186,663**
Net value	**167,096,726**	**408,388,209**	**2,107,172,718**	**12,009,886**	**95,139,088**	**1,777,558**	**114,855,017**	**5 11,125**	**2,906,950,327**

The additions occurred in 2012 and 2011 under the captions ''Basic equipment'', ''Administrative equipment'' and ''Tangible fixed assets in progress'' relate primarily to the acquisition of software, network infrastructure and terminal equipment focused mainly on the Pay-TV business.

6.2. Revaluations

In 2008, PT Comunicações has changed the accounting policy on the valuation of real estate assets and ducts infra-structure, from the cost model to the revaluation model. The revaluations of real estate assets and ducts infra-structure were recorded as at 30 June and 30 September 2008 and resulted in the revaluation of those assets by Euro 208,268,320 and Euro 866,764,702, respectively. PT Comunicações, following the adoption of the SNC, maintained the accounting policy to use the revaluation model for these classes of assets, under which shall compute revaluation amounts, at maximum, every three years, and evaluates between those 3 year periods the possible existence of evidence that might result in a significant change in the revalued amount of those assets.

6. Tangible fixed assets (Continued)

The determination of the fair value of real estate properties was made by an independent appraiser based primarily on: (i) observable prices of recent market transactions in an active market; (ii) profitability method for commercial and administrative real estate; and (iii) the cost of acquiring or producing similar real estate with the same purpose for technical buildings. Under the first methodology, the main assumptions used in 2008 were the discount rate (average of 8%) and the monthly rent per square meter (average of Euro 6).

The determination of the fair value of the ducts infra-structure was made internally based on the replacement cost approach. This valuation process was based primarily on: (i) current and observable prices of materials and construction work related to the installation of the ducts underground; (ii) the nature of the soil and road surface where ducts are installed, which has an impact on the construction cost; (iii) internal costs directly attributable to the construction of the ducts infra-structure network; (iv) a depreciation factor, in order to ensure that the replacement cost is consistent with the remaining useful life of the assets revalued; and (v) a technological factor, which reflects the technological changes occurred, namely related to the kinds of ducts which no longer exist and were replaced by other ones. Generally, the prices of materials and construction work together with other qualitative assumptions referred to above resulted in a valuation of the ducts infra-structure in 2008 which reflects an average cost per meter of duct between Euro 58 and Euro 119, depending on the area where the infra-structure is located.

In accordance with the Company's accounting policy to revalue these assets every three years, PT Comunicações performed another revaluation of the real estate assets and transmission infrastructure in 2011, through the same methodology described above. These revaluations were effective as at 31 December 2011 and resulted in a net reduction of tangible assets amounting to Euro 131,418,996, of which Euro 126,167,563 was recognized directly in shareholders' equity, under the caption ''Revaluation surplus'' (Note 20.6), and an impairment loss of Euro 5,251,433 was recognized in earnings under the caption ''Depreciation and amortization ((losses)/reversals)''.

The split of these impacts between real estate and telecommunication ducts infrastructure is as follows:

- A reduction in the carrying value of the telecommunication infrastructure amounting to Euro 189,372,570, recognized directly in shareholders' equity in order to reduce the existing revaluation reserves regarding these assets, which is primarily explained by a decrease in the construction cost and also technological improvements, leading to a reduction in the average cost per meter of duct to between Euro 42 and Euro 70, depending on the area where the infra-structure is located; and

- A net increase in the carrying value of real estate assets amounting to Euro 57,953,574, including a gain of Euro 63,205,007 recorded directly in shareholders' equity and a loss of Euro 5,251,433 recognized in the Income Statement. The increase in the carrying value of real estate assets recognized as a result of this revaluation reflects mainly the depreciation expenses recorded over the last three years, which more than offset the reduction in the fair value of these assets. Regarding the main assumption related to this revaluation, the average monthly rent per square meter for the real estate assets that were revalued in both 2008 and 2011 remained broadly stable at Euro 6, although the overall average monthly rent per square meter increased to Euro 7, as a result of real estate assets acquired in 2009 and 2010.

The amortization of the surplus resulting from the revaluation of real estate properties and ducts infra-structure amounted to approximately Euro 10 million and Euro 32 million in 2012, respectively, and to Euro 11 million and Euro 45 million in 2011, respectively. Consequently, if these assets had been carried under the cost model, the carrying amounts of the real estate properties and the ducts infra-structure as of 31 December 2012 would have been reduced by approximately Euro 179 million and Euro 498 million, respectively.

(Amounts in Euro)

6. Tangible fixed assets (Continued)

For other classes of assets that were previously revalued to the date of transition to NCRF, the Company opted, under the adoption of new accounting standards, to consider the book value at the date of transition as deemed cost, as permitted by the exception foreseen in paragraph 10 of NCRF 3, so that these assets are measured according to the cost model.

In accordance with the applicable legislation, a portion (40%) of the increase in depreciation resulting from legal revaluations made in previous years, and the entire increase in depreciation resulting from revaluations recognized in 2008 do not constitute a cost for the purpose of determining corporate income tax payable (except the revaluations resulting from Decree-Law no. 126/77 of April 2, which are included in their entirety). Consequently, a deferred tax liability was recorded corresponding to the revaluation surplus to be realized (Note 15).

6.3. Other situations related to tangible fixed assets

During the years ended 31 December 2012 and 2011, the following expenses were included in the carrying value of tangible assets and intangible assets in progress:

	2012	2011
	Euro	
Materials consumed	3,094,392	4,020,725
Wages and salaries	33,646,133	31,817,292
Other expenses and losses	5,323,514	4,681,663
	42,064,039	**40,519,680**

The nature of the main projects that include own work capitalized relates to the planning, supervision and monitoring of installation of terminal equipment, namely IPTV equipment and Fiber-to-the-Home (''FTTH'').

For the net carrying value of tangible fixed assets as at 31 December 2012, we note the following:

- There are buildings installed in properties of third parties in the total amount of Euro 8,415,303;
- There are assets of PT Comunicações composed mainly of real estate, that were not registered under the Company's name amounting to Euro 9,240,550, of which Euro 1,570,804 are registered under the name of PT SGPS;
- The Company has tangible fixed assets located overseas with a net book value of Euro 15,448,762, including primarily participation in submarine cable consortiums;
- The tangible fixed assets which, under the terms of article 5 of the Annex to Decree-Law no. 31/2003 of February 17 which constituted the Bases for the Concession of Public Telecommunications Service (Note 1), are subject to the Concession, had a carrying value of Euro 1,765,103,812.

(Amounts in Euro)

7. Investment properties

During the years ended 31 December 2012 and 2011, movements occurred in this caption were as follows:

	2012	2011
	Euro	
Gross value		
Opening balance	17,791,958	25,818,088
Transfers, adjustments and other	(999,538)	(8,026,130)
Closing balance	**16,792,420**	**17,791,958**
Accumulated amortisation and impairment losses		
Opening balance	5,399,654	11,064,079
Amortisation (Nota 33)	482,639	450,348
Transfers, adjustments and other	2,046,290	(6,114,773)
Closing balance	**7,928,583**	**5,399,654**
Net value	**8,863,837**	**12,392,304**

Land and buildings that were not used in operating activities as at 31 December 2012 and 2011 were classified under this caption, according to the accounting policy adopted by the Company.

These assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. PT Comunicações makes periodic valuations of these assets. As at 31 December 2012, the real estate book value with acquisition cost exceeding Euro 50,000 amounted to approximately Euro 8.9 million, whereas the corresponding market value amounted to Euro 9.1 million.

During the years ended 31 December 2012 and 2011, PT Comunicações has obtained rental income from this real estate amounting to Euro 638,953 and Euro 640,122, respectively , which were classified under the caption ''Other income and gains'' (Note 31).

8. Goodwill

The composition of goodwill as at 31 December 2012 and 2011, computed following the acquisition of subsidiaries, some of which were subsequently merged into the Company, is as follows:

Entity	Year of acquisition	Carrying value
		Euro
Mobile Business (TMN)	2010	2,145,416,586
Wireline Business		
Internet Business / portal (ex-PT.Com)	2007	560,447,103
Corporate Business (ex-PT Prime)	2007	235,323,593
International Business (ex-Marconi)	2000	41,255,121
		2,982,442,403

For the purposes of impairment tests, goodwill was allocated to cash generating units. The recoverable amount was determined from the respective value in use through the discounted cash flows methodology, using a cash flow forecast of a four year period, which was prepared internally. The discount rate applied to projected cash flows, which was determined taking into account the risk

(Amounts in Euro)

8. Goodwill (Continued)

associated with each business, and the growth rates used to extrapolate cash flow projections beyond the period covered by the forecasts prepared internally were as follows:

Assumptions	Internet Business	Corporate Business
Growth rate	1.0% - 1.5%	1.0% - 1.5%
Discount rate	8.9% - 9.9%	8.9% - 9.9%

The recoverable amount of each cash generating unit was determined for the minimum and maximum values listed in the table above and the Company's management concluded that, as at 31 December 2012, the book value of the cash generating unit, including goodwill, did not exceed its recoverable amount.

9. Intangible assets

During the years ended 31 December 2012 and 2011, movements occurred in intangible assets were as follows:

	2012			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	497,805,369	487,590	1,694,348	499,987,307
Acquisitions	5,553,990	220,502	1,049,571	6,824,063
Transfers and write-offs	11,488	—	(1,694,348)	(1,682,860)
Closing balance	**503,370,847**	**708,092**	**1,049,571**	**505,128,510**
Accumulated amortisation and impairment losses				
Opening balance	240,002,357	168,352	—	240,170,709
Amortisation (Nota 33)	30,161,753	168,655	—	30,330,408
Transfers and write-offs	(645,285)	—	—	(645,285)
Closing balance	**269,518,825**	**337,007**	**—**	**269,855,832**
Intangible assets, net	**233,852,022**	**371,085**	**1,049,571**	**235,272,678**

(Amounts in Euro)

9. Intangible assets (Continued)

	2011			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	463,778,961	239,570	4,052,004	468,070,535
PT Prime merger	777,275	—	—	777,275
Acquisitions	28,113,187	57,020	1,016,395	29,186,602
Transfers and write-offs	5,135,946	191,000	(3,374,051)	1,952,895
Closing balance	**497,805,369**	**487,590**	**1,694,348**	**499,987,307**
Accumulated amortisation and impairment losses				
Opening balance	209,058,661	66,547	—	209,125,208
PT Prime merger	730,716	—	—	730,716
Amortisation (Nota 33)	30,063,420	101,805	—	30,165,225
Transfers and write-offs	149,560	—	—	149,560
Closing balance	**240,002,357**	**168,352**	**—**	**240,170,709**
Intangible assets, net	**257,803,012**	**319,238**	**1,694,348**	**259,816,598**

In 2012, additions under the caption ''Industrial property and other rights'' relate primarily to (1) the acquisition of software licenses regarding projects to develop new applications and features in the commercial, financials and logistic areas. In 2011, additions include primarily (1) the commitments assumed under the DTT license (Note 1), amounting to Euro 23,595,180, and (2) the acquisition of software licenses with same nature of those mentioned above.

As at 31 December 2012, the net book value of the caption ''Industrial property and other rights'' includes mainly:

– An amount of Euro 185 million related to the acquisition of full ownership of the Basic Network by PT Comunicações to the Portuguese State, concluded in December 2002, which corresponds to the gross value capitalized in 2002 amounting Euro 339 million net of accumulated depreciation;

– An amount of Euro 16 million related to a contract entered into by PT Comunicações in 2007 and 2009 for the acquisition of satellite capacity rights until 2015, which was recorded as a financial lease; and

– An amount of Euro 23 million, corresponding to the TDT licenses recorded in 2011.

In 2012 and 2011, the Company performed innovation, research and development activities under which the following expenses and fixed assets were recorded:

	2012	2011
	Euro	
Tangible fixed assets	72,940,479	134,591,146
Intangible assets	1,424,785	2,021,607
Other operation expenses	10,796,763	11,611,026
Total	**85,162,027**	**148,223,779**

(Amounts in Euro)

10. Financial investments—equity method of accounting

During the years ended 31 December 2012 and 2011, the movements occurred under this caption were as follows (Note 12):

	2012			
	Investments in subsidiary companies	Investments in associated companies	Advances for financial investments[(a)]	Total
	Euro			
Gross value				
Opening balance	7,675,544,256	5,794,961	6,771,730	7,688,110,947
Reti merger[(a)]	(71,699)	—	—	(71,699)
Increases	50,000	—	1,094,382	1,144,382
Equity method	(183,670,364)	2,867,410	—	(180,802,954)
Dividends	(235,530,603)	(2,817,994)	—	(238,348,597)
Non current assets held for sale[(b)]	—	(5,069,882)	—	(5,069,882)
Other[(a)]	71,699	—	(7,866,112)	(7,794,413)
Closing balance	**7,256,393,289**	**774,495**	**—**	**7,257,167,784**
Impairment losses				
Opening balance	—	—	6,771,730	6,771,730
Increases	—	—	1,094,382	1,094,382
Other	—	—	(7,866,112)	(7,866,112)
Closing balance	**—**	**—**	**—**	**—**
Financial investments, net	**7,256,393,289**	**774,495**	**—**	**7,257,167,784**

(a) On 3 May 2012, PT Comunicações concluded the acquisition of an investment in RETI that was previously held by TVI, through the payment of the fifth and last installment, amounting to Euro 1,094,382, that was considered in an agreement entered in December 2009, and following the amounts already paid in previous years as advances for financial investments, for the total amount of Euro 6,771,730. These amounts were fully adjusted based on the Company's expectation that RETI's analogical network was redundant considering the network of PT Comunicações. As a result of the acquisition of this investment, the Company recorded an investment of Euro 71,699, corresponding to the shareholders' equity of the acquired company, and recorded a goodwill of Euro 7,794,413, corresponding to the difference between the acquisition price of Euro 7,866,112 and the financial investment. Both the goodwill and the impairment losses recognized in previous years over payments made or to be made under the agreement entered into in December 2009, amounting to Euro 7,866,112, were transferred to net income. In December 2012, the Board of Directors of both companies approved the merger of RETI into PT Comunicações as from 3 May 2012 and, as such, the Company eliminated the financial investment in RETI, amounting to Euro 71,699, and recorded in its balance sheet the assets and liabilities of RETI as of that date that were transferred to PT Comunicações.

(b) On 13 January 2013, as mentioned in Note 37, Portugal Telecom entered into a definitive agreement for the sale of the 28% stake held by the Group in the share capital of CTM, including the 25% and 3% interests held by PT Participações and PT Comunicações, respectively. Consequently, the Company's investment in CTM was classified as a non-current asset held for sale as at 31 December 2012. This transaction, which is still pending the satisfaction of a set of precedent conditions will

(Amounts in Euro)

10. Financial investments—equity method of accounting (Continued)

allow the Group to receive a total amount of 411.6 million US dollars, subject to certain cash flow adjustments, amount that should be spitted proportionally between the companies that hold this investment.

	2011			
	Investments in subsidiary companies	Investments in associated companies	Advances for financial investments[a]	Total
	Euro			
Gross value				
Opening balance	7,920,681,613	4,802,228	4,500,000	7,929,983,841
PT Prime merger[a]	(155,822,823)	1,002,908	—	(154,819,915)
Increases	—	—	2,271,730	2,271,730
Reductions	—	(169,172)	—	(169,172)
Equity method	(79,035,450)	2,439,033	—	(76,596,417)
Dividends	(255,241)	(2,280,036)	—	(2,535,277)
Other movements[b]	(10,023,843)	—	—	(10,023,843)
Closing balance	**7,675,544,256**	**5,794,961**	**6,771,730**	**7,688,110,947**
Impairment losses				
Opening balance	—	—	4,500,000	4,500,000
Increases	—	—	2,271,730	2,271,730
Closing balance	**—**	**—**	**6,771,730**	**6,771,730**
Financial investments, net	**7,675,544,256**	**5,794,961**	**—**	**7,681,339,217**

(a) This caption includes: (i) the elimination of the Company's financial investment recorded as at 31 December 2010 in relation to its former affiliated company PT Prime, corresponding to the shareholders' equity of such company on that date, amounting to Euro 157,378,990, and (ii) the financial investments of PT Prime in its affiliated companies, which were transferred to the Company as a result of this merger, amounting to Euro 2,559,075.

(b) This caption relates to the disposal of certain network assets to TMN and corresponds to the difference between the disposal price (fair value) and the respective carrying value, since as this was a transaction with an affiliated company, the related capital gain was eliminated and recorded as a reduction to the financial investment in TMN, in order to offset the excess depreciation that TMN will recognize regarding these assets in relation to the depreciation that would have been recognized if these assets had not been disposed of.

In 2012 and 2011, increases the gross value of financial investments accounted for by the equity method gross were as follows:

	2012	2011
	Euro	
Acquisition of PT Blueclip (Note 4)	50,000	—
Advances for the aquision of financial investments (Note 4)	1,094,382	2,271,730
	1,144,382	**2,271,730**

During the year ended 31 December 2011, the reduction in gross value of investments recorded under the equity method of accounting, amounting to Euro 169,172, relates to the liquidation of Tele Larm, in which the Company held a 50% interest.

(Amounts in Euro)

10. Financial investments—equity method of accounting (Continued)

In 2012 and 2011, the movements occurred in investments in subsidiaries and associated companies resulting from the application of the equity method of accounting were recorded as follows:

	2012	2011
	Euro	
Gains in affiliated companies net (Note 26)	120,535,593	153,286,767
Adjustments to financial assets (Note 20.5)	(301,338,547)	(229,883,184)
	(180,802,954)	**(76,596,417)**

The detail of dividends attributed by subsidiaries and associated companies in 2012 and 2011 is as follows (Note 4):

	2012	2011
	Euro	
TMN	235,479,275	—
CTM	2,700,796	2,280,036
Multicert	117,198	—
Infonet	51,328	255,241
	238,348,597	**2,535,277**

11. Post-retirement benefits

As referred to in Note 3, PT Comunicações is responsible for the payment of post-retirement benefits under defined benefit plans, which include pensions and pension supplements to retired and active employees, healthcare services after retirement age and salaries to suspended and pre-retired employees.

The actuarial valuations of Portugal Telecom's defined benefit plans as at 31 December 2012, 2011 and 2010 were computed based on the projected unit credit method and considered the following main financial and demographic actuarial assumptions:

	2012	2011	2010
		Euro	
Financial assumptions			
Discount rate for obligations related to:			
Pension supplements	3.00%	4.75%	4.75%
Salaries to suspended and pre-retired employees	2.00%	3.75%	3.75%
Healthcare	4.00%	4.75%	4.75%
Salary growth rate for obligations related to:			
Pension supplements and healthcare	1.75%	1.75%	1.75%
Salaries to suspended and pre-retired employees	0,00%—1,75%[(i)]	0,00%—1,75%[(i)]	1.75%
Pension growth rate	GDP linked	GDP linked	GDP linked
Social Security sustainability factor	Applicable	Applicable	Not applicable
Inflation rate	2.00%	2.00%	2.00%
Healthcare cost trend growth rate	3.00%	3.00%	3.00%
Expected return on assets	6.00%	6.00%	6.00%

(i) For salaries payable between 2013 and 2017, the salary growth rate ranges from 0% to 1% depending on the amount of the salary. As from 2018, the salary growth rate is 1.75% for all situations.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

	2012	2011	2010
		Euro	
Demographic assumptions			
Mortality tables for active beneficiaries:			
Males	PA (90)m adjusted	AM (92)	AM (92)
Females	PA (90)m adjusted	AF (92)	AF (92)
Mortality tables for non-active beneficiaries:			
Males	PA (90)m adjusted	PA (90)m adjusted	PA (90)m adjusted
Females	PA (90)f adjusted	PA (90)f adjusted	PA (90)f adjusted
Disability table (Swiss Reinsurance Company)	25%	25%	25%
Active employees with spouses under the plan	35%	35%	35%
Turnover of employees	Nil	Nil	Nil

The changes in actuarial assumptions were primarily due to changes occurred in market conditions.

The discount rate was computed based on long-term yield rates of high-rating bonds as of the date of the Balance sheet for durations comparable to the liabilities for pensions and pension supplements, salaries and health care benefits (between 4 and 15 years).

The rate of return on long-term fund assets was estimated based on historical information on the return of portfolio assets, the expected portfolio in future years and certain financial market performance indicators usually considered in market analysis.

Salary growth rate was established in accordance with Group policy for wages and salaries and pension growth rates and the sustainability factor was established in line with Portuguese Government information.

Demographic assumptions considered by Portugal Telecom are based on mortality tables generally accepted for actuarial valuation purposes, with these tables being periodically adjusted to reflect the actual mortality rates observed among the plan participants.

In 2012 and 2011, the total impact of changes in actuarial assumptions a net loss of Euro 136,212,106, and a net gain of Euro 19,337,022 (Notes 11.7), respectively, and was recognized directly in shareholders' equity.

The impact of an increase by 25 basis points on the average discount rate actuarial assumption would be a decrease of the responsibilities for post-retirement benefits by approximately Euro 21 million as at 31 December 2012, while the impact of an increase (decrease) in the health care cost trend rate by 1% would be an increase (decrease) of the responsibilities for post-retirement benefits by approximately Euro 71 million (Euro 58 million) as at 31 December 2012.

The impact of an increase (decrease) by 1% in the rate of return on long-term fund assets would be a decrease (increase) of post-retirement benefit costs in the year 2012 by approximately Euro 3 million, corresponding to the increase (decrease) in expected return on assets, and the impact of an increase (decrease) by 1% in the health care cost trend rate would be an increase (decrease) of post-retirement benefit costs in the year 2012 by approximately Euro 4 million (Euro 3 million).

11.1. Supplement benefits

As referred to in Note 3, prior to the transfer of pension obligations to the Portuguese State, PT Comunicações was responsible for the payment of regulatory pensions and pension supplements to

(Amounts in Euro)

11. Post-retirement benefits (Continued)

retired and active employees, and is no longer responsible for the payment of regulatory pensions following that transfer. These liabilities, which were estimated based on actuarial valuations, are as follows:

a) Retirees and employees of TLP and TDP hired prior to 23 June 1994 are entitled to receive a pension supplement from PT Comunicações, which complements the pension paid by the Portuguese social security system.

b) Retirees and employees of Companhia Portuguesa Rádio Marconi, SA (''Marconi'', a company merged into PT Comunicações in 2002) hired prior to 1 February 1998 are entitled to a supplemental pension benefit (''Marconi Complementary Fund''). In addition, PT Comunicações contributes to the fund ''Fundo de Melhoria Marconi'' with 1.55% of the salaries paid to these employees, which is responsible to pay the additional pension supplement.

c) On retirement, PT Comunicações pays a lump sum gratuity of a fixed amount which depends on the length of service completed by the employee.

Employees hired by PT Comunicações or any of its predecessor companies after the dates indicated above are not entitled to these benefits, as they are covered by the general Portuguese Government social security system.

As at 31 December 2012, pension supplement plans from PT Comunicações covered 19,814 beneficiaries, of which approximately 63% are non active.

Based on the actuarial reports, the pension benefit obligation and the fair value of the pension funds as at 31 December 2012 and 2011 were as follows:

	2012	2011
	Euro	
Projected benefit obligations related to pension, pension supplements and gratuities	126,751,790	121,168,176
Pension funds assets at fair value	(99,529,441)	(98,480,548)
Unfunded pension obligations	**27,222,349**	**22,687,628**
Prior years' service gains[(a)]	3,079,179	3,998,608
Present value of unfunded pension obligations (Note 11.4)	**30,301,528**	**26,686,236**

(a) This caption refers to the component of the prior years' service gains resulting from the changes in the benefits granted under pension supplement plans related to unvested rights. This amount will be recognized in earnings during the estimated period in which those benefits will be used by employees (9 years).

(Amounts in Euro)

11. Post-retirement benefits (Continued)

During the years ended 31 December 2012 and 2011, the movement in the projected benefit obligations was as follows:

	2012	2011
	Euro	
Opening balance of the projected benefit obligation	**121,168,176**	**129,290,651**
Payments of benefits and contributions		
Benefits paid by the Company (Note 11.5)	(983,643)	(1,109,982)
Benefits paid by the funds	(9,392,359)	(9,692,964)
Pension costs		
Service cost	442,893	460,701
Interest cost	5,345,763	5,712,999
Work force reduction programme costs	87,682	10,245
Net actuarial losses	9,878,905	(3,503,474)
Transfers between plans (Note 11.3)	204,373	—
Closing balance of the projected benefit obligation	**126,751,790**	**121,168,176**

During the years ended 31 December 2012 and 2011, the movement in the projected benefit obligations was as follows:

	2012		2011	
	Amount	%	Amount	%
		Euro		
Equities	19,922,371	20.0%	19,994,550	20.3%
Bonds	60,201,161	60.5%	58,907,519	59.8%
Property[(a)]	2,545,908	2.6%	2,713,542	2.8%
Cash, treasury bills, short-term stocks and other assets	16,860,001	16.9%	16,864,937	17.1%
	99,529,441	**100.0%**	**98,480,548**	**100.0%**

(a) During the years ended 31 December 2011, in connection with the transfer of unfunded pension obligations to the Portuguese State, Portugal Telecom acquired from the pension funds all real estate properties that were rented to Group companies and recognized them under the caption ''Tangible fixed assets'' for an amount of Euro 3 million.

Portugal Telecom is exposed to risks related to the changes in the fair value of the plan assets associated with Portugal Telecom's post-retirement defined pension supplement plans. The main purpose of the established investment policy is capital preservation through five main principles: (1) diversification; (2) stable strategic asset allocation and disciplined rebalancing; (3) lower exposure to currency fluctuations; (4) specialized instruments for each class of assets; and (5) cost control.

During the years ended 31 December 2012 and 2011, the movement in the plan assets was as follows:

	2012	2011
	Euro	
Opening balance of the plan assets	**98,480,548**	**109,335,604**
Actual return on assets	9,341,252	(2,812,092)
Payments of benefits	(9,392,359)	(9,692,964)
Contributions made by the Company (Note 11.5)	1,100,000	1,650,000
Closing balance of the plan assets	**99,529,441**	**98,480,548**

(Amounts in Euro)

11. Post-retirement benefits (Continued)

A summary of the components of the pension net cost recorded in the years ended 31 December 2012 and 2011 is presented below:

	2012	2011
	Euro	
Service cost	442,893	460,701
Interest cost	5,345,763	5,712,999
Expected return on plan assets	(5,633,800)	(6,278,854)
Amortization of prior years' service gains[a]	(622,156)	(624,094)
Current pension cost (Notes 11. 4 and 11.6)	**(467,300)**	**(729,248)**
Work force reduction program	87,682	10,245
Prior years' service gains (extraordinary amortization)	(297,273)	(12,281)
Total cost of redundancy programme (Notes 11. 4 and 11.6)	**(209,591)**	**(2,036)**
Total pension cost	**(676,891)**	**(731,284)**

(a) In 2012 and 2011, this caption corresponds to the annual amortisation of unrecognized prior year service gains obtained in previous years.

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholders' equity. During the years ended 31 December 2012 and 2011, the movement in accumulated net actuarial losses was as follows:

	2012	2011
	Euro	
Opening balance	**121,803,871**	**116,216,399**
Change in actuarial assumptions (Note 11.7)	17,334,547	(374,801)
Differences between actual data and actuarial assumptions (Note 11.7)		
Pension benefit obligation related[a]	(7,455,642)	(3,128,673)
Asset related	**(3,707,452)**	**9,090,946**
Closing balance	**127,975,324**	**121,803,871**

(a) Differences between actual data and actuarial assumptions related to the PBO, results mainly from updated information regarding beneficiaries.

11.2. Health care benefits

As referred to in Note 3, PT Comunicações is responsible for the payment of post-retirement health care benefits to certain employees, suspended employees, pre-retired employees, retired employees and their eligible relatives. Health care services are rendered by PT-ACS, which was incorporated with the sole purpose of managing the Company's Health Care Plan.

This plan, sponsored by PT Comunicações, includes all employees hired by PT Comunicações until 31 December 2000 and by Marconi until 1 February 1998.

As at 31 December 2012, healthcare plan from PT Comunicações covered 23.894 beneficiaries related to employees and former employees, of which approximately 76% are non-active at both dates. In addition, as at 31 December 2011, these plans also covered 10.850 beneficiaries related to relatives of employees and former employees, respectively.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

The financing of the Health Care Plan is assured by defined contributions made by participants to PT ACS and the remainder by PT Comunicações, which incorporated a fund in 2004 that is managed independently for this purpose.

Based on the actuarial reports, the benefit obligation and the fair value of health care funds and prior year's service gains not yet recognized as at 31 December 2012 and 2011 are as follows:

	2012	2011
	Euro	
Projected benefit obligations	374,474,961	351,843,072
Plan assets at fair value	(299,865,329)	(246,214,842)
Net unfunded obligations	**74,609,632**	**105,628,230**
Prior years' service gains[a]	11,119,675	11,955,435
Present value of net unfunded obligations (Note 11.4)	**85,729,307**	**117,583,665**

(a) This caption refers to the component of the prior years' service gains resulting from the changes in the health care plan made in previous years related to those benefits that are not yet vested. This amount was deferred and will be recognized in earnings during the estimated period in which those benefits will be earned by employees.

During the years ended 31 December 2012 and 2011, the movement in the projected benefit obligations was as follows:

	2012	2011
	Euro	
Opening balance of the projected benefit obligations	**351,843,072**	**341,823,966**
Benefits paid by the Company (Note 11.5)	(18,977,302)	(17,964,841)
Pension costs		
Service cost	2,988,477	2,975,899
Interest cost	16,326,001	15,839,912
Work force reduction costs	(163,036)	186,854
Net actuarial losses	22,457,749	8,981,282
Closing balance of the projected benefit obligations	**374,474,961**	**351,843,072**

As at 31 December 2012 and 2011, the portfolio of the Company's autonomous fund to cover post-retirement health care benefit obligations was as follows:

	Amount 2012	%	Amount 2011	%
		Euro		
Equities[a]	75,277,597	25.1%	41,289,896	16.8%
Bonds[b]	88,178,641	29.4%	89,155,632	36.2%
Cash, treasury bills, short-term stocks and other assets[c]	136,409,091	45.5%	115,769,314	47.0%
	299,865,329	**100.0%**	**246,214,842**	**100.0%**

(a) As at 31 December 2012 and 2011, this caption corresponds to investments in shares of Banco Espírito Santo, one Portugal Telecom's shareholder.

(b) As at 31 December 2012 and 2011, this caption includes investments in bonds of Portugal Telecom amounting to Euro 66 million and Euro 56 million, respectively

(c) As at 31 December 2012 and 2011, this caption includes investments in the private equity funds ''Ongoing International Capital Markets'' and ''Ongoing International Private Equity'' totalling Euro 104 million and Euro 79 million, respectively, which are managed by Global Investment Opportunities SICAV, former Ongoing International, a Portugal Telecom's shareholder.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

During 2012 and 2011, the movement in the plan assets was as follows:

	2012	2011
	Euro	
Opening balance of the plan assets	**246,214,842**	**338,810,084**
Actual return on assets	74,473,916	(69,303,386)
Refunds (Note 11.5)[(a)]	(20,823,429)	(23,291,856)
Closing balance of the plan assets	**299,865,329**	**246,214,842**

(a) This caption relates to refunds of expenses paid by PT Comunicações on behalf of PT ACS.

A summary of the components of the net periodic post-retirement health care cost in 2012 and 2011 is presented below:

	2012	2011
	Euro	
Service cost	2,988,477	2,975,899
Interest cost	16,326,001	15,839,912
Expected return on plan assets	(14,284,623)	(19,827,477)
Prior years' service gains	(840,553)	(841,263)
Current cost (Notes 11.4 and 11.6)	**4,189,302**	**(1,852,929)**
Work force reduction program costs	(163,036)	186,854
Prior years' service gains (extraordinary amortization)	4,793	(6,302)
Total cost of redundancy programme (Notes 11.4 and 11.6)	**(158,243)**	**180,552**
Health care cost	**4,031,059**	**(1,672,377)**

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholder's equity. During the years ended 31 December 2012 and 2011, the movement in accumulated net actuarial losses was as follows:

	2012	2011
	Euro	
Opening balance	**317,951,850**	**219,839,705**
Change in actuarial assumptions (Note 11.7)	37,439,494	—
Differences between actual data and actuarial assumptions (Note 11.7):		
Health care benefit obligation related	(14,981,745)	8,981282
Assets related	(60,189,293)	89,130,863
Closing balance	**280,220,306**	**317,951,850**

11.3. Pre-retired and suspended employees

As mentioned in Note 3, PT Comunicações is also responsible for the payment of salaries to suspended and pre-retired employees until they reach the Portuguese social security retirement age. As at 31 December 2012, there were 5,441 suspended and pre-retired employees.

These liabilities are not subject to any legal funding requirement, therefore the monthly payment of salaries is made directly by PT Comunicações.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

During the years ended 31 December 2012 and 2011, the movement in the projected benefit obligation was as follows:

	2012	2011
	Euro	
Opening balance of the projected benefit obligation	**779,921,779**	**922,663,206**
Merger PT Prime (Note 11.4)	—	296,073
Benefits paid by the Company (Notes 11.4 and 11.5)	(159,183,194)	(173,540,423)
Interest cost (Notas 11.4 e 11.6)	25,657,325	31,348,662
Work force reduction costs (Notas 11.4 e 11.6)	(246,969)	31,034,557
Net actuarial losses (Note 11.7)	81,313,511	(31,880,296)
Transfers between plans (Note 11.1)	(204,373)	—
Closing balance of the projected benefit obligation (Note 11.4)	**727,258,079**	**779,921,779**

Actuarial gains and losses, which result from changes in actuarial assumptions and from differences between those actuarial assumptions and actual data, are recognized directly in shareholders' equity. During the years ended 31 December 2012 and 2011, the movement in accumulated net actuarial losses was as follows:

	2012	2011
	Euro	
Opening balance	**83,152,610**	**115,032,906**
Change in actuarial assumptions (Note 11.7)	81,438,065	(18,962,221)
Differences between actual data and actuarial assumptions (Note 11.7)	(124,554)	(12,918,075)
Closing balance	**164,466,121**	**83,152,610**

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.4. Responsibilities for post-retirement benefits

The movements observed in post-retirement benefit obligations, net of the related asset funds, during the years ended 31 December 2012 and 2011 were as follows:

	Pension benefits (Note 11.1)	Health care benefits (Note 11.2)	Salaries to pre-retired and suspended employees	Total
			Euro	
Balance as at 1 January 2011	**24,590,030**	**15,816,882**	**922,663,206**	**963,070,118**
PT Prime merger (Note 11.3)	—	—	296,073	296,073
Net periodic pension cost/(gain) (Note 11.6)	(729,248)	(1,852,929)	31,348,662	28,766,485
Work force reduction costs (Note 11.6)	(2,036)	180,552	31,034,557	31,213,073
Payments, contributions and refunds (Note 11.5)	(2,759,982)	5,327,015	(173,540,423)	(170,973,390)
Net atuarial losses (gains) (Notes 11.7 and 11.8)	5,587,472	98,112,145	(31,880,296)	71,819,321
Balance as at 31 December 2011	**26,686,236**	**117,583,665**	**779,921,779**	**924,191,680**
Transfers between plans	204,373	—	(204,373)	—
Net periodic pension cost/(gain) (Note 11.6)	(467,300)	4,189,302	25,657,325	29,379,327
Work force reduction costs (Note 11.6)	(209,591)	(158,243)	(246,969)	(614,803)
Payments, contributions and refunds (Note 11.5)	(2,083,643)	1,846,127	(159,183,194)	(159,420,710)
Net atuarial losses/(gains) (Notes 11.7 and 11.8)	6,171,453	(37,731,544)	81,313,511	49,753,420
Balance as at 31 December 2012	**30,301,528**	**85,729,307**	**727,258,079**	**843,288,914**

Certain post-retirement benefit plans have a surplus position and therefore were presented in the Balance sheet separately from those plans with a deficit position. As at 31 December 2012 and 2011, net post-retirement obligations were recognized in the Balance sheet as follows:

	2012	2011
	Euro	
Plans with a deficit position:		
Pensions	31,934,368	28,374,789
Healthcare (Note 11.2)	85,729,307	117,583,665
Salaries to pre-retired and suspended employees (Note 11.3)	727,258,079	779,921,779
	844,921,754	**925,880,233**
Plans with a surplus position:		
Pensions	(1,632,840)	(1,688,553)
	(1,632,840)	**(1,688,553)**
	843,288,914	**924,191,680**

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.5. Cash flows relating to post-retirement benefit plans

During the years ended 31 December 2012 and 2011, the payments and contributions regarding post-retirement benefits were as follows:

	2012	2011
	Euro	
Pensions		
Contributions to the funds (Note 11.1)	1,100,000	1,650,000
Payments of pension supplements (Note 11.1)	983,643	1,109,982
Sub total (Note 11.4)	**2,083,643**	**2,759,982**
Health care		
Refunds (Note 11.2)	(20,823,429)	(23,291,856)
Payments of health care expenses (Note 11.2)	18,977,302	17,964,841
Sub total (Note 11.4)	**(1,846,127)**	**(5,327,015)**
Other payments		
Payments of salaries to pre-retired and suspended employees (Notes 11.3 and 11.4)	159,183,194	173,540,423
Termination payments (Note 11.6)	1,482,772	1,707,171
Service cost related to liabilities tranferred to the Portuguese State[(a)]	25,482,982	21,783,360
Sub total	**186,148,948**	**197,030,954**
	186,386,464	**194,463,921**

(a) This caption corresponds to a fixed contribution paid by PT Comunicações to the Portuguese Social Security System relating to the annual service of active and suspended employees that were entitled to pension benefits under the Company's post-retirement benefit plans that were transferred to the Portuguese State in December 2010.

11.6. Post-retirement benefit costs

In 2012 and 2011, post-retirement benefit costs and curtailment and settlement costs were as follows:

	2012	2011
	Euro	
Post retirement benefits, net		
Pension benefits (Notes 11.1 and 11.4)	(467,300)	(729,248)
Health care benefits (Notes 11.2 and 11.4)	4,189,302	(1,852,929)
Salaries (Notes 11.3 and 11.4)	25,657,325	31,348,662
Service cost related to liabilities transfered to the Portuguese state[(a)]	22,337,313	25,112,665
	51,716,640	**53,879,150**
Redundancy costs and liquidation		
Pensions (Notes 11.1 and 11.4)	(209,591)	(2,036)
Health care (Notes 11.2 and 11.4)	(158,243)	180,552
Salaries (Notes 11.3 and 11.4)	(246,969)	31,034,557
Termination payments (Note 11.5)	1,482,772	1,707,171
	867,969	**32,920,244**

(a) This caption corresponds to a fixed contribution paid by PT Comunicações to the Portuguese Social Security System relating to the annual service of active and suspended employees that were entitled to pension benefits under the Company's post-retirement benefit plans that were transferred to the Portuguese State in December 2010.

(Amounts in Euro)

11. Post-retirement benefits (Continued)

11.7. Net actuarial losses (gains)

In 2012 and 2011, the net actuarial gains and losses recorded in shareholders' equity were as follows:

	2012	2011
	Euro	
Changes in actuarial assumptions		
Pension benefits (Note 11.1)	17,334,547	(374,801)
Health care benefits (Note 11.2)	37,439,494	—
Salaries (Note 11.3)	81,438,065	(18,962,221)
Sub-total (Note 11)	**136,212,106**	**(19,337,022)**
Differences between actual data and actuarial assumptions		
Pension benefits (Note 11.1)	(11,163,094)	5,962,273
Health care benefits (Note 11.2)	(75,171,038)	98,112,145
Salaries (Note 11.3)	(124,554)	(12,918,075)
Sub-total	**(86,458,686)**	**91,156,343**
Total (Notes 11.4, 11. 8 and 20.4)	**49,753,420**	**71,819,321**

Net actuarial losses and gains recorded in 2012 and 2011 related to changes in actuarial assumptions mainly resulting from the changes in the financial and demographic actuarial assumptions detailed above, as follows:

— Net actuarial losses recorded in 2012, amounting to Euro 136 million, include primarily the impacts resulting from (1) the suspension of the early retirement regime (loss of Euro 39 million), either permanently for employees under the CGA regime or during the financial assistance programme to Portugal for the remaining employees, (2) the reduction in the discount rates for responsibilities with pension supplements, health care benefits and salaries payable to suspended and pre-retired employees (loss of Euro 102 million), and (3) the change in the mortality tables for active beneficiaries;

— Actuarial gains recognized in 2011, amounting to Euro 19 million, relate mainly to the reduction in the salary growth rate for obligations in connection with salaries payable to suspended and pre-retired employees.

The detail of net actuarial gains and losses resulting from differences between actual data and actuarial assumptions is as follows:

— Actuarial gains recognized in 2012, amounting to Euro 86 million, include (i) a gain of Euro 64 million related to the difference between actual (+25,2%) and expected (+6.0%) return on fund assets, and (ii) a gain of Euro 23 million corresponding to the difference between actual data and actuarial assumptions regarding projected responsibilities, particular assumptions about growth rates of wages, pensions and health care;

— Actuarial losses recognized in 2011, amounting to Euro 91 million, include (i) a loss of Euro 98 million related to the difference between actual (−16.6%) and expected (+6.0%) return on fund assets, and (ii) a gain of Euro 7 million corresponding to the difference between actual data and actuarial assumptions regarding projected responsibilities.

11.8. Other disclosures

The table below presents historical data for a five year period about the present value of projected benefit obligations, the fair value of the plan assets, the surplus or deficit in the plans and the net actuarial

(Amounts in Euro)

11. Post-retirement benefits (Continued)

gains and losses. The detail of this data for all the plans mentioned above as at 31 December 2012, 2011, 2010, 2009 and 2008 and for the years then ended is as follows:

	2012	2011	2010	2009	2008
			Euro		
Projected benefit obligations[a]	1,228,484,830	1,252,933,027	1,393,777,823	3,836,029,063	3,940,379,413
Plan assets at fair value[a]	(399,394,770)	(344,695,390)	(448,145,688)	(2,369,524,484)	(2,131,646,536)
Net unfunded obligations	**829,090,060**	**908,237,637**	**945,632,135**	**1,466,504,579**	**1,808,732,877**
Prior years' service gains	14,198,854	15,954,043	17,437,983	22,438,000	24,449,000
Responsibilities for post retirement benefits, net	**843,288,914**	**924,191,680**	**963,070,118**	**1,488,942,579**	**1,833,181,877**

	2012	2011	2010	2009	2008
			Euro		
Changes in actuarial assumptions	136,212,106	(19,337,022)	441,557,656	(1,594,152)	(231,965,178)
Differences between actual data and actuarial assumptions					
Projected benefit obligations related	(22,561,941)	(7,065,466)	(67,501,464)	15,827,000	26,821,856
Plan assets related	(63,896,745)	98,221,809	76,359,880	(178,636,090)	800,296,494
Total net actuarial losses (gains) (Notes 11. 4 and 11.7)	**49,753,420**	**71,819,321**	**450,416,072**	**(164,403,242)**	**595,153,172**

(a) The decrease in this caption in the period ended 31 December 2010, is mainly related to the Company's post-retirement benefit plans that were transferred to the Portuguese State.

As at 31 December 2012, the estimate of future undiscounted payments to be made by PT Comunicações related to salaries due to pre-retired and suspended employees and to expected contributions to the funds is as follows:

2013	2014 - 2015	2016 - 2017	More than 5 years	Total
		million euro		
134.9	253.2	178.8	353.6	920.5

(Amounts in Euro)

12. Related parties

12.1. Balances with shareholders and group companies

As at 31 December 2012 and 2011, the captions "Shareholders and group companies" included in current and non-current assets and in current liabilities respectively have the following composition:

	2012	2011
	Euro	
DEBIT BALANCES		
Non-Current		
Loans granted[(a)]	340,000,000	340,000,000
Total non-current	**340,000,000**	**340,000,000**
Current		
Accounts receivable from PT SGPS within tax consolidation[(b)]	—	39,993,766
Total current	**—**	**39,993,766**
Total debit balances with shareholders and group companies	**340,000,000**	**379,993,766**
CREDIT BALANCES		
Current		
Accounts payable from PT SGPS within tax consolidation[(b)]	1,607,803	—
Other	49,440	—
Total current (Note 12.3)	**1,657,243**	**—**
Total credit balances with shareholders and group companies	**1,657,243**	**—**

(a) The outstanding amount due as at 31 December 2012 relates to loans granted to TMN amounting to Euro 340,000,000, which were initially acquired in November 2010 in connection with the acquisition of this company, for an amount of Euro 500,000,000, of which an amount of Euro 160,000,000 was repaid in 2011 (Note 4 (b)).

(b) During the years ended as at 31 December 2012 and 2011, PT Comunicações reported tax losses that were used by PT SGPS consolidated tax, rather than being recognized as a gain in the Company's financial statements. The accounts payable at 31 December 2012 correspond mainly to autonomous taxation. The accounts receivable at 31 December 2011 correspond mainly to amounts of PT Prime that were included in the Company's balance sheet following the merger occurred in 2011, and include primarily the following amounts: (i) Euro 38,662,510 related to payments on accounts made in 2011 and that were recovered in 2012; (ii) Euro 3,006,791 received in 2012, under a program of tax incentives for investment (SIFIDE) regarding the years 2007 and 2010; and (iii) Euro 2,033,092 paid in 2012 regarding autonomous taxation.

12.2. Financial investments in subsidiaries and associated companies

As mentioned in the Introduction Note, Portugal Telecom is 100% held by PT Portugal which is fully held by PT SGPS. Consequently, all companies included in the Group were considered as PT Comunicações related parties, including not only its own subsidiaries and associates but also other subsidiaries of PT SGPS.

(Amounts in Euro)

12. Related parties (Continued)

As at 31 December 2012 and 2011, the detail of Portugal Telecom's financial investments in its subsidiaries and associated companies and the main financial information of these entities is detailed as follows (Notes 10, 21 and 26):

	2012				2011			
Company name	% held	Financial investments	Provision for financial investments	Share on net income	% held	Financial investments	Provision for financial investments	Share on net income
				Euro				
SUBSIDIARIES:								
TMN	100.00%	7,253,097,184	—	117,781,680	100.00%	7,672,001,785	—	150,356,837
Janela Digital[(a)]	50.00%	2,048,674	—	(128,292)	50.00%	2,176,966	—	588,161
Infonet	90.00%	1,188,968	—	(111,958)	90.00%	1,352,255	—	51,328
PT Blueclip[(b)]	100.00%	47,803	—	(2,198)		—	—	—
PT Brasil,S.A. (''PT Brasil'')[(c)]	0.01%	10,660	—	106	0.01%	11,059	—	1,288
PT-Sistemas de Informação (''PT-SI'')[(c)]	0.10%	—	(1,006)	(3,015)	0.10%	2,191	—	2,434
PT Prestações	100.00%	—	(296,342)	(4,286)	100.00%	—	(292,057)	(19,974)
		7,256,393,289	**(297,348)**	**117,532,037**		**7,675,544,256**	**(292,057)**	**150,980,074**
ASSOCIATED COMPANIES:								
Multicert, SA (''Multicert'')	20.00%	709,793	—	161,282	20.00%	665,709	—	101,609
Capital Criativo—SCR, S.A. (''Capital Criativo'')	10.00%	64,702	—	3,320	10.00%	61,381	—	(59,615)
Tele Larm[(d)]	—	—	—	—	—	—	—	(263,032)
CTM[(e)]	3.00%	—	—	2,833,844	3.00%	5,067,871	—	2,507,757
		774,495	**—**	**2,998,446**		**5,794,961**	**—**	**2,286,719**
		7,257,167,784	**(297,348)**	**120,530,483**		**7,681,339,217**	**(292,057)**	**153,266,793**

(a) The 2012 and 2011 information does not correspond to figures of 31 December.

(b) This company was acquired in 2012 to PT SGPS.

(c) Portugal Telecom Group has a 100% stake in these companies.

(d) This company was liquidated in 2011 (Note 10).

(e) Portugal Telecom Group holds a total stake of 28% in this company. The investment in this company was classified as a non-current asset held for sale at 31 December 2012 (Note 10).

(Amounts in Euro)

12. Related parties (Continued)

In 2012 and 2011, the main financial information regarding the above entities, except for those which have no activity or are fully adjusted for, is as follows:

		2012				
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity
				Euro		
SUBSIDIARIES:						
TMN[a]	Av. Álvaro Pais, 2 1649-041 Lisboa	8,241,316,756	988,219,572	1,153,310,003	117,781,680	7,253,097,184
Janela Digital[b]	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	5,182,382	1,085,035	3,910,781	1,029,962	4,097,347
Infonet	Rua Castilho, 39, 12G 1250-068 Lisboa	1,466,516	145,440	1,142,323	(124,398)	1,321,076
PT Brasil	Av. Brigadeiro Faria de Lima, n.° 2277, 15.° 1503 Jardim Paulistano S. Paulo—Brasil	236,382,533	25,282,479	—	2,099,615	211,100,054
PT- SI[c]	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edificios Inovação III e IV 2740-122 Porto Salvo	69,907,667	60,884,381	110,995,705	(3,014,854)	9,023,286
PT Prestações[d]	Rua Andrade Corvo, n.° 6 1050-009 Lisboa	300,151,428	20,699,195	179,114	(4,286)	279,452,233
PT Blueclip	Av. Fontes Pereira de Melo, n.° 40 1050-122 Lisboa	50,506	2,703	—	(2,198)	47,803
ASSOCIATED COMPANIES:						
Multicert[e]	Estrada do Casal do Canas, Lote 6 2610-264 Alfragide	5,059,265	1,510,224	2,731,569	756,080	3,549,041
Capital Criativo[f]	Urbanização de Loures Business Park, EN 115 , Lt. 5, 2660-515 Loures	664,658	17,649	190,282	33,199	647,009
CTM	Edifício Telecentro Ilha da Taipa Macau	268,583,983	99,587,914	456,240,787	94,428,628	168,996,069

(Amounts in Euro)

12. Related parties (Continued)

		2011				
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity
				Euro		
SUBSIDIARIES:						
TMN[(a)]	Av. Álvaro Pais, 2 1649-041 Lisboa	8,877,908,269	1,205,906,484	1,244,015,616	150,356,837	7,672,001,785
Janela Digital[(b)]	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	5,218,188	864,256	3,658,638	1,286,547	4,353,932
Infonet	Rua Castilho, 39, 12G 1250-068 Lisboa	1,677,852	175,347	1,433,741	57,031	1,502,505
PT Brasil	Av. Brigadeiro Faria de Lima, n.º 2277, 15.º 1503 Jardim Paulistano S. Paulo—Brasil	246,593,555	27,587,062	—	25,516,142	219,006,493
PT-SI[(c)]	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edificios Inovação III e IV 2740-122 Porto Salvo	71,490,375	59,270,750	125,548,899	2,434,436	12,219,625
PT Prestações[(d)]	Rua Andrade Corvo, n.º 6 1050-009 Lisboa	300,351,901	71,953	149,639	(19,974)	300,279,948
ASSOCIATED COMPANIES:						
Multicert	Estrada do Casal do Canas, Lote 6 2610-264 Alfragide	4,655,955	1,327,341	3,097,806	566,896	3,328,613
Capital Criativo	Urbanização de Loures Business Park, EN 115 , Lt. 5, 2660-515 Loures	637,413	23,603	157,115	(168,099)	613,810
CTM	Edifício Telecentro Ilha da Taipa Macau	263,515,660	94,586,628	322,115,352	83,518,694	168,929,032

(a) The Company's financial information was adjusted in order to reflect the impacts resulting from the purchase price allocation of this investment, which was concluded in 2011 and recognized retrospectively to the acquisition date, as mentioned above.

(b) The 2012 and 2011 information does not correspond to figures of 31 December.

(c) As of 31 December 2012 and 2011, shareholders' equity includes additional paid in capital amounting to Euro 10,028,970.

(d) As of 31 December 2012 and 2011, shareholders' equity includes additional paid in capital amounting to Euro 279,748,575 end Euro 300,572,005, respectively.

(e) Information reported as of 30 September 2012.

(f) Information reported as of 30 November 2012.

(Amounts in Euro)

12. Related parties (Continued)

12.3. Balances and transactions with related parties

Besides the receivables and payables included under the captions ''Shareholders and group companies'', as detailed above (Note 12.1), the Company has other receivables and payables with related parties included in other captions. The nature and detail of the main balances with related parties as at 31 December 2012 and 2011 are as follows:

	2012			
	Shareholders and group companies	Accounts receivable and unbilled revenues	Other accounts receivable	Total accounts receivable
	Euro			
TMN	340,000,000	72,830,941	27,491,489	**440,322,430**
UNITEL SARL (''UNITEL'')	—	7,988,639	—	**7,988,639**
PT Pro, Serviços Administrativos e de Gestão Partilhados, SA (''PT Pro'')	—	5,714,830	568	**5,715,398**
Páginas Amarelas, S.A. (''Páginas Amarelas'')	—	4,163,169	903,834	**5,067,003**
CST—Companhia Santomense Telecomunicações,SARL (''CST'')	—	4,966,063	—	**4,966,063**
Portugal Telecom Data Center, SA (''PT Data Center'')	—	4,134,813	—	**4,134,813**
PT Contact—Telemarketing e Serviços de Informação, SA (''PT Contact'')	—	3,200,753	109	**3,200,862**
PT SI	—	786,919	1,882,137	**2,669,056**
Fibroglobal—Comunicações Electrónicas, SA (''Fibroglobal'')	—	1,966,391	603,272	**2,569,663**
PT Centro Corporativo S.A. (''PT CC'')	—	2,261,542	505	**2,262,047**
PT ACS	—	1,834,544	(37,364)	**1,797,180**
Portugal Telecom Inovação,SA (''PT Inovação'')	—	1,710,012	2,165	**1,712,177**
Other	—	4,007,301	272,928	**4,280,229**
	340,000,000	**115,565,917**	**31,119,643**	**486,685,560**

(Amounts in Euro)

12. Related parties (Continued)

	2011			
	Shareholders and group companies	Accounts receivable and unbilled revenues	Other accounts receivable	Total accounts receivable
	Euro			
TMN	340,000,000	81,795,373	14,955,794	**436,751,167**
PT SGPS	39,993,766	192,372	178,728	**40,364,866**
UNITEL	—	7,850,622	—	**7,850,622**
Páginas Amarelas	—	3,929,845	2,047,993	**5,977,838**
PT Contact	—	4,467,236	585	**4,467,821**
PT Pro	—	4,392,692	—	**4,392,692**
CST	—	3,556,960	—	**3,556,960**
PT ACS	—	3,342,401	—	**3,342,401**
PT SI	—	1,073,531	2,002,575	**3,076,106**
PT CC	—	2,136,821	8	**2,136,829**
PT Inovação	—	1,946,185	11,998	**1,958,183**
PT Data Center	—	1,413,751	—	**1,413,751**
Other	—	4,371,987	50,957	**4,422,944**
	379,993,766	**120,469,776**	**19,248,638**	**519,712,180**

As at 31 December 2012 and 2011, the nature and detail of the main credit balances with related parties are as follows:

	2012				
	Loans obtained (Note 22)	Shareholders and Group companies (Note 12.1)	Accounts payable and accrued expenses	Other accounts payable	Total accounts payable
	Euro				
PT Portugal	3,527,000,000	—	61,422,333	—	**3,588,422,333**
PT SGPS	117,962,274	1,607,803	1,804,520	127	**121,374,724**
PT Contact	—	—	42,615,164	7,446	**42,622,610**
PT PRO	—	—	24,541,904	5,193	**24,547,097**
TMN	—	41,582	15,554,866	2,930,466	**18,526,914**
PT SI	—	7,590	16,196,351	6,968	**16,210,909**
PT Sales	—	—	12,054,638	10,124	**12,064,762**
PT Inovação	—	—	11,472,188	9,464	**11,481,652**
PT CC	—	—	9,309,436	9,016	**9,318,452**
PT ACS	—	268	6,088,695	3,211,554	**9,300,517**
Páginas Amarelas	—	—	6,518,341	1,847	**6,520,188**
UNITEL	—	—	2,681,438	—	**2,681,438**
CST	—	—	1,884,940	—	**1,884,940**
Other	—	—	3,872,464	126,357	**3,998,821**
	3,644,962,274	**1,657,243**	**216,017,278**	**6,318,562**	**3,868,955,357**

(Amounts in Euro)

12. Related parties (Continued)

	2011			
	Loans obtained (Note 22)	Accounts payable and accrued expenses	Other accounts payable	Total accounts payable
	Euro			
PT Portugal	3,527,000,000	127,826,888	—	**3,654,826,888**
PT SGPS	590,123,358	21,544,848	13,606	**611,681,812**
TMN	—	31,818,064	7,203,460	**39,021,524**
PT Contact	—	46,474,419	6,492	**46,480,911**
PT PRO	—	21,923,576	1,178	**21,924,754**
PT Sales	—	18,852,521	27	**18,852,548**
PT SI	—	15,934,490	80,133	**16,014,623**
PT Inovação	—	15,501,144	1,035	**15,502,179**
Páginas Amarelas	—	11,012,789	1,610	**11,014,399**
PT CC	—	9,041,998	2,384	**9,044,382**
UNITEL	—	7,726,495	—	**7,726,495**
PT ACS	—	5,281,479	—	**5,281,479**
CVT	—	2,452,457	378	**2,452,835**
CST	—	2,383,942	—	**2,383,942**
Other	—	503,340	4,027,547	**4,530,887**
	4,117,123,358	**338,278,450**	**11,337,850**	**4,466,739,658**

(Amounts in Euro)

12. Related parties (Continued)

During the years ended 31 December 2012 and 2011, the nature and detail of the main transactions with related parties are as follows:

	2012						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries[(a)]	Other operating income and gain	Other operating expenses and losses	Net interest expenses
				Euro			
TMN	164,965,708	(111,976,275)	(6,968,237)	4,752,819	30,984,510	(17,177)	527
UNITEL	10,345,303	(4,077,035)	—	—	170,011	(37,794)	—
CST	2,401,232	(1,206,169)	—	—	1,391,761	—	—
Páginas Amarelas	2,054,498	(26,423,673)	33,218	—	1,560	—	—
Timor Telecom	1,987,507	(3,019,038)	—	350,372	119,413	(48,286)	—
PT Contact	1,856,728	(1,039,335)	(66,361,944)	11,066,703	4,425,989	—	—
CVT	1,139,618	(8,243,991)	(129,642)	—	120	(9,242)	—
MTC	1,120,661	(543,470)	—	—	17,540	(7,835)	—
CV Multimédia	767,650	(13,143)	—	—	—	—	—
Vortal—Comércio Electrónico, Consultadoria e Multimédia, S.A.	653,768	—	(9,320)	—	145	—	—
Fibroglobal	459,448	—	—	55,314	302	—	(10)
PT Inovação	371,134	(1,003,497)	(6,938,224)	9,349,102	107,125	—	—
Fundação PT	330,305	—	7,175	1,505,558	217,566	(25,772)	—
PT PRO	304,815	(6,505,698)	(33,130,277)	17,053,348	16,413	—	—
Multitel—Serviços de Telecomunicações, Lda.	283,883	(427,458)	(95,483)	—	1,931	(6,404)	—
PT SI	173,205	(9,599,102)	(20,815,238)	1,890,084	1,336,637	—	—
PT CC	55,639	—	(38,758,871)	8,952,942	1,074,208	—	—
PT Compras	21,988	—	244	1,818,315	326,415	—	—
Siresp	12,242	—	(172)	—	1,141,565	—	—
PT Sales	7,519	—	(49,151,733)	3,226,378	64,174	—	—
PT II	6,898	—	225	1,932,968	150,946	(417)	—
PT SGPS	691	—	—	90,322	342,230	—	(14,332,391)
PT Portugal	—	—	—	684,964	—	—	(144,625,092)
PT ACS	—	—	(83,123)	(3,614,777)	72,300	—	—
Other	573,657	(926,554)	(729,309)	616,015	65,370	(83,477)	—
	189,894,097	**(175,004,438)**	**(223,130,711)**	**59,730,427**	**42,028,231**	**(236,404)**	**(158,956,966)**

(Amounts in Euro)

12. Related parties (Continued)

	2011						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries[(a)]	Other operating income and gain	Other operating expenses and losses	Net interest expenses
	Euro						
TMN	139,594,540	(42,346,335)	(7,271,468)	5,047,677	13,470,134	11,699	21,267,282
UNITEL	10,083,130	(6,681,417)	—	—	30,591	(48,789)	—
CST	2,275,530	(2,714,037)	—	—	1,065,913	(33,936)	—
Páginas Amarelas	2,088,056	(35,946,836)	(41,757)	—	721	—	—
Timor Telecom	1,996,550	(1,984,290)	—	214,002	362,421	(258,316)	—
PT Contact	1,935,293	(1,183,302)	(72,736,143)	10,682,291	4,444,146	—	—
PT ACS	1,468,884	—	(36,013)	(4,022,151)	90,103	—	—
CVT	1,165,586	(10,323,255)	—	—	72	(80)	—
MTC	960,633	(372,083)	—	—	8,607	(5,978)	—
CV Multimédia	699,683	(1,601)	—	—	—	—	—
PT Inovação	604,015	(509,674)	(6,358,532)	9,565,570	127,899	—	—
Infonet	564,603	(162,050)	—	—	—	—	—
Vortal—Comércio Electrónico, Consultadoria e Multimédia, S.A.	533,598	(520)	(10,730)	—	107	—	—
Fundação PT	362,269	—	19	1,317,614	200,884	—	—
PT SI	284,417	(5,517,124)	(28,013,861)	1,776,398	1,613,277	—	—
PT PRO	248,288	(1,094,548)	(35,637,309)	17,848,926	(16,125)	402	—
PT CC	112,815	—	(38,007,047)	6,982,030	1,067,443	—	—
PT Compras	33,388	—	—	1,856,951	318,897	—	—
Siresp	13,241	—	—	—	1,099,251	—	—
PT Sales	11,270	—	(51,720,718)	3,403,324	63,891	—	—
PT SGPS	9,753	—	—	153,436	330,288	(2,587)	(27,687,861)
PT II	6,872	—	225	2,791,730	146,787	—	—
PT Portugal	—	—	—	—	—	—	(149,302,888)
Other	1,304,807	(1,013,561)	(668,115)	757,758	108,069	(4,500,119)	89
	166,357,221	**(109,850,633)**	**(240,501,449)**	**58,375,556**	**24,533,376**	**(4,837,704)**	**(155,723,378)**

(a) Transactions with related parties included under this caption correspond primarily to gains resulting from amounts charged to other Group entities related to the Company's employees which are currently working in those other entities.

12.4. Other information

Remunerations of the Company's executive and non-executive board members in 2012 and 2011 were as follows:

	2012	2011
	Euro	
Board of Directors		
Fixed remuneration	—	635,236
Variable remuneration	—	384,875
Acountant		
Statutory audit fees	50,000	63,970
Audit related services fees	7,000	10,000
	57,000	**1,094,081**

(Amounts in Euro)

12. Related parties (Continued)

In 2012, the remunerations of Board members were fully supported by PT Portugal. In 2011, no compensation was given to some Board members, since they are paid for performing functions in other PT Group companies.

13. Deferrals

As at 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
PREPAID EXPENSES		
Current		
Interest and other financial expenses	7,458,782	3,829,240
Direct costs	7,242,623	5,339,160
Maintenance	1,117,278	1,850,413
Telephone directories	726,752	2,045,786
Other	1,446,227	955,208
Total current	**17,991,662**	**14,019,807**
Total prepaid expenses	**17,991,662**	**14,019,807**
DEFERRED INCOME		
Non-current		
Transfer of rights of telecom infrastructure use	665,145	1,530,022
Total non-current	**665,145**	**1,530,022**
Current		
Penalties imposed to customers relating to violations of contracts[(a)]	45,827,448	19,774,129
Advance billing[(b)]	19,375,671	31,452,046
Transfer of rights of telecom infrastructure use	3,583,034	4,763,484
Assignment of user rights for submarine cable stations	1,678,943	2,629,996
Other	3,853,817	6,954,057
Total current	**74,318,913**	**65,573,712**
Total deferred income	**74,984,058**	**67,103,734**

(a) The increase in this caption relates to penalties for violation of contracts by customers of the Pay-tv service and certain irregularities undertaken by ZON regarding the portability of customers.

(b) The reduction in this caption reflects primarily the recognition in 2012 of a gain related to the DTT service, amounting to Euro 11 million, which was recorded under this caption as at 31 December 2011.

(Amounts in Euro)

14. Other financial assets and liabilities

As at 31 December 2012 and 2011, these captions consist of the following:

	2012	2011
	Euro	
OTHER FINANCIAL ASSETS		
Non-Current		
Accounts receivable—trade (Note 17)	365,032	2,118,135
Other	8,599	510,830
Total non-current	**373,631**	**2,628,965**
Total other financial assets	**373,631**	**2,628,965**

15. Income taxes

15.1. Introduction

As from 1 January 2012, following a change in Portuguese tax legislation occurred in December 2011, most companies are subject to Corporate Income Tax at a base rate of 25%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rate of 3.0% on taxable income between Euro 1.5 million and Euro 10.0 million (Euro 7.5 million as from 1 January 2013, following a change in Portuguese tax legislation occurred in December 2012) and at the rate of 5.0% on taxable income in excess of Euro 10.0 million (Euro 7.5 million as from 1 January 2013).

As the Company reported tax losses for both years ended 31 December 2012 and 2011, neither the 1.5% municipal tax nor the state taxes are applicable. Consequently, and based on its expectations regarding future taxable results, PT Comunicações will continue to use the 25% tax rate for purposes of computing deferred taxes.

The Company's income taxes are computed based on the tax rate mentioned above and are determined on the basis of profit before-tax adjusted in accordance with tax legislation.

The Company is part of the Special Taxation Regime for Groups of Companies (RETGS) whose dominant company is PT SGPS, so the income tax estimate and deductions made by third parties are recorded on the balance sheet as accounts payable and receivable of PT SGPS.

In accordance with the prevailing legislation, taxation returns are subject to review and correction by the tax authorities during a period of four years (five years for Social Security, Security), except where there have been tax losses, fiscal benefits have been granted, or there are inspections, claims or challenges pending; in such cases, these periods may be extended or suspended, depending on the circumstances. Based upon the information supplied by its tax advisory services, the Board of Directors considers that any corrections to the tax returns that might result from reviews carried out by the tax authorities will not have a significant effect on the financial statements as at 31 December 2012, considering the provisions recorded and the current expectations of settlement regarding tax contingencies described in Note 21.

(Amounts in Euro)

15. Income taxes (Continued)

15.2. Deferred taxes

As mentioned in Note 3.10, deferred tax assets are recognised to the extent that it is reasonably likely that taxable income will be available against which deductible temporary differences can be used, or when there are deferred tax liabilities the reversal of which is expected in the same period in which the deferred tax assets reverse. PT Comunicações believes that deferred tax assets recorded in the Balance Sheet are recoverable either through its future taxable income, based on its budget for the year 2013 and projections of results for the subsequent years adjusted for differences between the accounting and taxable earnings and for certain financial operations to be undertaken in the future, or through the reversal of deferred tax liabilities.

In assessing income tax expenses for the year, in addition to the current tax determined on the basis of profit before-tax adjusted in accordance with tax legislation, the effects of temporary differences between income before tax and taxable earnings arising in the given year or in previous years is also considered.

Movements occurred in deferred tax assets during the years ended 31 December 2012 and 2011 were as follows:

	2012						
	Post retirement benefits	Additional contribution to pension funds	Impairment of accounts receivable	Depreciation and amortisation of tangible assets	Other provision and adjustments	Other temporary differences	Total
	Euro						
Opening balance	290,296,802	4,684,889	—	9,732,610	2,330,385	5,085,030	**312,129,716**
Increases (reductions)							
Net income	(17,913,259)	(4,684,889)	10,276,194	34,248	(123,161)	2,136,309	**(10,274,558)**
Shareholders' equity (Note 20.4)	12,438,354	—	—	—	—	—	**12,438,354**
Closing balance	**284,821,897**	**—**	**10,276,194**	**9,766,858**	**2,207,224**	**7,221,339**	**314,293,512**

	2011					
	Post retirement benefits	Additional contribution to pension funds	Depreciation and amortisation of tangible	Other provision and adjustments	Other temporary differences	Total
	Euro					
Opening balance	552,228,264	11,378,964	6,148,242	2,712,366	3,611,366	**576,079,202**
PT Prime merger	85,861	—	832,905	—	12,420	**931,186**
Increases (reductions)						
Net income	(279,966,358)	(6,694,075)	2,850,731	(381,981)	1,461,521	**(282,730,162)**
Shareholders' equity (Note 20.4)	17,957,210	—	—	—	—	**17,957,210**
Change in the statutory tax rate						
Net income	(5,796)	—	(99,268)	—	(277)	**(105,341)**
Shareholders' equity (Note 20.4)	(2,379)	—	—	—	—	**(2,379)**
Closing balance	**290,296,802**	**4,684,889**	**9,732,610**	**2,330,385**	**5,085,030**	**312,129,716**

(Amounts in Euro)

15. Income taxes (Continued)

Movements occurred in deferred tax liabilities during the years ended 31 December 2012 and 2011 were as follows:

	2012			
	Assets revaluation	Earnings not attributed to associated companies	Capital gain with deferred taxation	Total
	Euro			
Opening balance	182,457,075	1,131,131	1,341,723	**184,929,929**
Increases (reductions)				
Net income	(10,937,588)	33,262	(288,486)	**(11,192,812)**
Shareholders' equity (Notes 20.5)	—	(30,434)	—	**(30,434)**
Closing balance	**171,519,487**	**1,133,959**	**1,053,237**	**173,706,683**

	2011			
	Assets revaluation	Earnings not attributed to associated companies	Capital gain with deferred taxation	Total
	Euro			
Opening balance	228,404,885	1,020,367	1,622,117	**231,047,369**
Increases (reductions)				
Net income	(14,405,920)	56,930	(288,485)	**(14,637,475)**
Shareholders' equity (Note 20.5 and 20.6)	(31,541,890)	30,103	—	**(31,511,787)**
Other				
Net income	—	—	8,091	**8,091**
Shareholders' equity (Note 20.5)	—	23,731	—	**23,731**
Closing balance	**182,457,075**	**1,131,131**	**1,341,723**	**184,929,929**

(Amounts in Euro)

15. Income taxes (Continued)

15.3. Tax rate reconciliation

In 2012 and 2011, the reconciliation between the expected tax computed by applying the nominal tax rate to income before taxes and the total income tax is as follows:

	2012	2011
	Euro	
Income before taxes	**(87,769,916)**	**(107,220,185)**
Nominal tax rate	25.00%	25.00%
Expected tax	**(21,942,479)**	**(26,805,046)**
Permanent differences[a]	(28,719,166)	(34,457,660)
Surplus of prior year accrued income tax	(1,859,485)	(8,106,042)
Tax loss used in connection with RETGS[b]	170,121,916	217,045,018
Write-off / Derecognition of deferred tax assets[c]	(113,579,000)	113,579,000
Collection adjustments	1,909,491	2,033,092
Effect of the change in tax rate	—	107,720
Other	(6,799,524)	(1,262,914)
	(868,247)	**262,133,168**
Income tax		
Income tax-current	50,007	(6,072,951)
Deferred tax	(918,254)	268,206,119
	(868,247)	**262,133,168**

(a) Permanent differences are as follows:

	2012	2011
	Euro	
Equity method of accounting (Note 26)[i]	(117,696,638)	(150,759,036)
Provisions and adjustments not deductible for tax purposes	7,495,389	8,306,555
Write-off of accounts receivable	743,000	3,318,630
Recognition of capital gains and losses[ii]	(660,323)	4,519,462
Tax benefits	(3,185,478)	(3,323,409)
Other	(1,572,614)	107,158
	(114,876,664)	**(137,830,640)**
Nominal tax rate	25.00%	25.00%
	(28,719,166)	**(34,457,660)**

(i) Except for the Company's share in the earnings of CTM, for which we recognize a deferred tax liability, gains and losses in affiliated companies represent permanent differences.

(ii) This caption refers to the difference between the accounting capital gains and losses and corresponding tax capital gains and losses related to the disposal of fixed assets.

(b) This caption corresponds to the taxable loss computed in both years by the Company in accordance with Income Tax legislation. In accordance with the fiscal policy set by Portugal Telecom Group, the gain related to the use of these tax losses has been recorded at the group level in PT SGPS' financial statements.

(c) Based on its expectation regarding its individual tax results, the Company in 2011 wrote off a portion of deferred tax assets related to post-retirement benefits that would have been used in 2012, since it believes that the referred tax results will not be enough to allow the use of these deferred tax assets. In 2012, the Company incurred in the tax costs associated with the deferred taxes derecognized in 2011, which therefore contributed to the tax loss generated in the year 2012, as detailed in the table above, and led to the permanent difference presented in 2012.

(Amounts in Euro)

15. Income taxes (Continued)

15.4. Other information

In connection with the Law 40/2005, of August 3, which approved the program SIFIDE—Tax Incentives on Research and Development System, the Company filed in 2012 the application related to the year 2011, amounting to Euro 1,593,543.

Under the law 10/2009 of March 10, which approved the RFAI—Tax Regime to Support Investment, the Company included in its 2011 income tax declaration form a tax benefit amounting to Euro 7,355,416, related to the significant investments made on the creation of new generation broadband networks.

16. Inventories

As at 31 December 2012 and 2011, this caption consists of the following:

	2012			2011		
	Gross value	Impairment losses	Net value	Gross value	Impairment Losses	Net value
	Euro					
Goods	39,253,567	(10,310,480)	28,943,087	47,441,728	(15,851,031)	31,590,697
Raw materials and consumables	22,264,647	(1,574,336)	20,690,311	24,094,933	(2,389,398)	21,705,535
Work in progress	(723,425)	—	(723,425)	789,102	—	789,102
	60,794,789	**(11,884,816)**	**48,909,973**	**72,325,763**	**(18,240,429)**	**54,085,334**

The cost of products sold was determined as follows:

	2012			2011		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	47,441,728	24,094,933	**71,536,661**	28,293,441	28,265,789	**56,559,230**
PT Prime merger	—	—	**—**	631,296	56,266	**687,562**
Purchases	109,250,244	52,331,420	**161,581,664**	136,772,709	94,021,593	**230,794,302**
Adjustments[(a)]	(91,569,563)	(48,391,866)	**(139,961,429)**	(85,732,105)	(91,955,597)	**(177,687,702)**
Closing balance	39,253,567	22,264,647	**61,518,214**	47,441,728	24,094,933	**71,536,661**
Costs of products sold	**25,868,842**	**5,769,840**	**31,638,682**	**32,523,613**	**6,293,118**	**38,816,731**

(a) Adjustments to inventories refer mainly to transfers to fixed assets, upon the installation of terminal equipment leased to customers and materials installed in building network infrastructures.

The production variation in 2012 and 2011 is as follows:

	2012	2011
	Euro	
Closing balance	(723,425)	789,102
PT Prime merger	—	(1,044,723)
Opening balance	(789,102)	(435,928)
Production variation	**(1,512,527)**	**(691,549)**

(Amounts in Euro)

16. Inventories (Continued)

In the years ended as at 31 December 2012 and 2011, the evolution of accumulated impairment losses relative to inventories was as follows:

	2012			2011		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	15,851,031	2,389,398	**18,240,429**	21,504,053	3,359,680	**24,863,733**
PT Prime merger	—	—	**—**	38,424	8,654	**47,078**
Increases	3,716,474	—	**3,716,474**	1,644,474	—	**1,644,474**
Reversals	(6,468,289)	(815,062)	**(7,283,351)**	(7,335,920)	(978,936)	**(8,314,856)**
Utilizations	(2,788,736)	—	**(2,788,736)**	—	—	**—**
Closing balance	**10,310,480**	**1,574,336**	**11,884,816**	**15,851,031**	**2,389,398**	**18,240,429**

17. Accounts receivables and unbilled revenues

As at 31 December 2012 and 2011, this caption consists of:

	2012			2011		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Trade accounts receivable—current assets	624,272,775	(154,117,676)	470,155,099	689,676,520	(177,563,099)	512,113,421
Trade accounts receivable—non-current assets (Note 14)	365,032	—	365,032	2,118,135	—	2,118,135
Accounts receivable	**624,637,807**	**(154,117,676)**	**470,520,131**	**691,794,655**	**(177,563,099)**	**514,231,556**
Unbilled revenues	64,005,319	—	64,005,319	121,039,215	—	121,039,215
	688,643,126	**(154,117,676)**	**534,525,450**	**812,833,870**	**(177,563,099)**	**635,270,771**

In the years ended as at 31 December 2012 and 2011, the evolution of accumulated impairment losses related to accounts receivable was as follows:

	2012	2011
	Euro	
Opening balance	177,563,099	174,901,870
PT Prime merger	—	19,332,326
Reti merger	1,953	—
Increases (reversals)	25,750,763	13,692,613
Utilizations[(a)]	(49,198,139)	(30,363,710)
Closing balance	**154,117,676**	**177,563,099**

(a) This caption corresponds to the write-off of receivables that were previously fully adjusted for through the use of accumulated impairment losses.

The Company is exposed to the credit risk arising from the possibility that a third party does not fulfil its contractual obligations, resulting in a financial loss. The credit risk is primarily related to accounts receivable from services provided to customers and is monitored regularly with the following objectives: (a) limit the credit granted to customers, considering their profile and aging of receivables; (b) monitor the evolution of the credit level granted; (c) make regular reviews of the receivables recoverability;

(Amounts in Euro)

17. Accounts receivables and unbilled revenues (Continued)

(d) analysis of market risk where the customer is located. The Company is not exposed to any significant credit risk related to a particular customer, to the extent that its receivables arise from a large number of customers.

As at 31 December 2012 and 2011, the aging of receivables, net of impairment losses, was as follows:

	2012			2011		
	Accounts receivable from group companies	Accounts receivable from other companies	Total	Accounts receivable from group Companies	Accounts receivable from other companies	Total
	Euro					
Unexpired balance	69,799,276	200,206,525	270,005,801	73,143,468	213,538,611	286,682,079
Expired balance						
0 - 60 days	21,946,132	59,967,759	81,913,891	8,463,263	89,572,301	98,035,564
60 - 90 days	1,523,605	13,832,752	15,356,357	1,232,515	15,819,724	17,052,239
90 - 180 days	3,633,891	25,682,526	29,316,417	3,958,112	30,095,322	34,053,434
180 - 360 days	5,089,602	29,449,088	34,538,690	2,093,566	26,249,083	28,342,649
360 - 720 days	1,457,161	22,052,724	23,509,885	1,570,134	17,707,583	19,277,717
More than 720 days	781,305	15,097,785	15,879,090	932,787	29,855,087	30,787,874
Accounts receivable	**104,230,972**	**366,289,159**	**470,520,131**	**91,393,845**	**422,837,711**	**514,231,556**

Some of the accounts receivable with a higher aging relate to penalties for contracts violation imposed to customers, the revenues of which were deferred, as mentioned in Note 13.

18. State and other public entities

As at 31 December 2012 and 2011, the balances with these entities were as follows:

	2012		2011	
	Debit balances	Credit balances	Debit balances	Credit balances
	Euro			
Value added tax[(a)]	150,458	18,247,876	—	10,284,747
Personnel income taxes	—	12,638,888	—	7,588,954
Social security taxes	—	7,518,077	—	7,639,595
Municipality taxes	—	431,181	—	532,620
Corporate income taxes	—	5,533	—	—
Other taxes	43,294	2,998	230,428	7,395
	193,752	**38,844,553**	**230,428**	**26,053,311**

(a) As at 31 December 2012, this caption includes Value Added Tax payable regarding the months of November and December, amounting to Euro 7,181,420 end Euro 11,066,456, respectively. As at 31 December 2011, this caption includes Value Added Tax payable regarding the months of November and December, amounting to Euro 3,170,881 and Euro 7,127,028, respectively, reduced by a receivables refund amounting to Euro 13,162.

(Amounts in Euro)

19. Other accounts receivable and payable

As at 31 December 2012 and 2011, these captions consisted of the following:

	2012	2011
	Euro	
OTHER ACCOUNTS RECEIVABLE		
Current		
Group companies[(a)]	27,865,224	14,145,545
Several charges[(b)]	15,106,226	14,993,502
SNS—Comparticipação no Plano de Saúde[(c)]	8,225,736	8,711,396
Personnel	2,968,286	3,186,983
European Community subsidies	49,857	1,197,086
Other accounts receivable[(d)]	71,918,438	10,988,586
Total current	**126,133,767**	**53,223,098**
Accumulated impairment losses	(8,245,012)	(8,721,353)
Total other accounts receivable	**117,888,755**	**44,501,745**
OTHER ACCOUNTS PAYABLE		
Current		
PT ACS	2,327,116	4,526,317
Personnel	829,894	550,564
Group companies	15,942	32,586
Other accounts payable[(e)]	11,783,064	44,633,611
Total current	**14,956,016**	**49,743,078**

(a) In the years ended 31 December 2012 and 2011, this caption corresponds mainly to accrued interest in connection with loans granted to affiliated companies, amounting to Euro 27,440,391 and Euro 13,380,962, respectively, which relate mainly to the loans granted to TMN (Note 12).

(b) This caption includes mainly equipment's sale to occasional customers.

(c) The balances related to Serviço Nacional de Saúde correspond to the amount receivable by the Company regarding the State co-participation in the costs of healthcare plan.

(d) The increase in this caption reflects mainly a gain of approximately Euro 60 million (Note 31) recorded in 2012 related to a net compensation receivable from the Portuguese State for prior years costs supported by PT Comunicações with the universal service obligation under the Concession Agreement, in accordance with Law 66/2012.

(e) The change in this caption is primarily explained by: (i) a reduction in the present value of the outstanding future commitments assumed under the Digital Terrestrial Television license, which amounted to Euro 2.9 million and 20.8 million at 31 December 2012 and 2011, respectively; and (ii) an amount of Euro 14.9 million paid to PT Prestações in 2012 that was outstanding as at 31 December 2011, in connection with a transfer of receivables from public entities to this company.

During the years ended 31 December 2012 and 2011, the evolution in accumulated impairment losses related to accounts receivable was as follows:

	2012	2011
	Euro	
Opening balance	8,721,353	8,711,396
Increases	9,319	9,957
Reversals	(485,660)	—
Closing balance	**8,245,012**	**8,721,353**

(Amounts in Euro)

20. Shareholders' equity

20.1. Share capital

As at 31 December 2012 and 2011, the Company's share capital was fully paid and amounted to Euro 1,150,000,000 and was represented by 1,150,000,000 nominal shares (Note 35), with a nominal value of 1 Euro each. As at 31 December 2012 and 2011, the entirety of the Company's share capital was held by PT Portugal.

In 2011, as approved by the General Shareholders Meeting held on 30 September 2011, the Company carried out a share capital increase amounting to Euro 1,598,500,000, through the increase in the nominal value of each share. The Company also approved a share capital reduction of Euro 1,598,500,000, with the purpose of offsetting accumulated losses and negative fair value reserves, through the decrease in the nominal value of each share, of which Euro 899,496,127 was transferred to retained earnings and Euro 699,003,873 (Note 20.4) was transferred to other reserves.

20.2. Other shareholders' equity instruments

This caption corresponds to additional paid in capital contributions granted by PT Portugal, which do not bear interest and have no reimbursement term defined. In accordance with applicable law, reimbursement may be made only if, after payment, shareholders' equity is greater than the sum of capital, legal reserves and unrealised revaluation reserves.

In 2011, as approved by the General Shareholders Meeting held on 30 September, the paid in capital contributions were reimbursed to the shareholder in the amount of Euro 1,598,500,000.

20.3. Legal reserve

Portuguese law provides that at least 5% of annual profits must be appropriated to a legal reserve until this reserve equals the minimum requirement of 20% of share capital. This reserve is not available for distribution to shareholders but may be capitalized or used to absorb losses, once all other reserves and retained earnings have been exhausted.

20.4. Other reserves

During the years ended 31 December 2012 and 2011, the movements under this caption were as follows:

	Net actuarial losses	Free reserves	Total
		Euro	
Balance as at 1 January 2011	**(338,105,921)**	**—**	**(338,105,921)**
Actuarial losses			
Base (Note 11.7)	(71,819,321)	—	**(71,819,321)**
Tax effect (Note 15)	17,954,831	—	**17,954,831**
Share capital reduction (Note 20.1)	—	699,003,873	**699,003,873**
Balance as at 31 December 2011	**(391,970,411)**	**699,003,873**	**307,033,462**
Actuarial losses			
Base (Note 11.7)	(49,753,420)	—	**(49,753,420)**
Tax effect (Note 15)	12,438,354	—	**12,438,354**
Balance as at 31 December 2012	**(429,285,477)**	**699,003,873**	**269,718,396**

(Amounts in Euro)

20. Shareholders' equity (Continued)

20.5. Adjustments to financial assets

During the years ended 31 December 2012 and 2011, the movements under this caption were as follows:

	Unpaid dividends	Foreign currency exchange differences[(a)]	Other changes in shareholders' equity[(b)]	Total
		Euro		
Balance as at 1 January 2011	**1,849,748**	**(1,229,588)**	**(165,454)**	**454,706**
Equity method	—	(229,681,493)	(201,228)	**(229,882,721)**
Dididends not received from subsidiaries and associated companies	23,582,446	—	—	**23,582,446**
Liquidation of Tele Larm	—	—	6,603	**6,603**
Liquidation of PT Ásia	—	(49,032)	(440,775)	**(489,807)**
Deferred taxes (Note 15.2)	—	(53,834)	—	**(53,834)**
Balance as at 31 December 2011	**25,432,194**	**(231,013,947)**	**(800,854)**	**(206,382,607)**
Equity method	—	(350,270,498)	48,931,770	**(301,338,728)**
Dididends not received from subsidiaries and associated companies	50,868,659	—	—	**50,868,659**
Deferred taxes (Note 15.2)	—	30,434	—	**30,434**
Balance as at 31 December 2012	**76,300,853**	**(581,254,011)**	**48,130,916**	**(456,822,242)**

(a) The foreign currency exchange differences determined following the application of the equity method of accounting are related to the update of financial investment in Oi, which is indirectly owned through the affiliated company TMN.

(b) In 2012, other changes in shareholders' equity resulting from the equity method of accounting include primarily a gain recorded by Bratel Brasil (a company of PT Group that holds the investment in Oi Group and is held indirectly by TMN), amounting to Euro 49 million, corresponding to the impact of a corporate restructuring undertaken by the Oi Group in March 2012.

Movements related to the equity method of accounting were recorded under the following captions:

	2012	2011
	Euro	
Investments in subsidiaries and associated companies (Note 10)	(301,338,547)	(229,883,184)
Provision for negative financial investments (Note 21)	(181)	463
	(301,338,728)	**(229,882,721)**

(Amounts in Euro)

20. Shareholders' equity (Continued)

20.6. Revaluation surplus

During the years ended 31 December 2012 and 2011, the movements under this caption were as follows:

	2012	2011
	Euro	
Opening balance	**623,874,447**	**763,950,232**
Revaluation of assets		
Base (Note 6.2)	—	(126,167,563)
Tax effect (Note 15.2)	—	31,541,890
Realization of revaluation surplus		
Base	(45,768,002)	(59,856,032)
Tax effect	10,937,589	14,405,920
Closing balance	**589,044,034**	**623,874,447**

In accordance with the applicable legislation and the accounting practices used in Portugal, the revaluation reserves cannot be distributed to shareholders; they can only be used, under certain circumstances and in accordance with Portuguese legislation, for future capital increases.

The revaluation reserves recognized under this caption are related to both (1) assets measured in accordance with the revaluation model, and also (Note 6.2) (2) other assets revalued previously, for which the Company, in connection with the adoption of SNC and as permitted by NCRF 3, adopted the cost model. The Company decided to include both of these revaluation reserves under this caption as they are both non-distributable to shareholders, as mentioned above.

During the year ended 31 December 2011, as mentioned in Note 6.2, the Company performed a new revaluation of its real estate properties and telecommunication infrastructure, having reduced the revaluation surplus recorded in shareholders' equity by an amount of Euro 126,167,563 (Note 6.2), net of the related tax effect amounting to Euro 31,541,890 (Note 15.2).

Annually, PT Comunicações transfers to retained earnings the revaluation reserve realized in the year, primarily through the depreciation of the asset that originated these reserves. The amounts transferred during the years ended 31 December 2012 and 2011, net of the corresponding tax effects, amounted to Euro 34,830,413 and Euro 45,450,112, respectively.

20.7. Other shareholders' equity

PT Comunicações recognises under this caption subsidies associated with the acquisition or production of non-current assets (investment subsidies), which were entirely received and are non-refundable, where the Company is not under obligation to comply with conditions associated with the subsidy.

These subsidies are subsequently recognized in earnings during the useful lives of the related assets for which those subsidies were granted. The Company recognized gains amounting to Euro 2,997,997 in 2012 and Euro 3,008,528 in 2011 (Note 31). The balance of this caption corresponds to the remaining amount of subsidies that have not yet been recognized in earnings.

20.8. Application of earnings

In 2011, as approved by the General Shareholders Meeting held on 25 March 2011, the negative net income of 2010, in the amount of Euro 138,658,825 was entirely transferred to the caption ''Retained earnings''.

(Amounts in Euro)

20. Shareholders' equity (Continued)

In 2012, as approved by the General Shareholders Meeting held on 29 March 2012, the negative net income of 2011, in the amount of Euro 369,353,353 was entirely transferred to the caption ''Retained earnings''.

21. Provisions, contingent liabilities and contingent assets

21.1. Movements occurred in provisions

During the years ended 31 December 2012 and 2011, the movements in provisions were as follows:

	2012				
	Tax claims	**Other litigation**	**Provision for negative financial investments (Note 12)**	**Other provisions**	**Total**
			Euro		
Opening balance	**14,629,879**	**9,674,288**	**292,057**	**1,162,606**	**25,758,830**
Increases	9,079,743	1,601,337	5,291	1,113,060	**11,799,431**
Reductions	(2,004,714)	(1,600,632)	—	(6,984)	**(3,612,330)**
Utilizations	(6,796,906)	—	—	(2,207,442)	**(9,004,348)**
Closing balance	**14,908,002**	**9,674,993**	**297,348**	**61,240**	**24,941,583**
Current	14,908,002	9,674,993	—	61,240	**24,644,235**
Non-current	—	—	297,348	—	**297,348**

	2011				
	Tax claims	**Other litigation**	**Provision for negative financial investments (Note 12)**	**Other provisions**	**Total**
			Euro		
Opening balance	**6,326,740**	**9,898,194**	**272,635**	**4,962,258**	**21,459,827**
Prime merger	301,743	220,014	—	—	**521,757**
Increases	8,859,146	1,485,770	19,974	—	**10,364,890**
Reductions	(857,750)	(991,688)	(463)	(27,922)	**(1,877,823)**
Utilizations	—	(938,002)	—	(3,771,730)	**(4,709,732)**
Liquidation of PT Ásia	—	—	(89)	—	**(89)**
Closing balance	**14,629,879**	**9,674,288**	**292,057**	**1,162,606**	**25,758,830**
Current	14,629,879	9,674,288	—	1,162,606	**25,466,773**
Non-current	—	—	292,057	—	**292,057**

21.2. Claims and legal proceedings

a) Proceedings with probable losses

Provisions for tax claims and legal proceedings are related to liabilities arising from legal proceedings against the Company, and are computed based on the advice of PT Comunicações' tax and legal advisors.

(Amounts in Euro)

21. Provisions, contingent liabilities and contingent assets (Continued)

As at 31 December 2012 and 2011, there were several legal proceedings and tax contingencies which, in accordance with ''NCRF 21 Provisions, Contingent Liabilities and Contingent Assets'' (''NCRF 21'') and based on the opinion of the Company's internal and external tax and legal counsels, were considered as probable losses, since the Company considered probable the outflow of resources to settle the obligation. The nature of these claims is as follows:

	2012	2011
	Euro	
Legal proceedings		
Civil contingencies	3,321,484	3,288,009
Labor contingencies	2,504,227	2,857,219
Other contingencies	3,849,282	3,529,060
	9,674,993	**9,674,288**
Tax contingencies	14,908,002	14,629,879
	24,582,995	**24,304,167**

Set forth below are several tax claims assessed as constituting a probable loss, namely related to a portion of the VAT and IRC tax assessments in regard to the years 1997 and 1998 of Marconi and 1999 of Portugal Telecom, S.A., and the years 2002 to 2011 of PT Comunicações, among others, the Company has recorded a provision amounting to Euro 14,908,002 in 2012, including tax and interest. However, the Company is contesting these claims with the tax authorities.

b) Proceedings with possible losses

As at 31 December 2012 and 2011, the Company, in accordance with the definitions of NCRF 21 and based on the advice of its internal and external tax and legal counsels, had classified several claims and legal proceedings and tax contingencies as proceedings with possible losses. The nature of these proceedings is as follows:

	2012	2011
	Euro	
Legal proceedings		
Civil contingencies	74,163,129	67,154,450
Labor contingencies	478,806	457,197
Other contingencies	21,125,828	14,129,869
	95,767,763	**81,741,516**
Tax contingencies	2,562,502	6,351,520
	98,330,265	**88,093,036**

21.3. Description of the main claims with regulatory entities and other legal proceedings

The following litigation processes relate to the main claims and legal proceedings filed by regulatory entities against PT Comunicações, some of which the Company considers, based on the advice of its internal and external legal counsels that related losses are remote, in accordance with the definitions of NCRF 21.

a) Claims for municipal taxes and fees

Pursuant to a statute enacted on 1 August 1997, as an operator of a basic telecommunications network, Portugal Telecom was exempt from municipal taxes and rights-of-way and other fees with respect to its

21. Provisions, contingent liabilities and contingent assets (Continued)

network in connection with its obligations under the Concession. The Portuguese Government has advised Portugal Telecom in the past that this statute confirmed the tax exemption under our Concession. The Portuguese Government has informed Portugal Telecom it will continue to take the necessary actions in order for PT Comunicações to maintain the economic benefits contemplated by the Concession.

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. This regime was implemented in 2005 but does not affect the lawsuit described above based on the former statute. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in various legal actions.

Some municipalities however, continue to interpret that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain. Currently, there are legal proceedings filed by some municipalities regarding this matter.

b) Regulatory proceedings

Portugal Telecom's operations are regularly subject to regulatory inquiries and investigations involving their operations. In addition, ANACOM (the telecommunications regulator), the European Commission, and the Autoridade da Concorrência (the competition authority) regularly make inquiries and conduct investigations concerning compliance with applicable laws and regulations. Current inquires and investigations include several investigations by the (Autoridade da Concorrência) related to PT Comunicações for alleged anti-competitive practices in the public wireline telephone market. The Company believes that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses and the novelty of the relevant antitrust laws. However, if PT Comunicações is found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, it could become subject to penalties, fines, damages or other sanctions. It is however permitted under Portuguese law to appeal any adverse decision to the Courts.

In April 2007, the Autoridade da Concorrência filed a complaint alleging that PT Comunicações abused its dominant market position by granting, in 2003, discriminatory discounts on lease lines. PT Comunicações challenged this claim with the authorities. However, on 1 September 2008, the Autoridade da Concorrência imposed a fine of Euro 2.1 million on PT Comunicações. PT Comunicações appealed to the Commerce Court of Lisbon, on 29 September 2008 and, on 29 February 2012, the Commerce Court of Lisbon cleared PT Comunicações of the fine. The Company, based on the opinion of its internal and external legal counsels, has not recorded any provision for this matter.

c) Other legal proceedings

In March 2004, TV TEL Grande Porto—Comunicações, SA. (''TVTEL''), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL alleges that PT Comunicações intended to favor both itself and CATVP—TV Cabo Portugal, S.A, a PT Multimedia subsidiary and at the time a direct competitor of TV TEL. TV TEL is claiming an amount of approximately Euro 15 million from Portugal Telecom for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. In addition, TV TEL has demanded that PT Comunicações be required to give full access to its ducts in Oporto. PT Comunicações submitted its

(Amounts in Euro)

21. Provisions, contingent liabilities and contingent assets (Continued)

defence to these claims, stating that: (1) TV TEL did not have a general right to install its network in PT Comunicações' ducts; (2) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy; and (3) TV TEL's claims for damages and losses were not factually sustainable. The trial was concluded in 2011 and the parties wait for the judicial decision.

In March 2011, Optimus—Comunicações S.A. (''Optimus'') filed a claim against PT Comunicações in the Judicial Court of Lisbon for the payment of approximately Euro 11 million and, in October 2011, Onitelecom—Infocomunicações, S.A (''Oni'') filed a claim against PT Comunicações in the same court for the payment of approximately Euro 1.5 million, both related to the proceeding of the Autoridade da Concorrência that terminated in 2011 for prescription purposes, in relation to which Autoridade da Concorrência had imposed a fine to the Company of approximately Euro 45 million, as referred to above. Optimus and Oni sustained their position by arguing that they incurred losses and damages as a result of the Company's conduct. Regarding the Optimus legal action, the Company is waiting for the schedule of the trial, while In the Optimus action, the Company is waiting for the schedule of the trial, while regarding the Oni legal action, PT Comunicações was acquitted due to prescription reasons.

21.4. Other tax contingencies

In addition to the tax contingencies mentioned above, the risk of loss of which was deemed as either probable or possible (Note 21.2), there are other tax claims pending appeal or judicial decision, totalling Euro 23 million, which include primarily (1) tax assessments filed by the tax authorities with respect to the income tax from 1997 to 1998 of Portugal Telecom, SA and Marconi, and from 2002 to 2010 of PT Comunicações, and (2) additional payments of VAT from 2000 to 2004. The Company's opinion, based on the advice of its tax and legal counsel, is that the risk of loss associated with these claims is remote.

21.5. Provisions for losses on financial investments

Provisions for losses on financial investments are related to losses in subsidiaries and associated companies that have negative shareholders' equity (Note 12), and are computed based on the Company's share in the shareholders' equity of those entities. Movements in these provisions during the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
	Euro	
Equity method		
Losses in subsidiaries and associated companies (Note 26)	5,110	19,974
Adjustments to financial assets (Note 20.5)	181	(463)
Liquidation of PT Ásia	—	(89)
	5,291	**19,422**

21.6. Contingent assets

As at 31 December 2012, the main contingent asset relates to a request for the transmission of tax losses from PT.Com, a company that was merged into PT Comunicações in 2004, amounting to Euro 56 million. The recovery of this amount depends on the appeal filed by the Company. The request filed by the Company was overruled by the tax authorities on 2 February 2007, and the Company challenged this decision on 15 May 2007 through a special administrative proceeding, which is pending a final decision.

(Amounts in Euro)

22. Loans obtained

Loans obtained as at 31 December 2012 and 2011 have the following composition:

	2012		2011	
	Non-current	Current	Non-current	Current
	Euro			
Intragroup loans (Note 12.3)	3,527,000,000	—	3,527,000,000	—
Centralized cash management (Note 12.3)	—	117,962,274	—	590,123,358
Commercial programme	2,631,600,000	1,047,150,000	1,667,250,000	919,500,000
Other financings	—	—	—	454,316,000
Leases	20,261,415	19,142,242	29,587,526	21,523,352
	6,178,861,415	**1,184,254,516**	**5,223,837,526**	**1,985,462,710**

22.1. Loans to Group companies

In February 2011, the Company obtained a loan from PT Portugal, amounting to Euro 727,000,000 (Note 4), as a result of which the total amount due increased to Euro 3,527,000,000. These loans have no defined maturity, but shall be repaid, partially or entirely, in more than one year, subject to the cash needs of the Company. The interest on these loans is linked to market rates.

22.2. Centralized cash management

As from March 2006, Portugal Telecom centralized all cash receipts and payments from Group companies located in Portugal. The financings obtained by the Company under this system have short term maturities and bear interest at market rates.

22.3. Commercial paper

On 25 June 1999, Portugal Telecom established a commercial paper program up to the amount of Euro 1,000,000,000. Following subsequent amendments to this program, the maximum amount under this program as at 31 December 2012 is Euro 3,500,000,000. This program is in place until 7 July 2013, and is automatically renewable for two year periods, until 7 July 2025, unless one of the parties objects to it. As at 31 December 2012 and 2011, the Company had issued an amount of Euro 1,440,400,000 and Euro 698,400,000, respectively, under this program, which was fully subscribed by PT Finance.

On 1 June 1999, Portugal Telecom had issued another commercial paper program up to the amount of Euro 1,350,000,000. Following subsequent amendments to this program, the maximum amount under this program as at 31 December 2012 is Euro 3,000,000,000. This program is in place until 1 June 2014, and is automatically renewable for two year periods, until 1 June 2020, unless one of the parties objects to it. As at 31 December 2012 and 2011, the Company had issued an amount of Euro 2,238,350,000 and Euro 1,888,350,000, respectively, under this program, which was fully subscribed by PT Finance.

22.4. Other loans

This caption relates to the amounts due to the Portuguese State in connection with the transfer of unfunded regulatory pension obligations concluded in 31 December 2010, which amounted to Euro 921.7 million as at 31 December 2010. The Company settled Euro 17.4 million and Euro 450.0 million in January and December 2011 (Note 4), respectively, having paid the remaining amount of Euro 454.3 million in December 2012 (Note 4).

The amounts reimbursed in 2012 and 2011 earned interest at an annual interest rate of 3.25% and 2.74%, respectively.

(Amounts in Euro)

22. Loans obtained (Continued)

22.5. Finance leases

Financial leasing obligations are essentially the result of: (i) lease contracts with respect to vehicles, under which there are generally purchase options at the end of their term, and (ii) contracts for the acquisition of satellite capacity, under which the Company has the right to use this capacity in the normal course of telecommunications operations, a right that is recorded by the Company as an intangible asset. The contracts for the acquisition of satellite capacity do not include purchase options but, generally, the Company has a preference in the allocation of future transponders' capacity.

As at 31 December 2012 and 2011, the Company had recorded in the balance sheet the following assets under finance leases:

	2012			2011		
	Gross value	Accumulated depreciation	Carrying value	Gross value	Accumulated depreciation	Carrying value
	Euro					
Tangible fixed assets						
Transport equipment	25,029,846	11,068,954	13,960,892	23,255,040	11,411,423	11,843,617
Other tangible fixed assets	1,441,277	467,471	973,806	1,269,542	170,676	1,098,866
	26,471,123	11,536,425	14,934,698	24,524,582	11,582,099	12,942,483
Intangible assets						
Industrial property and other rights	51,562,961	35,076,858	16,486,103	52,491,450	27,394,237	25,097,213
	78,034,084	**46,613,283**	**31,420,801**	**77,016,032**	**38,976,336**	**38,039,696**

As at 31 December 2012 and 2011, the maturity of minimum lease payments of leasing contracts was as follows:

	2012			2011		
	Capital	Interest	Total	Capital	Interest	Total
	Euro					
Up to 1 year	19,142,242	1,695,621	**20,837,863**	21,523,352	2,257,423	**23,780,775**
Between 1 and 2 years	14,479,139	883,072	**15,362,211**	12,310,260	1,373,531	**13,683,791**
Between 2 and 3 years	4,252,715	152,839	**4,405,554**	14,147,200	692,326	**14,839,526**
Between 3 and 4 years	835,871	63,208	**899,079**	3,079,467	41,974	**3,121,441**
Between 4 and 5 years	693,690	22,604	**716,294**	50,599	1,545	**52,144**
	39,403,657	**2,817,344**	**42,221,001**	**51,110,878**	**4,366,799**	**55,477,677**

22.6. Other information

As at 31 December 2012, the Company was party, along with PT SGPS and PT Finance, to three Credit Facilities, with the following amounts and maturities:

- Euro 800 million, with maturity in June 2016;
- Euro 100 million, with maturity in January 2015;
- Euro 50 million, with maturity in January 2013.

As at 31 December 2012, the amount used by the PT Group within these three Facilities was Euro 750 million.

22. Loans obtained (Continued)

As at 31 December 2012, the Company was also part, along with PT SGPS and PT Finance, in an Export Credit Facility, amounting to Euro 180 million, with a maturity in 2023. As at 31 December 2012, the amount used under this contract by PT Group was Euro 61 million.

As at 31 December 2012, the main covenants included in financing contracts, in relation to which the Company is collectively responsible along with PT SGPS and PT Finance, are as follows and refer to the consolidated accounts:

- **Change in control:** The exchangeable bonds, the credit facilities amounting to Euro 1,180 million and the loans obtained from the European Investment Bank (''EIB'') totalling Euro 602 million as at 31 December 2012 establish penalties in the case of a change in control of PT SGPS. According to the terms and conditions of these debt instruments, a change of control would occur if any person or group of persons acting in concert acquires or controls more than 50 per cent of voting rights, whether obtained by ownership of share capital, the holding of voting rights or pursuant to the terms of a shareholders' agreement. In certain cases, gaining the power to appoint or remove all, or the majority, of the directors or other equivalent officers of PT SGPS or to give directions with respect to the operating and financial policies of PT SGPS with which the directors or equivalent officers of the company are obliged to comply are also considered a change of control.

  The Euro 750 million Eurobond issued in 2012, the Euro 600 million Eurobond issued in 2011 and the Euro 1,000 million and Euro 750 million Eurobonds issued in 2009, establish penalties in the case of any change of control of Portugal Telecom, as described above, only if simultaneously a rating downgrade to sub-investment grade occurs (in case the securities are investment grade securities) or a rating downgrade occurs (in case the securities are sub-investment grade securities) during the Change of Control Period, as defined under the terms and conditions of these notes.

- **Control/disposal of subsidies:** Certain revolving credit facilities amounting to Euro 980 million require PT SGPS to, directly or indirectly, maintain majority ownership and control of each material subsidiary. Material subsidiaries are those companies whose total assets are equal or exceed 10% of total consolidated assets or whose total revenues are also equal or exceed 10% of total consolidated revenues.

- **Disposal of assets:** Revolving credit facilities totalling Euro 150 million and loans obtained from the EIB totalling Euro 602 million as at 31 December 2012 include certain restrictions regarding the disposal of assets by PT SGPS.

- **Financial ratios:** Certain revolving credit facilities totalling Euro 1,180 million require that Consolidated Net Debt/EBITDA PT SGPS's ratio does not exceed certain values, which vary depending on each financing. As at 31 December 2012 and 2011, the ratio of Consolidated Net Debt / EBITDA consolidated was 3.3 and 2.6, respectively.

- **Negative Pledge:** The Euro Medium Term Notes, the exchangeable bonds, the credit facilities, the loans obtained from the EIB and the commercial paper programmes are subject to negative pledge clauses, which restrict the pledge of security interests in the assets of companies included in the consolidation.

The penalties applicable in the event of default in any of these covenants are generally the early payment of the loans obtained or the termination of available credit facilities. As at 31 December 2012, Portugal Telecom and PT Comunicações had fully complied with the covenants mentioned above.

Although current liabilities exceed current assets, the Company is not subject to liquidity risk, because of its ability to obtain needed capital from within the Portugal Telecom Group.

(Amounts in Euro)

23. Suppliers

The captions ''Suppliers'' and ''Investment suppliers'' as at 31 December 2012 and 2011 consist of the following:

	2012	2011
	Euro	
Trade suppliers		
Current	259,336,226	300,013,459
Invoices to be issued	28,605,385	40,319,127
	287,941,611	**340,332,586**
Investment suppliers		
Current	78,225,664	137,317,132
Invoices to be issued	29,906,857	39,626,895
	108,132,521	**176,944,027**

24. Accrued expenses

As at 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Interest and other financial expenses payable(a)	67,038,381	163,750,159
Direct costs of services rendered	64,347,556	93,701,308
Charges for vacations, vacation subsidies and other payroll costs	43,592,100	47,496,496
Support services	38,711,199	32,933,161
Other supplies and external services	17,628,505	19,488,011
Commissions	13,643,220	19,180,337
Credits related to invoices issued	8,427,354	7,109,590
Rentals	5,693,006	5,107,684
Maintenance and repairs	2,840,937	4,205,083
Marketing and publicity	2,560,743	4,125,302
Other	3,535,928	4,453,299
	268,018,929	**401,550,430**

(a) The reduction in this caption reflects primarily (i) the loans obtained from PT Portugal, the accrued interest of which decreased from Euro 122.7 million as at 31 December 2011 to Euro 62.1 million as at 31 December 2012, (ii) a reduction of Euro 17.8 million in the accrued interest under the loans obtained from Portugal Telecom under the centralized cash management system, and (iii) a decrease of Euro 14.8 million related to the amount of accrued interest as at 31 December 2011 in connection with the debt relating to the transfer to the Portuguese State of unfunded pension obligations, which had been fully repaid by the end of 2012.

(Amounts in Euro)

25. Services rendered and sales

As at 31 December 2012 and 2011, these captions consisted of the following:

	2012	2011
	Euro	
Services rendered		
Fixed telephone services	560,932,329	641,767,805
Television services	504,959,708	410,708,946
Leased lines and capacity	205,970,299	211,126,286
Internet	131,382,406	150,163,097
Data communications (services)	88,946,049	91,745,568
Publicity	47,073,327	59,181,550
Other	209,906,970	200,381,229
Sales	25,146,653	31,683,399
	1,774,317,741	**1,796,757,880**

26. Equity in earnings of affiliated companies

As at 31 December 2012 and 2011, this caption consists of the following:

	2012	2011
	Euro	
Gains and losses in affiliated companies		
Gains	120,780,232	153,609,414
Losses	(249,749)	(342,621)
	120,530,483	**153,266,793**

In 2012 and 2011, gains and losses in affiliated companies, resulting from the application of the equity method of accounting (Note 12), were recognized in the following captions:

	2012	2011
	Euro	
Financial investments (Note 10)		
TMN	117,781,679	150,356,837
CTM	2,833,845	2,507,757
Multicert	161,282	101,609
Capital Criativo	3,320	(59,615)
PT Brasil	106	1,288
Tele Larm	—	(263,032)
PT Sistemas de Informação	(2,191)	2,434
PT Blue Clip	(2,198)	—
Infonet	(111,957)	51,328
Janela Digital	(128,293)	588,161
	120,535,593	**153,286,767**
Provision for negative financial investments (Note 21)		
PT Sistemas de Informação	(824)	—
PT Prestações	(4,286)	(19,974)
	(5,110)	**(19,974)**
	120,530,483	**153,266,793**

(Amounts in Euro)

27. Direct costs

For the year ended 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Telecommunications costs	313,292,455	234,860,603
Programming costs	122,587,397	120,025,755
Directories	26,422,716	35,565,918
Contents of internet and mobile service	8,892,759	7,910,408
Other	12,849,356	15,066,687
	484,044,683	**413,429,371**

28. Supplies and external services

For the year ended 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Support services	179,003,249	190,826,237
Maintenance and repairs	74,820,724	95,426,317
Commissions	65,991,475	63,959,266
Electricity	33,370,729	30,358,332
Rentals	21,467,867	24,876,953
Specialized work	19,385,996	20,053,533
Communications	14,200,652	14,756,311
Fuel, water and other fluids	7,276,597	7,224,101
Other	29,887,307	26,500,418
	445,404,596	**473,981,468**

As at 31 December 2012 and 2011, the Company's obligations under operating lease contracts mature as follows:

	2012	2011
	Euro	
Up to 1 year	12,644,928	16,727,316
Between 1 and 2 years	3,172,757	5,154,812
Between 2 and 3 years	1,826,511	2,354,544
Between 3 and 4 years	1,120,629	1,113,356
Between 4 and 5 years	984,529	927,520
More than 5 years	2,314,921	2,504,675
	22,064,275	**28,782,223**

(Amounts in Euro)

29. Wages and salaries

For the year ended 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Salaries	206,325,671	209,937,268
Social Security charges	21,517,595	21,759,053
Social events	3,481,623	3,365,744
Healthcare	1,788,231	2,112,494
Training	1,129,498	1,791,377
Other	1,247,970	1,089,703
	235,490,588	**240,055,639**

30. Indirect taxes

As at 31 December 2012 and 2011, this caption consists of the following:

	2012	2011
	Euro	
Anacom taxes	11,390,709	9,620,836
Direct taxes	1,411,517	1,637,930
Value Added Tax	1,036,709	1,157,838
Other	1,559,638	1,363,194
	15,398,573	**13,779,798**

31. Other income and gains

As at 31 December 2012 and 2011, this caption consists of the following:

	2012	2011
	Euro	
Suplemental income		
Studies, projects and technical assistance	3,755,443	4,082,629
Lease	14,174,671	13,168,135
Other suplemental income[(a)]	94,520,141	21,162,744
Investment subsidies (Note 20.7)	2,997,997	3,008,528
Interest due	2,457,716	3,190,132
Gains on exchange rate differences	1,293,338	3,041,125
Recovery of accounts receivable	837,609	1,031,875
Income from investment properties (Note 7)	638,953	640,122
Other	3,161,986	1,815,227
	123,837,854	**51,140,517**

(a) The increase in this caption reflects a gain of approximately Euro 60 million (Note 19) recorded in 2012 related to a net compensation receivable from the Portuguese State for prior years costs supported by PT Comunicações with the universal service obligation under the Concession Agreement, in accordance with Law 66/XII.

(Amounts in Euro)

32. Other expenses and losses

For the year ended 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Write-off of tangible fixed assets	11,830,758	4,240,926
Losses in inventories	2,526,114	1,321,033
Losses on exchange rate differences	1,687,604	2,746,908
Contractual penalties incurred	1,463,704	556,791
Direct write-off of accounts receivable	868,315	3,603,447
Donations	693,260	1,329,381
Other	9,446,749	8,960,363
	28,516,504	**22,758,849**

33. Depreciation and amortisation ((losses)/reversals)

For the year ended 31 December 2012 and 2011, this caption consisted of the following:

	2012	2011
	Euro	
Tangible fixed assets (Note 6)	466,841,602	487,364,880
Intangible assets (Note 9)	30,330,408	30,165,225
Investment properties (Note 7)	482,639	450,348
	497,654,649	**517,980,453**

34. Interest and related income/expenses

The detail of these captions in the year ended 31 December 2012 and 2011 were as follows:

	2012	2011
	Euro	
Interest and related income		
Interest income	14,190,982	21,884,583
Gains on exchange rate differences	262,517	2,095,524
Other	814,413	506,858
	15,267,912	**24,486,965**
Interest and related expenses		
Interest expense	311,664,796	315,284,596
Bank commissions and expenses	3,954,254	2,913,514
Finance leases	2,730,486	2,723,547
Losses on exchange rate differences	288,259	1,610,548
Other	2,369,712	960,515
	321,007,507	**323,492,720**

(Amounts in Euro)

34. Interest and related income/expenses (Continued)

The detail of interest income and interest expenses in 2012 and 2011 is as follows:

	2012	2011
	Euro	
Interest income		
Intragroup loans[a]	14,059,430	21,286,966
Other	131,552	597,617
	14,190,982	**21,884,583**
Interest expense		
Intragroup loans[b]	158,957,483	177,010,434
Other[c]	152,707,313	138,274,162
	311,664,796	**315,284,596**

(a) The decrease in interest income under this caption results primarily from the reduction in the amount of loans granted to TMN, which were reduced from Euro 500,000,000 to Euro 340,000,000 as at 25 December 2011 (Note 12.3).

(b) The reduction in this caption reflects mainly a decrease in financial charges associated with a lower level of loans obtained under the centralized cash management system (Note 22.2).

(c) The increase in this caption reflects mainly two effects: (i) an increase of Euro 26,848,423 associated with the outstanding amounts due under Commercial Paper Programmes (Note 22.3); and (ii) a reduction of Euro 12,363,939 in financial charges associated with the outstanding debt regarding the transfer of unfunded pension obligations to the Portuguese State (Note 22.4).

35. Earnings per share

Earnings per share for the years 2012 and 2011 were computed as follows:

	2012	2011
Net income	(86,901,669)	(369,353,353)
Number of shares (Note 20)	1,150,000,000	1,150,000,000
Basic earnings per share	**(0.08)**	**(0.32)**

There are no situations that create a dilutive effect, so the diluted earnings per share are the same as basic earnings per share.

(Amounts in Euro)

36. Guarantees and other financial commitments

As at 31 December 2012 and 2011, the Company had presented guarantees and comfort letters to third parties, as follows:

	2012	2011
	Euro	
Guarantees in favour of courts	**1,871,435**	**1,779,313**
Bank guarantees in favor of other entities:		
Municipalities	5,501,487	7,164,057
Highway construction entities	4,325,822	3,379,785
Ministry of Education	3,041,118	2,927,315
Ministry of Justice	2,487,978	1,592,915
CTT	2,007,831	2,039,000
Ministry of Health	1,038,512	—
Anacom	—	750,000
Other	4,518,108	5,531,458
	22,920,856	**23,384,530**
Total guarantees	**24,792,291**	**25,163,843**
Commitments of purchase before:		
Fixed asset and content suppliers	34,242,977	31,007,157
Suppliers of inventories	27,768,745	65,614,774
Other services	58,700,454	37,281,981
	120,712,176	**133,903,912**
Other commitments:		
Aquisition of RETI	—	1,094,382
	—	**1,094,382**

Bank guarantees presented to the tax authorities relate primarily to additional income tax assessments for which the Company submitted a claim or an appeal.

Purchase commitments refer to orders placed and not rendered, essentially for the acquisition of materials of infrastructure and telecommunications equipment in the normal course of operations.

37. Events occurred after the balance sheet date

On 13 January 2013, as mentioned in Note 10, Portugal Telecom entered into a definitive agreement for the sale of the 28% stake held by the Group in the share capital of CTM, including the 25% and 3% interests held by PT Participações and PT Comunicações, respectively.

The financial statements for the year ended 31 December 2012 were approved by the Board of Directors and authorized for issuance on 20 February 2013, but are still subject to General Shareholders Meeting approval, under the terms of Portuguese law.

Except for the above mentioned, there were no significant events after 31 December 2012 that would require adjustment or disclosure in these financial statements.

38. Note added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese, in accordance with generally accepted accounting principles in Portugal. In case of discrepancies, the original version, in Portuguese, prevails.

MEO, S.A.

Financial Statements

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.
BALANCE SHEETS
30 SEPTEMBER 2014 AND 31 DECEMBER 2013

	Notes	30 Sep 2014	31 Dec 2013
		EURO	
ASSETS			
Non-current assets			
Tangible fixed assets	4	424,645,317	489,308,105
Goodwill		10,169,655	10,169,655
Intangible assets	4	355,151,312	373,418,097
Financial investments—equity method of accounting	5	4,923,305,858	5,018,409,027
Other financial assets		59,307	132,018
Deferred tax assets		36,426,192	36,745,599
Total non-current assets		**5,749,757,641**	**5,928,182,501**
Current assets			
Inventories		19,367,163	25,145,510
Accounts receivable—trade	6	382,921,544	243,731,103
Unbilled revenues	6	98,922,540	90,207,873
Advances to suppliers		6,048,322	4,530,872
State and other public entities		7,781,147	991
Shareholders and group companies	7	723,239	26,807,572
Other accounts receivable		7,903,372	8,428,301
Deferrals		12,267,510	7,499,276
Cash and bank deposits	3	78,581,128	10,250,097
Total current assets		**614,515,965**	**416,601,595**
Total assets		**6,364,273,606**	**6,344,784,096**
SHAREHOLDERS' EQUITY			
Share capital		47,000,000	47,000,000
Legal reserve		9,400,000	9,400,000
Other reserves		(755,149)	(755,149)
Adjustments to financial assets		5,797,435,686	4,663,137,631
Retained earnings		877,403,227	541,994,055
Net (loss) / income		(921,313,771)	336,146,179
Total shareholders' equity		**5,809,169,993**	**5,596,922,716**
LIABILITIES			
Non-current liabilities			
Provisions	8	—	2,779
Loans obtained	9	1,634,962	231,429,085
Deferred tax liabilities		—	106,386
Other accounts payable		9,933,010	14,840,169
Other financial liabilities		24,188,842	24,170,305
Total non-current liabilities		**35,756,814**	**270,548,724**
Current liabilities			
Provisions	8	16,633,955	19,012,430
Loans obtained	9	1,427,291	23,260,651
Deferrals		38,283,527	41,462,295
Accounts payable to group companies	7	50,950,232	2,755,033
Suppliers	10	195,353,188	166,794,643
Investment suppliers	10	9,792,028	27,914,009
Accrued expenses	11	158,468,710	147,782,211
Advances from accounts receivable		5,660,175	3,527,750
State and other public entities		22,046,655	25,678,387
Other accounts payable		20,731,038	19,125,247
Total current liabilities		**519,346,799**	**477,312,656**
Total liabilities		**555,103,613**	**747,861,380**
Total liabilities and shareholders' equity		**6,364,273,606**	**6,344,784,096**

The accompanying notes form an integral part of these financial statements.

Accountant | The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

INCOME STATEMENTS

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014 AND 2013

	Notes	9M14	9M13
		Euro	
Services rendered	12	678,565,224	727,046,847
Sales	12	60,258,874	71,783,209
Subsidies to operation		3,468	4,050
Equity in earnings of affiliated companies, net	13	(1,034,661,138)	123,113,496
Own work capitalized		3,533,209	3,299,403
Costs of products sold		(65,436,405)	(79,918,832)
Direct costs	14	(151,595,135)	(152,082,078)
Marketing and publicity		(10,228,102)	(13,578,508)
Supplies and external services	15	(184,327,744)	(197,494,660)
Wages and salaries		(35,059,904)	(35,509,856)
Indirect taxes		(13,485,055)	(12,036,641)
Impairment of inventories ((losses)/reversals)		3,739,506	(1,311,021)
Impairment of accounts receivable ((losses)/reversals)	6	(4,533,639)	(10,205,387)
Provisions ((increases)/reductions)	8	5,470,619	(1,854,970)
Other income and gains		16,078,346	10,318,311
Other expenses and losses		(8,251,319)	(16,871,715)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**(739,929,195)**	**414,701,648**
Depreciation and amortisation ((losses)/reversals)	4	(122,839,414)	(125,206,407)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**(862,768,609)**	**289,495,241**
Interest and related income		22,523	326,257
Interest and related expenses		(7,207,760)	(14,302,575)
INCOME BEFORE TAXES		**(869,953,846)**	**275,518,923**
Income taxes	16	(51,359,925)	(46,472,528)
NET (LOSS) / INCOME		**(921,313,771)**	**229,046,395**
Basic earnings per share	17	(98.01)	24.37

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014 AND 2013

		Share capital	Legal reserve	Other reserves	Adjustments to financial assets	Retained earnings	Net (loss)/ income	Total shareholders' equity
					Euro			
Balance as at 1 January 2013	A	**47,000,000**	**9,400,000**	**(246,879)**	**5,203,390,307**	**291,096,512**	**251,574,189**	**5,802,214,129**
Changes								
Foreign currency translation adjustments		—	—	—	(344,280,835)	—	—	(344,280,835)
Unpaid dividends		—	—	—	676,646	(676,646)	—	—
Other changes in shareholders' equity		—	—	—	(7,090,038)	—	—	(7,090,038)
	B	**—**	**—**	**—**	**(350,694,227)**	**(676,646)**	**—**	**(351,370,873)**
Net income	C						229,046,395	**229,046,395**
Comprehensive income	B+C							**(122,324,478)**
Operations with shareholders:								
Application of earnings		—	—	—	—	251,574,189	(251,574,189)	—
	D	**—**	**—**	**—**	**—**	**251,574,189**	**(251,574,189)**	**—**
Balance as at 30 September 2013	E=A+B+C+D	**47,000,000**	**9,400,000**	**(246,879)**	**4,852,696,080**	**541,994,055**	**229,046,395**	**5,679,889,651**

		Share capital	Legal reserve	Other reserves	Adjustments to financial assets	Retained earnings	Net (loss)/ income	Total shareholders' equity
					Euro			
Balance as at 1 January 2014	F	**47,000,000**	**9,400,000**	**(755,149)**	**4,663,137,631**	**541,994,055**	**336,146,179**	**5,596,922,716**
Changes:								
Foreign currency translation adjustments (Note 5)		—	—	—	1,139,562,897	—	—	1,139,562,897
Unpaid dividends		—	—	—	737,007	(737,007)	—	—
Other changes in shareholders' equity (Note 5)		—	—	—	(6,001,849)	—	—	(6,001,849)
	G	—	—	—	1,134,298,055	(737,007)	—	1,133,561,048
Net loss	H						(921,313,771)	**(921,313,771)**
Comprehensive income	G+H							**212,247,277**
Operations with shareholders:								
Application of earnings		—	—	—	—	336,146,179	(336,146,179)	—
	I	**—**	**—**	**—**	**—**	**336,146,179**	**(336,146,179)**	**—**
Balance as at 30 September 2014	F+G+H+I	**47,000,000**	**9,400,000**	**(755,149)**	**5,797,435,686**	**877,403,227**	**(921,313,771)**	**5,809,169,993**

The accompanying notes form an integral part of these financial statements.

Accountant

The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014 AND 2013

	Notes	9M14	9M13
		Euro	
OPERATING ACTIVITIES			
Collections from clients		757,093,567	918,660,427
Payments to suppliers		(464,023,116)	(571,672,064)
Payments to employees		(34,653,876)	(33,892,130)
Cash flows from operations		**258,416,575**	**313,096,233**
Cash receipts (payments) relating to income taxes	3.(a)	9,182,500	(46,285,729)
Other cash payments, net	3.(b)	(78,436,265)	(72,768,411)
Cash flows from operating activities (1)		**189,162,810**	**194,042,093**
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible fixed assets		7,197,194	551,501
Intangible assets		433,934	239,821
Interest and related income		1,283,813	1,534,470
Financial investments		300	—
Dividends	3.(c)	194,000,000	67,900,000
		202,915,241	**70,225,792**
Payments resulting from:			
Tangible fixed assets		(54,829,766)	(90,003,143)
Intangible assets		(16,404,629)	(15,104,963)
		(71,234,395)	**(105,108,106)**
Cash flows from investing activities (2)		**131,680,846**	**(34,882,314)**
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Loans obtained	3.(d)	8,395,347	260,000,917
Subsidies		3,468	4,050
		8,398,815	**260,004,967**
Payments resulting from:			
Loans repaid	3.(d)	(253,414,462)	(377,675,629)
Interest and related expenses		(7,496,978)	(9,611,693)
		(260,911,440)	**(387,287,322)**
Cash flows from financing activities (3)		**(252,512,625)**	**(127,282,355)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**68,331,031**	**31,877,424**
Cash and cash equivalents at the beginning of the period		10,250,097	7,757,210
Cash and cash equivalents at the end of the period	3.(e)	**78,581,128**	**39,634,634**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

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MEO—Serviços de Comunicações e Multimédia, S.A.
Notes to the Financial Statements
As at 30 September 2014
(Amounts stated in Euros)

1. Introduction

MEO—Serviços de Comunicações e Multimédia, S.A. (the ''Company'' or ''Meo, S.A.''), formerly named TMN—Telecomunicações Móveis Nacionais, S.A., was incorporated on 22 March 1991; its principal activity is to provide mobile telecommunications services, and it is licensed by the Instituto das Comunicações de Portugal (''ICP''), currently the ICP—Autoridade Nacional de Comunicações (''ANACOM''), to provide complementary (land-based) mobile telecommunications services in Portugal, under the terms of license ICP—011/TCM, dated 16 March 1992. By resolution of the ANACOM Board of Directors on 28 February 2007, the right to utilise these frequencies was renewed for an additional period of 15 years, i.e., until 16 March 2022. At the end of the year 2000, Meo, S.A. was licensed by ANACOM to do business in the international mobile telecommunications system, under the terms of license IMT 2000/UMTS, dated 19 December 2000, under ICP number 02 / UMTS, effective until 11 January 2016 with the possibility of subsequent renewal for an additional 15 years. In December 2011, ANACOM notified Meo, S.A., in the context of an auction of spectrum held on 28-30 November, that it had acquired spectrum in the frequency bands at 800 MHz, 1.8 GHz and 2.6 GHz, allowing Meo, S.A. to provide 4G mobile services through the Long Term Evolution (''LTE'') technology, which represents an evolution from GSM and UMTS technologies. Meo, S.A. was licensed to use these frequencies for an initial period of 15 years, renewable for an additional period of 15 years.

On 5 May 2014, Portugal Telecom SGPS, S.A. (''Portugal Telecom'') subscribed a share capital increase of Oi, S.A. (''Oi'') through the contribution in kind of its 100% interest in PT Portugal SGPS, S.A. (''PT Portugal''). Following this transaction, PT Portugal became a wholly-owned subsidiary of Oi and is now the parent company of the group in Portugal, while Portugal Telecom no longer controls PT Portugal and its subsidiaries. The Company's only shareholder continues to be PT Comunicações which in turn also continues to be a wholly-owned subsidiary of PT Portugal. Consequently, as from 5 May 2014, the Company is indirectly a wholly-owned subsidiary of Oi.

During the nine months period ended 30 September 2014, in connection with an internal corporate restructuring of PT Group for purposes of the Oi share capital increase undertaken on 5 May 2014, the following transactions involving either the company or its subsidiaries were completed:

- On 30 April 2014, PT Móveis, SGPS, S.A. (''PT Móveis''), a wholly-owned subsidiary of Meo, S.A., subscribed a share capital increase of Bratel BV by an amount of Euro 1,303 million;
- On 2 May 2014, PT Móveis disposed to Portugal Telecom, for an amount of Euro 4,195 million its 100% interest in Bratel BV, the company that held the investment in Oi, indirectly through Bratel Brasil, S.A. (''Bratel Brasil''). This operation generate a net loss of Euro 950 million recorded by PT Móveis which includes, (1) a capital gain of Euro 50 million reflecting the difference between the selling price (Euro 4,195 million) and the carrying value of the investment in Bratel BV (Euro 4,145 million) and (2) the transfer to net income of the cumulative amount of negative foreign currency translation adjustments that were recorded directly in shareholders' equity between March 2011 (Oi's acquisition date) and 2 May 2014, in the amount of Euro 950 million;
- On 2 May 2014, Portugal Telecom disposed to PT Móveis, for a total amount of Euro 2.240 million, its 100% interest in PT Participações, SGPS, S.A., the company that held, indirectly, a 75% interest in Africatel Holdings BV.

2. Basis of Presentation

These financial statements were prepared in accordance with Portuguese legislation, based on Decree-law nº. 158/2009, which approved the new Portuguese accounting system, named Sistema de Normalização Contabilística (''SNC''), including the conceptual structure, Normas Contabilísticas e de Relato Financeiro (''NCRF'') and Interpretative Standards, as approved by Notices nº 15652/2009, 15655/2009 and 15653/2009, respectively. As permitted by Decree-Law nº. 158/2009, the Company also applies the International Financial Reporting Standards (''IAS/IFRS'') and related interpretations (''SIC/

(Amounts stated in Euros)

2. Basis of Presentation (Continued)

IFRIC'') issued by International Accounting Standards Board (IASB), in order to fill in the gaps or omissions in SNC regarding specific situations of certain transactions.

As the Portuguese accounting system does not cover interim financial reporting, these interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting (''IAS 34'') and therefore do not include all the information required by above mentioned Portuguese accounting system. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2013.

3. Cash Flows

For the purposes of the cash flow statement, the caption ''Cash and cash equivalents'' includes cash, bank deposits immediately available, net of bank overdrafts.

The Company is exposed to a liquidity risk if its sources of funding, including cash balance, operating cash inflows, divestments and cash flows obtained from financing operations, do not match with our financing needs, such as operating and financing outflows, investments, shareholder remuneration and debt repayments. Based on the cash flows generated by its operations, on the available cash and in the possibility to obtain financing from PT Portugal under the centralized cash management system, the Company believes that it is able to meet its obligations.

The cash flow statement was prepared in accordance with ''*NCRF 2 Statement of Cash Flows*'', which includes the following:

(a) Cash receipts (payments) relating to income taxes

Under the special taxation regime for Groups of companies, the Company received Euro 9,182,500 from PT Portugal in the nine months period ended 30 September 2014 and paid Euro 46,285,729 to Portugal Telecom in the nine months period ended 30 September 2013. The change between both periods reflects the payments on account made by Meo, S.A. in the nine months period ended 30 September 2013, which did not take place in the nine months period ended 30 September 2014.

(b) Other payments, net

This caption includes essentially Value Added Tax and spectrum fees paid to the regulator ICP -Anacom.

(c) Dividends received

In the nine-month periods ended 30 September 2014 and 2013, this caption corresponds to dividends received from PT Móveis, amounting to Euro 194,000,000 and Euro 67,900,000, respectively (Note 5).

(d) Cash receipts (payments) resulting from loans obtained

In the nine-month periods ended 30 September 2014 and 2013, payments resulting from loans obtained, net of cash receipts resulting from loans obtained, consisted of the following:

	9M14	9M13
	Euro	
Receipts (payments) obtained under commercial paper programmes	(250,000,000)	260,000,000
Leases and other loans obtained	(3,125,643)	(1,590,779)
Intercompany loans within centralized cash management	8,106,528	(36,083,933)
Repayments of loans granted by PT Comunicações	—	(340,000,000)
	(245,019,115)	**(117,674,712)**

(Amounts stated in Euros)

3. Cash Flows (Continued)

(e) Cash and cash equivalents

As at 30 September 2014 and 2013, this caption had the following detail:

	9M14	9M13
	Euro	
Bank deposits immediately available	71,317,604	36,330,147
Cash	7,263,524	3,304,487
Cash and bank deposits	**78,581,128**	**39,634,634**

4. Tangible fixed assets and Intangible assets

During the nine months period ended 30 September 2014, movements in tangible fixed assets were as follows:

	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
				Euro				
Gross value								
Opening balance	1,022,830	367,493,915	1,141,896,132	9,300,438	340,444,915	5,959,911	51,244,492	1,917,362,633
Acquisitions	—	1,120,546	2,282,795	262,897	5,673,759	283,027	11,851,691	21,474,715
Disposals	—	(319,491)	(164,655)	(1,215,184)	(9,977,641)	—	—	(11,676,971)
Transfers and write-offs	—	1,383,197	(9,618,110)	(23,496)	7,716,454	(6,278)	(23,380,857)	(23,929,090)
Closing balance	**1,022,830**	**369,678,167**	**1,134,396,162**	**8,324,655**	**343,857,487**	**6,236,660**	**39,715,326**	**1,903,231,287**
Accumulated depreciation and impairment losses								
Opening balance	—	245,879,379	862,970,304	6,189,612	307,592,255	5,422,978	—	1,428,054,528
Depreciation of the period	—	9,704,210	56,686,460	696,822	16,270,191	200,710	—	83,558,393
Disposals	—	(57,031)	(76,788)	(1,183,235)	(8,135,736)	—	—	(9,452,790)
Transfers and write-offs	—	(32,456)	(18,266,467)	43,103	(5,312,064)	(6,278)	—	(23,574,161)
Closing balance	**—**	**255,494,102**	**901,313,509**	**5,746,302**	**310,414,646**	**5,617,410**	**—**	**1,478,585,970**
Tangible assets, net	**1,022,830**	**114,184,065**	**233,082,653**	**2,578,353**	**33,442,841**	**619,250**	**39,715,326**	**424,645,317**

(Amounts stated in Euros)

4. Tangible fixed assets and Intangible assets (Continued)

During the nine months period ended 30 September 2014, movements in intangible assets were as follows:

	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	860,661,648	2,993,745	185,534	863,840,927
Acquisitions	20,719,275	—	102,945	20,822,220
Disposals	(1,541,656)	—	—	(1,541,656)
Transfers and write-offs	1,355,396	—	(170,590)	1,184,806
Closing balance	**881,194,663**	**2,993,745**	**117,889**	**884,306,297**
Accumulated amortisation and impairment losses				
Opening balance	487,754,641	2,668,189	—	490,422,830
Amortisation	39,156,129	124,892	—	39,281,021
Disposals	(1,107,721)	—	—	(1,107,721)
Transfers and write-offs	558,855	—	—	558,855
Closing balance	**526,361,904**	**2,793,081**	**—**	**529,154,985**
Intangible assets, net	**354,832,759**	**200,664**	**117,889**	**355,151,312**

Total capital expenditures for tangible fixed assets and intangible assets amounted to Euro 42.3 million in the nine months period ended 30 September 2014, reflecting investments in tangible fixed assets allocated essentially toward reinforcing mobile data capacity and network quality and expanding the coverage of the 3G/3.5G and 4G networks, and investments in intangible assets related to loyalty programme contracts with customers, which are amortised over the contract period (2 years). In the nine months period ended 30 September 2013, total capital expenditures for tangible fixed assets and intangible assets amounted to Euro 70.2 million.

Total depreciation and amortization expenses amounted to Euro 122,839,414 in the nine months period ended 30 September 2014, reflecting depreciation of tangible fixed assets amounting to Euro 83,558,393 and amortization of intangible assets amounting to Euro 39,281,021. In the nine months period ended 30 September 2013, total depreciation and amortization expenses amounted to Euro 125,206,407.

During the nine months period ended 30 September 2014, the carrying amount of intangible assets included amounts in respect of personnel expenses of Euro 3,533,209, relating to own work capitalized (payroll cost and external supplies).

5. Financial investments—Equity method of accounting

During the nine months period ended 30 September 2014, the movements occurred under this caption were as follows:

	Euro
Opening balance	5,018,409,027
Dividends	(194,000,000)
Equity method	98,896,831
Closing balance	**4,923,305,858**

(Amounts stated in Euros)

5. Financial investments—Equity method of accounting (Continued)

In the nine months period ended 30 September 2014, the movements occurred in investments in subsidiary resulting from the application of the equity method of accounting were recorded as follows:

	Euro
Gains in affiliated companies, net (Note 13)	(1,034,664,217)
Adjustments to financial assets	1,133,561,048
	98,896,831

6. Accounts receivable and unbilled revenues

As at 30 September 2014 and 31 December 2013, these captions consist of:

	30 Sep 2014			31 Dec 2013		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Trade accounts receivable—current assets	462,246,233	(79,324,689)	382,921,544	329,562,219	(85,831,116)	243,731,103
Trade accounts receivable—non-current assets	55,361	—	55,361	128,127	—	128,127
Accounts receivable	**462,301,594**	**(79,324,689)**	**382,976,905**	**329,690,346**	**(85,831,116)**	**243,859,230**
Unbilled revenues	98,922,540	—	98,922,540	90,207,873	—	90,207,873
	561,224,134	**(79,324,689)**	**481,899,445**	**419,898,219**	**(85,831,116)**	**334,067,103**

The increase in accounts receivable reflects mainly receivables from group companies, especially from PT Comunicações. This increase, together with the lower services rendered, explains the reduction in collections from clients in the nine months period ended 30 September 2014, as compared to the same period of last year.

In the nine months period ended 30 September 2014, changes in accumulated impairment losses related to accounts receivable were as follows:

	Euro
Opening balance	85,831,116
Increases (reversals)	4,533,639
Utilizations[(a)]	(11,040,066)
Closing balance	**79,324,689**

(a) This line item refers to the use of accrued impairment losses to face of credits of doubtful collection that were deemed uncollectible and that were fully adjusted.

(Amounts stated in Euros)

7. Shareholders and Group companies

As at 30 September 2014 and 31 December 2013, these captions consist of:

	30 Sep 2014	31 Dec 2013
	Euro	
DEBIT BALANCES		
Current		
Intercompany loans granted within centralized cash management	277,772	8,384,405
Accounts receivable from PT SGPS within tax consolidation[(a)]	—	18,423,167
Other	445,467	—
Total debit balances with shareholders and group companies	**723,239**	**26,807,572**
CREDIT BALANCES		
Current		
Accounts payable to PT Portugal within tax consolidation[(a)]	46,824,345	—
Other	4,125,887	2,755,033
Total credit balances with shareholders and group companies	**50,950,232**	**2,755,033**

(a) The receivable as at 31 December 2013 corresponds to the difference between withholding income tax and payments on account made during the year 2013 and the estimated income tax for the year 2013. During the nine months period ended 30 September 2014, the Company have not yet made any payments on account to PT Portugal under the tax consolidation regime, and as a result the Company recorded a net payable as at 30 September 2014 corresponding basically to the estimated income tax for the nine months period ended 30 September 2014.

8. Provisions and contingent liabilities

8.1. Movements occurred in provisions

The movements in provisions during the nine months period ended 30 September 2014 were as follows:

	Tax claims	Other litigation	Provision for negative financial investments (Note 13)	Other provisions	Total
			Euro		
Opening balance	1,273,630	10,849,818	2,779	6,888,982	**19,015,209**
Increases	313,588	53,018	—	—	**366,606**
Reductions	(67,801)	(529,208)	(3,079)	(5,240,216)	**(5,840,304)**
Utilizations	(1,205,829)	—	—	—	**(1,205,829)**
Other movements	4,297,973	—	300	—	**4,298,273**
Closing balance	**4,611,561**	**10,373,628**	**—**	**1,648,766**	**16,633,955**

8.2. Proceedings with probable losses

The provision for taxes is to cover several Corporate Income Tax and Social Security contingencies, as well as other taxes and fees.

The provision for legal processes in progress is to cover liabilities resulting from processes brought against the Company, estimated based on information from its lawyers.

As at 30 September 2014, the Company, based on the opinion of its internal and external lawyers, classified several legal and arbitration processes in progress and tax contingencies as of probable loss and so it recorded provisions in accordance with NCRF 21—Provisions, Contingent Liabilities and

(Amounts stated in Euros)

8. Provisions and contingent liabilities (Continued)

Contingent Assets to cover the probable outflow of resources. As at 30 September 2014 and 31 December 2013, the nature of these proceedings is as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Legal proceedings		
Civil contingencies	9,818,334	10,245,469
Labor contingencies	29,662	24,632
Other contingencies	525,632	579,717
	10,373,628	**10,849,818**
Tax contingencies	4,611,561	1,273,630
	14,985,189	**12,123,448**

8.3. Proceedings with possible losses

As at 30 September 2014, the Company, in accordance with NCRF 21 and based on the opinion of internal and external legal counsel, had classified a variety of ongoing judicial and arbitral actions and tax contingencies as proceedings with possible losses. The nature of these proceedings is as follows:

	30 Sep 2014	31 Dec 2013
	Euro	
Legal proceedings		
Civil contingencies	750,000	780,759
Labor contingencies	1,887	1,683
Other contingencies	7,407,217	2,180,597
	8,159,104	**2,963,039**

The Board of Directors believes that any corrections resulting from audits/inspections of tax returns by the tax authorities will not have a significant effect on the financial statements as of and for the nine months period ended 30 September 2014, considering the provisions constituted and the expectations at the date hereof with respect to the final resolution of the above-referenced matters.

8.4. Other proceedings

The Company received additional income tax assessments relating to the financial years from 2004 to 2010, which essentially question the deductibility of certain financial costs, in the total amount of Euro 204 million of taxes. The Company disagrees with these assessments and conclusions, and considers, based on the opinion of its tax counsel, that there are solid arguments to oppose the position of the tax authorities. As such, the company consider that this proceeding with possible loss.

(Amounts stated in Euros)

9. Loans obtained

Loans obtained as of 30 September 2014 and 31 December 2013 consisted of the following:

	30 Sep 2014		31 Dec 2013	
	Non-current	Current	Non-current	Current
	Euro			
Commercial programme	—	—	230,000,000	20,000,000
Other financings	—	10,942	—	2,020,914
Leases	1,634,962	1,416,349	1,429,085	1,239,737
	1,634,962	**1,427,291**	**231,429,085**	**23,260,651**

During the nine months period ended 30 September 2014, the reduction in outstanding amounts due under loans obtained reflects primarily the repayment of the amounts due under commercial paper programmes, amounting to Euro 250,000,000.

10. Suppliers and Investment suppliers

The captions ''Suppliers'' and ''Investment suppliers'' as at 30 September 2014 and 31 December 2013 consist of the following:

	30 Sep 2014	31 Dec 2013
	Euro	
Trade suppliers		
Current	189,272,682	162,474,110
Invoices to be received	6,080,506	4,320,533
	195,353,188	**166,794,643**
Investment suppliers		
Current	4,519,121	24,020,629
Invoices to be received	5,272,907	3,893,380
	9,792,028	**27,914,009**

11. Accrued expenses

As at 30 September 2014 and 31 December 2013, this caption had the following detail:

	30 Sep 2014	31 Dec 2013
	Euro	
Support services	51,270,891	55,519,444
Commissions	42,614,061	32,235,530
Direct costs of services rendered	21,564,041	19,565,533
Other supplies and external services	13,044,383	11,333,716
Specialized work	7,851,355	6,338,406
Charges for vacations, vacation subsidies and other payroll costs	7,587,366	6,576,148
Litigation and legal actions	7,353,215	9,014,706
Interest and other financial expenses payable	222,560	1,836,321
Other	6,960,838	5,362,407
	158,468,710	**147,782,211**

(Amounts stated in Euros)

12. Services rendered and sales

In the nine-month periods ended 30 September 2014 and 2013, these captions had the following detail:

	9M14	9M13
	Euro	
Services rendered		
Billing	622,669,523	678,736,662
Interconnection	49,450,250	39,573,940
Roaming operators	6,445,451	8,736,245
Sales	60,258,874	71,783,209
	738,824,098	**798,830,056**

13. Equity in earnings (losses) of affiliated companies

In the nine-month periods ended 30 September 2014 and 2013, this caption corresponds to the Company's share in the earnings and losses of the following affiliated companies:

	9M14	9M13
	Euro	
Gains and losses in affiliated companies		
PT Móveis	(1,034,664,295)	123,119,789
PT Cloud e Data Centers, S.A.	3,157	(6,293)
	(1,034,661,138)	**123,113,496**

The total net losses of Euro 1,034,661,138 recorded in the nine months period ended 30 September 2014 include a loss of Euro 1,034,664,217 recorded on financial investments (Note 5) and a gain of Euro 3,079 recorded on provisions for negative financial investments (Note 8).

The Company's share in net losses of PT Móveis, amounting to Euro 1,034,664,295, reflects primarily a net loss of Euro 950 million recorded by PT Móveis, in connection with the disposal of its 100% interest in Bratel BV to Portugal Telecom, which includes (1) a capital gain of Euro 50 million reflecting the difference between the sale price (Euro 4,195 million) and the carrying value of the total investment in Bratel BV (Euro 4,145 million, already reflecting the share capital increase realized by PT Móveis in Bratel BV prior to the sale, amounting to Euro 1,303 million), and (2) the cumulative amount of negative currency translation adjustments, amounting to Euro 1,000 million, which were generated since the acquisition of the investment in Oi in March 2011 and transferred to net income upon the sale of this investment through Bratel BV on 2 May 2014.

14. Direct costs

In the nine-month periods ended 30 September 2014 and 2013, this caption is made up as follows:

	9M14	9M13
	Euro	
Capacity to rental costs	80,248,186	85,040,347
Interconnection costs	47,895,157	43,987,556
Leases	16,154,276	15,840,391
Contents of internet	6,747,867	6,569,027
Other	549,649	644,757
	151,595,135	**152,082,078**

(Amounts stated in Euros)

15. Supplies and external services

In the nine-month periods ended 30 September 2014 and 2013, this caption is made up as follows:

	9M14	9M13
	Euro	
Support services	67,329,889	70,088,008
Commissions	46,591,684	51,672,589
Maintenance and repairs	17,621,898	21,362,576
Specialized work	15,764,581	18,781,364
Electricity	10,648,875	11,135,506
Rentals	10,026,633	10,245,442
Provide access	6,158,950	6,201,547
Communications	3,354,241	3,956,948
Transportation	2,198,417	2,934,431
Other	4,632,576	1, 116,249
	184,327,744	**197,494,660**

16. Income tax

In 2013, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 25%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rate of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million and at the rate of 5.0% on taxable income in excess of Euro 7.5 million.

As from 2014, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 23%, increased (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) by a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35.0 million and 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35.0 million.

Since the Company's tax profits in the nine-month periods ended 30 September 2014 and 2013 exceeded the Euro 35.0 million and Euro 7.5 million thresholds mentioned above, the Company applied the tax rate of 31.5% to compute its income tax estimate.

The Company's income taxes are computed based on the tax rate mentioned above and are determined on the basis of profit before-tax adjusted in accordance with tax legislation.

PT Portugal has adopted the tax consolidation regime in Portugal (currently known as the Special Regime for the Taxation of Groups of Companies), under which the provision for income taxes is determined on the basis of the estimated taxable income for all the companies in which PT Portugal holds at least 75% of the share capital and that are domiciled in Portugal and subject to Corporate Income Tax (IRC). PT Portugal is still waiting for the approval from the tax authorities in relation to the use of this tax consolidation regime in 2014, since PT Portugal only became the parent company of the group in Portugal as from 5 May 2014, following the contribution in kind made by Portugal Telecom to the Oi share capital increase consisting of its 100% interest in PT Portugal (Note 1). The Company is part of the Special Taxation Regime for Groups of Companies and, as a result, the income tax estimate and deductions made by third parties are recorded on the balance sheet as accounts payable and receivable of PT Portugal.

(Amounts stated in Euros)

16. Income tax (Continued)

In the nine-month periods ended 30 September 2014 and 2013, the reconciliation between the expected tax by applying the nominal tax rate to income before taxes and the total income tax is as follows:

	9M14	9M13
	Euro	
Income before taxes	**(869,953,846)**	**275,518,923**
Nominal tax rate	31.5%	31.5%
Expected tax	**(274,035,461)**	**86,788,461**
Permanent differences[(i)]	325,723,924	(38,871,277)
Adjustments to prior years' current income tax	4,306,443	(2,980,526)
Reversal of deferred taxes from previous years	(4,055,987)	1,495,180
Other	(578,994)	40,690
	51,359,925	**46,472,528**
Income tax		
Income tax-current	51,146,904	42,384,291
Deferred tax	213,021	4,088,237
	51,359,925	**46,472,528**

(i) Permanent differences are as follows:

	9M14	9M13
	Euro	
Equity method of accounting (Note 13)	1,034,661,138	(123,113,496)
Tax benefits	(560,038)	(545,332)
Other	(56,896)	257,950
	1,034,044,204	**(123,400,878)**
Nominal tax rate	31.5%	31.5%
	325,723,924	**(38,871,277)**

17. Earnings per share

Earnings per share for the nine-month periods ended 30 September 2014 and 2013 were computed as follows:

	9M14	9M13
	Euro	
Net income	(921,313,771)	229,046,395
Number of shares	9,400,000	9,400,000
Basic earnings per share	**(98.01)**	**24.37**

There are no situations that create a dilutive effect, so the diluted earnings per share are the same as basic earnings per share.

(Amounts stated in Euros)

18. Guarantees

As at 30 September 2014 and 31 December 2013, the Company had presented the following guarantees in favour of third parties:

	30 Sep 2014	31 Dec 2013
	Euro	
Guarantees in favour of courts	**180,543**	**105,370**
Bank guarantees in favor of other entities:		
Anacom	18,000,000	24,000,000
Ministry of Justice	—	2,859,806
Outros	2,347,196	2,023,980
	20,347,196	**28,883,786**
Total guarantees	**20,527,739**	**28,989,156**
Commitments of purchase before:		
Fixed asset and content suppliers	3,083,611	8,981,302
Suppliers of inventories	17,233,504	8,264,400
Other services	10,168,742	12,387,759
	30,485,857	**29,633,461**

The bank guarantee provided in favour of Anacom as at 30 September 2014, in the amount of Euro 18 million, was requested by Anacom in the context of the auction of spectrum usage rights, and corresponds to the total amount of the three outstanding instalments.

As at 30 September 2014, the value for the bank guarantees provided in favour of other entities includes, essentially, the amount of Euro 1.5 million in respect of contracts to use stores.

As of 30 September 2014, Portugal Telecom had presented bank guarantees in favor of the tax authorities in relation to additional tax assessments received by Portugal Telecom regarding the tax consolidation of the years 2005 to 2010, thus including the tax contingencies of Meo, S.A. as well as tax contingencies of other entities included in the tax consolidation group, namely PT Comunicações, S.A. and Portugal Telecom. These bank guarantees totaled Euro 353 million as of 30 September 2014. In accordance with Portuguese tax legislation, Portugal Telecom has presented these guarantees and submitted a claim or an appeal to the tax authorities in order to be able to hold open discussions with the tax authorities and avoid the payment of a given tax assessment. In Portugal, these two conditions are required and must be complied with before the process can continue, regardless of the amount of the tax assessment or the likelihood of success of the appeal or the claim.

19. Events occurred after the balance sheet date

The financial statements as of and for the nine months period ended 30 September 2014 were approved by the Board of Directors and authorised for issuance on 13 January 2015.

On 1 December 2014, Oi entered into an exclusivity agreement with Altice, S.A. to allow both entities to negotiated and agree on the final terms of the sale of PT Portugal, excluding certain details. On 8 December 2014, the Board of Directors of Oi finalized the formalities to approve the general terms and conditions for the sale of all shares of PT Portugal to Altice Portugal, S.A., a wholly-owned subsidiary of Altice, S.A.. The sale substantially involves PT Portugal's operations in Portugal and Hungary. The effectiveness of the purchase and sale contract will depend on the approvals by the shareholders of Portugal Telecom SGPS, S.A., the meeting of which was initially scheduled for 12 January 2015 and then postponed to 22 January 2015, and by the proper regulatory entities. With this approval, Oi will transfer to Altice all of the shares issued by PT Portugal for an enterprise value of Euro 7.4 billion, adjusting for cash and debt and including an earn-out of Euro 500 million related to PT Portugal's generation of future

19. Events occurred after the balance sheet date (Continued)

revenue. The price to be paid by Altice will suffer adjustments usually adopted in similar transactions, in accordance with PT Portugal's cash holdings on the closing of this transaction.

On 29 December 2014, Meo, S.A. was merged into PT Comunicações and accordingly ceased to exist, but as its assets and liabilities were entirely transferred into PT Comunicações, the Company's activity will continue in the future. This merger produced effects as from 1 January 2014. Following this merger, PT Comunicações was renamed MEO—Serviços de Comunicações e Multimédia, S.A..

Meo, S.A.

Financial Statements

AUDITORS' REPORT

Introduction

1. We have audited the accompanying financial statements of MEO—Serviços de Comunicações e Multimédia, S.A. (''the Company''), formerly named TMN—Telecomunicações Móveis Nacionais, S.A., which comprise the balance sheet as of 31 December 2013 that presents a total of 6,344,784,096 Euros and shareholders' equity of 5,596,922,716 Euros, including a net income of 336,146,179 Euros, the statements of income by nature, of changes in shareholders' equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of financial statements that present a true and fair view of the financial position of the Company, the results of its operations, the changes in its shareholders' equity and its cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of an appropriate system of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our audit.

Scope

3. Our audit was performed in accordance with the auditing standards *(''Normas Técnicas e as Directrizes de Revisão/Auditoria'')* issued by the Portuguese Institute of Statutory Auditors *(''Ordem dos Revisores Oficiais de Contas'')*, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An audit also includes assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, for the purpose explained in paragraph 5 below, in all material respects, the financial position of MEO—Serviços de Comunicações e Multimédia, S.A. as of 31 December 2013 and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Emphases

5. The financial statements mentioned in paragraph 1 above refer to the Company on a standalone basis and were prepared in accordance with current legislation for approval and publication. The Company did not prepared consolidated financial statements as, in accordance with number 3 of article 7 of Decree-Law 158/2009, of 13 July 2009 was not required to do so, as its financial statements were included in the consolidated financial statements of Portugal Telecom, SGPS, S.A.. As described in Note 3.6, although the financial investments have been accounted for by the equity method, under which the Company´s net profit for the year and shareholders' equity include the effect of consolidating the subsidiaries, the accompanying financial statements do not include the effects of a full consolidation of their assets, liabilities, revenues and costs.

6. As of 31 December 2013, the Company's financial investments included the wholly-owned subsidiary PT Móveis, S.A. (''PT Móveis''), which owned 100% interest in Bratel BV, a holding company that essentially owned the investment in Oi, S.A. and its controlling shareholders in the total amount of 2,589 million Euros. In connection with the business combination between Portugal Telecom, SGPS, S.A. (''PT SGPS'') and Oi, as of 2 May 2014 this investment was sold to PT SGPS and PT Móveis incurred in a net loss of approximately 950 million Euros, of which 1,000 million Euros did not have an impact in the PT Móveis shareholders' equity as it corresponds to a transfer to net income of the cumulative amount of negative foreign currency translations adjustments that

were recorded directly in shareholders' equity between March 2011 (Oi's acquisition date) and 2 May 2014 (of which 885 million Euros recorded at 31 December 2013), while the remaining 50 million Euros corresponds to a capital gain reflecting the difference between the selling price and the carrying value of the investment in the books of PT Móveis.

Lisbon, 14 November 2014

Deloitte & Associados, SROC S.A.
Represented by João Luís Falua Costa da Silva

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.
BALANCE SHEETS
31 DECEMBER 2013 AND 2012

	Notes	2013	2012
		Euro	
ASSETS			
Non-current assets			
Tangible fixed assets	6	489,308,105	530,538,646
Goodwill	7	10,169,655	10,169,655
Intangible assets	8	373,418,097	397,186,672
Financial investments—equity method of accounting	9,10	5,018,409,027	5,432,502,015
Other financial assets	12	132,018	17,802
Deferred tax assets	13	36,745,599	47,012,872
Total non-current assets		**5,928,182,501**	**6,417,427,662**
Current assets			
Inventories	14	25,145,510	21,346,581
Accounts receivable—trade	15	243,731,103	201,889,814
Unbilled revenues	15	90,207,873	104,201,086
Advances to suppliers		4,530,872	4,697,634
State and other public entities	16	991	275,246
Shareholders and group companies	10	26,807,572	—
Other accounts receivable	17	8,428,301	10,310,982
Deferrals	11	7,499,276	9,759,416
Cash and bank deposits	4	10,250,097	7,757,210
Total current assets		**416,601,595**	**360,237,969**
Total assets		**6,344,784,096**	**6,777,665,631**
SHAREHOLDERS' EQUITY			
Share capital	18	47,000,000	47,000,000
Legal reserve	18	9,400,000	9,400,000
Other reserves		(755,149)	(246,879)
Adjustments to financial assets	18	4,663,137,631	5,203,390,307
Retained earnings		541,994,055	291,096,512
Net (loss) / income	18	336,146,179	251,574,189
Total shareholders' equity		**5,596,922,716**	**5,802,214,129**
LIABILITIES			
Non-current liabilities			
Provisions	19	2,779	1,006
Loans obtained	20	231,429,085	341,311,519
Deferred tax liabilities	13	106,386	212,773
Other accounts payable	17	14,840,169	19,082,848
Other financial liabilities	12	24,170,305	34,932,378
Total non-current liabilities		**270,548,724**	**395,540,524**
Current liabilities			
Provisions	19	19,012,430	19,476,917
Loans obtained	20	23,260,651	40,402,346
Deferrals	11	41,462,295	52,281,265
Accounts payable to group companies	10	2,755,033	2,894,767
Suppliers	21	166,794,643	214,393,137
Investment suppliers	21	27,914,009	48,393,524
Accrued expenses	22	147,782,211	139,490,100
Advances from accounts receivable		3,527,750	3,883,876
State and other public entities	16	25,678,387	10,361,808
Other accounts payable	17	19,125,247	48,333,238
Total current liabilities		**477,312,656**	**579,910,978**
Total liabilities		**747,861,380**	**975,451,502**
Total liabilities and shareholders' equity		**6,344,784,096**	**6,777,665,631**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	2013	2012
		Euro	
Services rendered	23	952,016,564	1,064,618,344
Sales	23	102,547,893	88,691,659
Subsidies to operation		10,402	31,191
Equity in earnings of affiliated companies, net	24	194,734,560	68,573,630
Own work capitalized	8	4,499,166	3,933,263
Costs of products sold	14	(113,023,015)	(107,376,947)
Direct costs	25	(198,571,074)	(225,254,423)
Marketing and publicity		(18,836,968)	(23,566,649)
Supplies and external services	26	(266,343,211)	(261,896,739)
Wages and salaries	27	(47,065,668)	(44,868,814)
Indirect taxes	28	(14,577,388)	(15,772,095)
Impairment of inventories ((losses)/reversals)	14	(1,592,073)	4,061,061
Impairment of accounts receivable ((losses)/reversals)	15	(9,832,211)	(11,166,860)
Provisions (increases/reductions)	19	(1,620,292)	(396,864)
Other income and gains	29	14,891,953	15,967,828
Other expenses and losses	30	(14,533,087)	(22,055,104)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**582,705,551**	**533,522,481**
Depreciation and amortisation ((losses)/reversals)	31	(168,231,485)	(180,786,175)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**414,474,066**	**352,736,306**
Interest and related income	32	438,187	1,382,653
Interest and related expenses	32	(18,819,781)	(22,464,897)
INCOME BEFORE TAXES		**396,092,472**	**331,654,062**
Income taxes	13	(59,946,293)	(80,079,873)
NET (LOSS) / INCOME		**336,146,179**	**251,574,189**
Basic earnings per share	33	35.76	26.76

The accompanying notes form an integral part of these financial statements.

Accountant

The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2013

		Share capital	Legal reserve	Other reserves	Adjustments to financial assets	Retained earnings	Net (loss)/ income	Total shareholders' equity
					Euro			
Balance as at 1 January 2012	A	**47,000,000**	**9,400,000**	**(189,875)**	**5,459,199,597**	**286,096,512**	**285,819,987**	**6,087,326,221**
Changes:								
Foreign currency translation adjustments		—	—	—	(350,110,383)	—	—	**(350,110,383)**
Unpaid dividends		—	—	—	45,340,711	(45,340,711)	—	**—**
Other changes in shareholders' equity		—	—	(57,004)	48,960,382	—	—	**48,903,378**
	B	**—**	**—**	**(57,004)**	**(255,809,290)**	**(45,340,711)**	**—**	**(301,207,005)**
Net income	C						251,574,189	**251,574,189**
Comprehensive income	B+C							**(49,632,816)**
Operations with shareholders:								
Application of earnings		—	—	—	—	50,340,711	(285,819,987)	(235,479,276)
	D	**—**	**—**	**—**	**—**	**50,340,711**	**(285,819,987)**	**(235,479,276)**
Balance as at 31 December 2012	E=A+B+C+D	**47,000,000**	**9,400,000**	**(246,879)**	**5,203,390,307**	**291,096,512**	**251,574,189**	**5,802,214,129**
Changes:								
Foreign currency translation adjustments		—	—	—	(534,610,065)	—	—	**(534,610,065)**
Unpaid dividends		—	—	—	676,646	(676,646)	—	**—**
Other changes in shareholders' equity		—	—	(508,270)	(6,319,257)	—	—	**(6,827,527)**
	F	**—**	**—**	**(508,270)**	**(540,252,676)**	**(676,646)**	**—**	**(541,437,592)**
Net income	G						336,146,179	**336,146,179**
Comprehensive income	F+G							**(205,291,413)**
Operations with shareholders:								
Application of earnings		—	—	—	—	251,574,189	(251,574,189)	**—**
	H	**—**	**—**	**—**	**—**	**251,574,189**	**(251,574,189)**	**—**
Balance as at 31 December 2013	E+F+G+H	**47,000,000**	**9,400,000**	**(755,149)**	**4,663,137,631**	**541,994,055**	**336,146,179**	**5,596,922,716**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	Notes	2013	2012
		Euro	
OPERATING ACTIVITIES			
Collections from clients		1,224,622,967	1,424,854,955
Payments to suppliers		(746,974,949)	(765,555,039)
Payments to employees		(46,321,075)	(48,749,295)
Cash flows from operations		**431,326,943**	**610,550,621**
Cash receipts (payments) relating to income taxes		(69,886,103)	(92,147,467)
Other cash payments, net	4.(a)	(101,668,460)	(85,798,643)
Cash flows from operating activities (1)		**259,772,380**	**432,604,511**
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible fixed assets		767,569	2,319,819
Intangible assets		282,836	336,507
Interest and related income		2,158,556	3,398,579
Dividends	4.(b)	67,900,000	5,000,000
		71,108,961	**11,054,905**
Payments resulting from:			
Tangible fixed assets		(126,374,727)	(163,204,445)
Intangible assets		(22,825,264)	(129,389,314)
		(149,199,991)	**(292,593,759)**
Cash flows from investing activities (2)		**(78,091,030)**	**(281,538,854)**
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Loans obtained	4.(c)	251,999,195	47,025,471
Subsidies		10,402	31,191
		252,009,597	**47,056,662**
Payments resulting from:			
Loans repaid	4.(c)	(388,323,585)	(2,446,589)
Interest and related expenses		(42,874,475)	(5,226,344)
Dividends	18.4	—	(235,479,275)
		(431,198,060)	**(243,152,208)**
Cash flows from financing activities (3)		**(179,188,463)**	**(196,095,546)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**2,492,887**	**(45,029,889)**
Cash and cash equivalents at the beginning of the period		7,757,210	52,787,099
Cash and cash equivalents at the end of the period	4.(d)	**10,250,097**	**7,757,210**

The accompanying notes form an integral part of these financial statements.

Accountant The Board of Directors

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MEO—Serviços de Comunicações e Multimédia, S.A.
Annex to the Financial Statements
As of and for 31 December 2013
(Amounts expressed in Euros)

1. Introduction

MEO—Serviços de Comunicações e Multimédia, S.A. (the ''Company'' or ''Meo, S.A.''), formerly named TMN—Telecomunicações Móveis Nacionais, S.A., was incorporated on 22 March 1991; its principal activity is to provide mobile telecommunications services, and it is licensed by the *Instituto das Comunicações de Portugal* (''ICP''), currently the ICP—*Autoridade Nacional de Comunicações* (''ANACOM''), to provide complementary (land-based) mobile telecommunications services in Portugal, under the terms of license ICP—011/TCM, dated 16 March 1992. By resolution of the ANACOM Board of Directors on 28 February 2007, the right to utilise these frequencies was renewed for an additional 15 years, i.e., until 16 March 2022. At the end of the year 2000, Meo, S.A. was licensed by ANACOM to do business in the international mobile telecommunications system, under the terms of license IMT 2000/UMTS, dated 19 December 2000, under ICP number 02 / UMTS, effective until 11 January 2016 with the possibility of subsequent renewal for an additional 15 years.

In December 2011, ANACOM notified Meo, S.A., in the context of an auction of spectrum held November 28-30, that it had acquired spectrum in the frequency bands at 800 MHz, 1.8 GHz and 2.6 GHz, for a total of 113 million Euros. This allows Meo, S.A. to provide 4G mobile services, through Long Term Evolution (''LTE'') technology, representing an evolution from GSM and UMTS technologies. Meo, S.A. was licensed to use these frequencies for an initial period of 15 years, renewable for an additional 15 years.

In addition, the Company may also provide other telecommunications services in Portugal, highlighted by the following:

a) Meo, S.A. is registered to exercise the activity of telecommunications of public use;

b) Meo, S.A. is licensed by ANACOM to provide land-line telephone service, under the terms of license ICP—010/99/99-SFT, and to establish and supply a public telecommunications network, under the terms of license ICP—017/99-RPT, both for the entirety of the Portuguese territory and dated 25 November 1999;

c) Meo, S.A. is authorised to provide private virtual network services, having been assigned access code ''70596.''

Among other regulations pursuant to Law 12/2008—Provision of Essential Public Services, as published in February 2008, the Company is afforded 6 months to bring suit against clients for non-payment, failing which, the debt lapses. In accordance with this Law, all electronic communications services (and not just landline telephone service) became subject to new regulations.

In 2008, in the context of the reorganisation process of the Portugal Telecom Group, Meo, S.A. acquired from Portugal Telecom, SGPS, S.A. (''PT SGPS'' or ''Portugal Telecom'') the stake it held in PT Acessos de Internet Wi-Fi, S.A (''PT Wi-Fi''), which was merged into Meo, S.A., as of 1 January 2008.

Meo, S.A. holds one hundred percent of the share capital of PT Móveis—Serviços de Telecomunicações, SGPS, S.A. (''PT Móveis''). On 27 September 2010, PT Móveis sold to Telefónica Móviles, S.A. the 50% stake it held in the capital of Brasilcel N.V. (a joint venture controlling Vivo that was constituted at the end of 2002 between the Portugal Telecom Group—through PT Móveis—and the Telefónica Group—through Telefónica Móviles, S.A.). Subsequently, on 28 March 2011, Portugal Telecom completed the process of acquiring an effective stake of 25.3% in Telemar Norte Leste, S.A. (''Oi'') and 14.1% in Contax, S.A. and the agreements with the controlling shareholders of these companies, for a total of 8.437 billion Brazilian *Reais*. This investment was effected by the Portugal Telecom Group through Bratel Brasil, in which PT Móveis indirectly holds a 99% stake. The terms of these agreements allow Portugal Telecom to share decision-making power on the strategic financial and operating policies of the acquired companies, such that these are classified as jointly controlled entities, in accordance with the terms of IFRS 11—Joint Arrangements, and are recognised indirectly under the equity method. On 1 October 2013, Portugal Telecom, Oi and some of the principal shareholders of

1. Introduction (Continued)

these entities signed a memorandum of understanding that establishes the essential principles for a merger proposal among PT, Oi and Oi's controlling shareholders with the objective of creating a single integrated company listed in Brazil. The Oi Group is a leading operator of telecommunications services in the Brazilian market and the largest operator of landline telecommunications in South America in terms of active clients, and Contax is one of the leading companies in corporate services and the leading company in contact centre services in Brazil.

On 30 November 2010, PT Portugal, SGPS, S.A. (''PT Portugal'') sold to PT Comunicações, S.A. (''PT Comunicações'') its entire stake in Meo, S.A., such that the Company came to be wholly owned by PT Comunicações.

Under the terms of article 7 of Decree-Law nº 158/2009, despite holding financial investments in group and associated companies, the Company is exempt from preparing consolidated financial statements since it is wholly owned, directly or indirectly, by Portugal Telecom, SGPS S.A. (''Portugal Telecom''), which in turn presents consolidated financial statements which include the financial statements of the Company and the entities in which it has a stake.

2. Basis of presentation

The financial statements annexed here were prepared in accordance with applicable provisions of Portuguese law, as set forth in Decree-Law nº 158/2009, which approved the *Sistema de Normalização Contabilística* (''SNC''), and in accordance with the conceptual framework, *Normas Contabilísticas e de Relato Financeiro* (''NCRF'') and *Normas Interpretativas* issued, respectively, in notices 15652/2009, 15655/2009 and 15653/2009.

The Company first adopted the NCRF in 2010, applying NCRF 3 *Adoção Pela Primeira Vez Das NCRF* (''NCRF 3''), using 1 January 2009 as the transition date for the effects of presenting these financial statements. As provided in the Annex to Decree-Law nº 158/2009, the Company supplementarily applies the International Accounting Standards and International Financial Reporting Standards (''IAS/IFRS'') and the respective interpretations (''SIC/IFRIC'') of the IASB, to bridge gaps or omissions relating to specific aspects of some transactions or particular situations not provided for by the SNC.

3. Main accounting policies, judgments and estimates

The financial statements annexed here were prepared assuming ongoing operations. The main accounting policies adopted in preparing these financial statements are described below and were applied on a consistent basis, except as otherwise indicated.

3.1. Tangible fixed assets

Tangible fixed assets are recorded at the cost of acquisition or production, which includes the cost of purchase, any costs directly attributable to putting the assets in place in the conditions needed to operate as intended and, when applicable, the initial estimate of the costs that the company expects to incur in dismantling and removing the assets and restoring the respective premises where they were installed.

The subsequent expenses are included in the carrying amount for the asset only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. Maintenance and repair costs not likely to generate future economic benefits are recognised as an expense in the period in which they are incurred.

3. Main accounting policies, judgments and estimates (Continued)

Except for land that is not depreciated, depreciation of the other tangible fixed assets is recognised on a straight-line basis, as of such time as the asset is ready for use, with duodecimal imputation. The annual rates applied reflect the estimated useful life for each asset class, as follows:

Asset class	Years of useful life
Buildings and other constructions	3-50
Basic equipment	3-20
Transportation equipment	4-5
Administrative equipment	3-10
Other tangible fixed assets	4-8

The useful lives and the amortisation method are reviewed regularly, and the effect of any change in these estimates is recognised prospectively in the income statement.

Gains or losses stemming from a write-off or sale are determined as the difference between the amount received and the carrying amount for the asset, and are recognised in the income statement.

3.2. Leases

Leases are classified as financial leases if they transfer to the lessee substantially all the risks and rewards inherent to possessing the corresponding assets. All other leases are classified as operating leases. Leases are classified as a function of their substance and not their form.

Assets acquired by means of financial leases, as well as the corresponding liabilities, are recorded at the beginning of the lease at the lesser of the fair value of the assets and the present value of the minimum lease payments. The rents include financial expense and amortisation of the capital, wherein financial expenses are imputed in accordance with a constant periodic interest rate on the remaining balance of the liability.

In operating leases, rents owed are recognised as an expense on a linear basis during the lease period.

3.3. Concentrations of business activities and goodwill

Acquisitions of financial investments in subsidiary companies are recorded using the purchase method. The acquisition cost is determined by aggregating, at the acquisition date, the following components: (a) the fair value of the assets delivered or deliverable; (b) the fair value of the liabilities incurred or assumed; (c) the fair value of equity instruments issued by the Company in exchange for obtaining control over the subsidiary; and (d) the costs directly attributable to the acquisition. When applicable, the acquisition cost includes the effect of contingent payments agreed upon in the context of the transaction, and subsequent changes in such payments are recorded as a counter-entry to the corresponding goodwill.

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company, at the acquisition date, pursuant to NCRF 14 *Concentrações de Atividades Empresariais* (''NCRF 14''). If the difference between the acquisition cost and the fair value of the assets and liabilities acquired is negative, it is recognised as income for the year. Pursuant to the exception provided in NCRF 3, the Company applied the provisions of NCRF 14 only to acquisitions after 1 January 2009, such that the amounts of goodwill relating to acquisitions prior to such date were retained as initially calculated in accordance with the standard applicable at the time.

Goodwill arising from acquiring subsidiary companies is included on the balance sheet as ''Goodwill.''

Goodwill is not amortised, and is subject to tests for impairment on an annual basis or whenever there is indication of a loss of value. For purposes of impairment testing, goodwill is allocated to cash-generating

3. Main accounting policies, judgments and estimates (Continued)

units. Any impairment loss is immediately recorded as an expense in the income statement for the period and cannot later be reversed.

3.4. Intangible assets

Intangible assets include, basically, (1) rights and licenses, (2) commercial goodwill, (3) terminal equipment assigned to clients pursuant to service contracts with them, and (4) development expenses. Intangible assets acquired separately are recorded at cost, less accrued amortisations and impairment losses.

Intangible assets are amortised on a straight-line basis in accordance with the following estimated useful lives:

Asset class	Useful life
License UMTS (3G)	Period of the license with a renewal period (until 2030)
License LTE (4G)	Period of the license with a renewal period (until 2042)
Rights over terminal equipment assigned to clients	Contractual terms (2 years)
Other intangible assets	3 years

The useful lives and method of amortising the various intangible assets are reviewed annually, and the effects of any changes in these estimates are recognised in the income statement prospectively.

Research expenses are recognised in the income statement when incurred. Development expenses are capitalized when the technical and economic feasibility of the product or process under development can be shown and the Company has the intention and capability to complete its development and begin marketing or using it, as provided in NCRF 6 *Activos Intangíveis*.

3.5. Impairments of tangible fixed assets and intangible assets

The Company tests for impairment its tangible and intangible assets whenever there is an event or change that indicates that the amount at which the asset is booked may not be recovered. Should there be such indication, the Company proceeds to determine the recoverable value of the asset, so as to determine the extent of the impairment loss. When it is not possible to determine the recoverable amount of an asset, the recoverable amount for the cash-generating unit to which such asset belongs is estimated.

In addition, in the specific case of terminal equipment assigned to clients pursuant to loyalty programme contracts, impairment is tested periodically, and the assets are fully written off in cases where the revenue associated with the client giving rise to the intangible asset is not assured.

The recoverable amount is determined as the higher of the sale price and the use value. The sale price is the amount that would be obtained by selling the asset in a transaction between knowledgeable independent entities, less the costs directly attributable to the sale. The use value derives from future cash flows as discounted to reflect the cost of capital and the specific risk of the asset.

Whenever the book value of the asset or of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and recorded in the income statement.

3. Main accounting policies, judgments and estimates (Continued)

3.6. Financial investments

Subsidiary companies are all the entities over which the Company has decision-making power over financial and operating policies, generally represented by more than half of the voting rights. Associated companies are entities over which the Company exercises significant influence, but does not have control, generally with stakes of between 20% and 50% of the voting rights.

Investments in the Company's subsidiaries are recorded using the equity method of accounting. In accordance with this method, financial investments are initially recorded at their acquisition cost and subsequently adjusted as a function of observed changes, after the acquisition, in the Company's interest in the net assets of the corresponding entities. The Company's results include its interest in the corresponding results of these entities.

Financial investments are tested whenever there is an indication that the asset may be impaired, and existing impairment losses are recorded as expenses in the income statement.

Unrealised gains in transactions with subsidiaries are eliminated in proportion to the Company's interest in them, with a counter-entry to the corresponding investment line item.

3.7. Accrual accounting

The Company records its revenue and expenses on an accrual basis, under which revenues and expenses are recognised to the extent they are generated or incurred, regardless of when they are received or paid, respectively.

3.8. Income taxes

Income taxes correspond to the sum of current and deferred taxes, which are recorded in the income statement except when they relate to items recorded directly in shareholders' equity, in which case they are likewise recorded in shareholders' equity.

Income taxes are estimated based on the estimate of the tax base under the *Imposto sobre o Rendimento das Pessoas Coletivas* (''IRC'').

Portugal Telecom makes use of tax consolidation under the *Regime Especial de Tributação de Grupos de Sociedades* (''RETGS''), in which Meo, S.A. is included. Consequently, the estimated IRC amounts, less withholding effected by third parties and advance payments, are recorded on the balance sheet as accounts payable to Portugal Telecom.

The income taxes for the year recorded in the financial statements are calculated pursuant to NCRF 25 *Impostos Sobre o Rendimento*. In measuring income taxes for the year, in addition to the current tax determined based on pre-tax results as adjusted in accordance with tax law, the effects of temporary differences between the amounts of assets and liabilities for accounting purposes and the respective amounts for tax purposes are also taken into account. Deferred tax assets and liabilities are calculated and assessed annually, using the tax rates that are expected to be in effect at the date of the reversal of the temporary differences.

Deferred tax assets are recorded only when there is a reasonable expectation of sufficient future taxable profits to use them. At the balance sheet date, the temporary differences underlying the deferred tax assets are reappraised, for the purposes of recognising deferred tax assets that had gone unrecorded for not having fulfilled the conditions for recording, and/or reducing the amount of the deferred tax assets that are recognised as a function of current expectations of their future recovery.

3. Main accounting policies, judgments and estimates (Continued)

3.9. Inventories

Inventories are recorded at the lesser of the acquisition cost and the net realisation value. The net realisation value represents the estimated sale price less all costs deemed necessary to complete the sale. The Company uses the average cost method.

Inventory impairment losses include the value of unutilised materials forecast by dint of technological obsolescence and/or turnover, as well as the difference of prices for materials whose realisation value is less than the average acquisition cost, to the extent that it exceeds the discount level considered normal in the business.

3.10. Accounts receivable from clients and other debtors

Accounts receivable from clients and other debtors are recognised initially at fair value, and are subsequently measured at cost or amortised cost, utilising the effective interest method, less impairment losses.

Impairments for debts of doubtful collection are calculated based on an evaluation of the estimated risks arising from non-collection of accounts receivable, and are recognised in the income statement in the period in which they arise.

3.11. Provisions, obligations and contingent liabilities

Provisions are recognised by the Company when there is a current obligation resulting from past events, provided it is probable that there will be an outlay of internal resources to settle such obligation and the amount of such outlay can be reasonably estimated. When any of these conditions is not fulfilled, the Company moves to disclose the events as contingent liabilities, unless the possibility of an outflow of funds is remote.

Provisions are recognised in an amount corresponding to the present value of the best estimate, at the reporting date, of the resources needed to settle the obligation. This estimate is determined considering the risks and uncertainties associated with the obligation. Provisions are reviewed at the end of each year and adjusted so as to reflect the best estimate at that date.

Obligations entailing the costs of dismantling and removing assets installed on others' property and restoring the respective premises are recognised when the assets start to be utilised and if it is possible to reliably estimate the respective obligation. The recognised amount of the obligation recognised corresponds to the present value of the obligation, and financial updating is recorded under ''Other expenses and losses.''

3.12. Loans obtained

Loans obtained are initially recognised at fair value, net of transaction costs incurred, and are subsequently presented at amortised cost, utilising the effective interest method.

3.13. Financial charges on loans obtained

The Company's policy is to capitalise the financial charges relating to loans obtained for the acquisition, construction or production of tangible assets. However, the Company has recognised financial charges as expenses when incurred, given that the construction period for the tangible and intangible assets has been relatively short.

(Amounts expressed in Euros)

3. Main accounting policies, judgments and estimates (Continued)

3.14. Classification on the balance sheet

Assets realisable and liabilities due more than one year from the balance sheet date are classified, respectively, in non-current assets and liabilities, at their present value.

3.15. Transactions and balances in foreign currency

Transactions in foreign currency (i.e., not in the Company's functional currency) are recorded at the exchange rates at the dates of the transactions. Assets and liabilities expressed in foreign currency for which there is no agreement for setting the exchange rate are converted into Euros using the exchange rates in effect at the balance sheet date. Exchange rate differences, be they favourable or unfavourable, originating from differences between the exchange rates in effect at the date of the transactions and those in effect at the date of the collections or payments or at the balance sheet date, are recorded as revenue and expenses in the income statement.

At 31 December 2013 and 2012, assets and liabilities were converted to Euros based on the following exchange rates for the Euro, as published by Bank of Portugal (*Banco de Portugal*):

Currency	2013	2012
	Euro	
Swedish krona	8.8591	8.5820
Special Drawing Rights	1.1173	1.1658
American dollar	1.3791	1.3194
Swiss franc	1.2276	1.2072
Pound	0.8337	0.8161

3.16. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue to be recognised is netted of the estimated amount of refunds, discounts and other rebates, and does not include Value Added Tax (''VAT'') and other taxes paid in connection with the sale.

Revenue from service provision is recognised with reference to the degree of completion of the transaction at the reporting date, provided all the following conditions are satisfied: (1) the amount of the revenue can be reliably measured; (2) it is probable that future economic benefits associated with the transaction will flow to the Company; (3) the expenses incurred or to be incurred in the transaction can be reliably measured; and (4) the degree of completion of the transaction at the reporting date can be reasonably estimated.

Revenues from telecommunications activities are recorded at their gross value, and unbilled amounts due or generated at the date of the financial statements, are recorded based on estimates and included under ''Unbilled revenues.'' Differences between the estimated and actual amounts are recorded in the subsequent period.

Revenues relating to advances from clients are deferred, and are recognised only when the service is provided.

Revenues from international telecommunications services are calculated as a function of the termination rates established in bilateral agreements with the various telecommunications operators. These agreements also establish whether it is the operator of origin of the traffic that should present the credit to the operator of the destination country, or whether this latter must present the debit to the former.

The Company operates loyalty programmes for some of its customers, under which, as a function of consumption, clients have the right to loyalty points that can be exchanged for equipment, accessories and discounts on subsequent purchases of services. In the absence of specific SNC standards or

3. Main accounting policies, judgments and estimates (Continued)

interpretations relating to this topic, the Company applies IFRIC 13 Customer Loyalty Programmes (''IFRIC 13''), in accordance with which it accounts for these operations as transactions containing multiple elements, such that the amount initially received is allocated between the revenue relating to the traffic consumed and the points that the customer obtains. Accordingly, the deferred revenue relating to the latter component is recognised when the points are used or expire.

Interest revenue is recognised based on the effective interest method.

3.17. Own work capitalized

Internal expenses incurred by the Company in forming fixed assets, essentially in respect of labour, are capitalized with a counter-entry to ''Own work capitalized,'' provided the following requirements are fulfilled: (a) the fixed assets that are developed are identifiable; (b) there is a strong probability that the fixed assets will generate future economic benefits; and (c) the development expenses are reliably measurable.

3.18. Financial assets and liabilities

Financial assets and liabilities are recognised on the balance sheet when the Company becomes party to the corresponding contractual provisions, and are classified at cost or amortised cost.

(a) Financial assets and liabilities at cost or amortised cost

Financial assets and liabilities are classified in the ''at cost or amortised cost'' category when they present the following characteristics: (a) they are on demand or have established maturities; (b) they have a fixed or determinable return associated with them; and (c) they neither are derivative financial instruments nor incorporate derivative financial instruments.

Financial assets and liabilities falling in this category are measured at cost or amortised cost, less accrued impairment losses (in the case of financial assets), and correspond essentially to the following line items of assets and liabilities included on the Company's balance sheet:

- Loans obtained
- Shareholders and Group companies
- Accounts receivable—trade
- Suppliers and investment suppliers
- Unbilled revenues and accrued expenses
- Advances to suppliers and from clients
- State and other public entities
- Other accounts receivable and payable
- Other financial assets and liabilities
- Cash and bank deposits

The amortised cost is determined using the effective interest method. The effective interest rate is that which discounts exactly the estimated future payments or receipts during the expected life of the financial instrument in the net carrying amount of the financial asset or liability.

3. Main accounting policies, judgments and estimates (Continued)

(b) Impairment of financial assets

Financial assets classified in the ''at cost or amortised cost'' category are tested for impairment at the end of each year. These financial assets are impaired when there is objective evidence that, as a result of one or more events occurring after initial recognition, their estimated future cash flows will be affected.

For financial assets measured at amortised cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the new future estimated cash flows discounted at the respective original effective interest rate. For financial assets measured at cost, impairment loss corresponds to the difference between the carrying amount of the asset and the best estimate of the fair value of the asset.

Subsequently, if the impairment loss decreases as a result of an event occurring after the initial recognition of the loss, the impairment must be reversed per results. The reversal is effected only up to the limit of the amount that would be recognised (amortised cost) had the loss not been initially recorded.

Impairment losses and the respective reversals are recorded to the income statement essentially under ''Impairment of accounts receivable ((losses)/reversals).''

(c) Derecognition of financial assets and liabilities

The Company derecongnises financial assets only when its contractual rights to the cash flows from these assets expire, or when its transfers to another entity the financial assets and all the significant risks and benefits associated with their possession. Transferred financial assets in respect of which the Company has retained some significant risks and benefits are derecognised, provided control over them has been assigned.

The Company derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expires.

3.19. Main accounting estimates and judgments

In preparing the financial statements in accordance with the NCRF, the Company's Board of Directors uses estimates and assumptions that affect the application of policies and the amounts reported. The estimates and judgments are continuously evaluated and are based on the experience of past events and other factors, including expectations relating to future events deemed probable in light of the circumstances on which the estimates are based or as the result of information or experience. The most significant accounting estimates reflected in the financial statements are the following:

(a) Useful lives of tangible fixed assets and intangible assets

The Company utilised estimates to calculate the useful lives of tangible fixed assets and intangible assets.

(b) Recognition of provisions and impairments

The Company is party to a variety of ongoing judicial proceedings for which, based on the opinion of its lawyers, it used judgment to determine if it should recognise any provision in respect of these contingencies. Impairments for accounts receivable are calculated essentially based on the age of the accounts receivable, the risk profile of the clients and their financial situation.

The estimates were determined based on the best information available at the date the financial statements were prepared. As such, there may be events in subsequent periods that, not having been foreseeable at the time, were not considered in these estimates. In accordance with NCRF 4 *Políticas*

(Amounts expressed in Euros)

3. Main accounting policies, judgments and estimates (Continued)

Contabilísticas, Alterações nas Estimativas Contabilísticas e Erros (''NCRF 4''), changes to these estimates that occur after the date of the financial statements are corrected in the income statement prospectively. For this reason and given the associated degree of uncertainty, actual results for the transactions in question may differ from the corresponding estimates.

3.20. Events occurred after the balance sheet date

Events occurred after the balance sheet date that provide additional information about conditions that existed at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that provide information about conditions that arose after the balance sheet date are not reflected in the financial statements, and are only disclosed if deemed material.

4. Cash Flows

For the purposes of the statement of cash flows, ''Cash and cash equivalents'' includes cash, bank deposits immediately available and other short-term investments with elevated liquidity and initial maturities of up to three months, net of bank overdrafts, when applicable.

The Company is subject to liquidity risk if the sources of financing, such as available cash, operating cash flows and cash flows from disinvestment transactions and financing, do not meet existing needs, such as cash outflows relating to operations, investments, shareholder returns and the payment of principal and interest on debt. Based on the cash flows generated by its operations, available cash and the possibility of obtaining financing from Portugal Telecom in under the centralized cash management implemented in the Group, the Company believes it has the capacity to fulfil its obligations.

The statement of cash flows was prepared in accordance with NCRF 2 *Demonstração de Fluxos de Caixa,* with the following notable aspects:

(a) Other payments, net

This line item includes essentially Value Added Tax and spectrum fees paid to the regulator ICP—Anacom.

(b) Cash receipts resulting from dividends

In the years ended 31 December 2013 and 2012, this line item reflects dividends received from investee PT Móveis, in the amounts of 67,900,000 Euros and 5,000,000 Euros, respectively (Note 9).

(c) Receipts (payments) relating to loans obtained

In 2013 and 2012, payments resulting from loans obtained, net of cash receipts resulting from loans obtained, consisted of the following:

	2013	2012
	Euro	
Receipts obtained under commercial paper programmes (Note 20.3)	250,000,000	—
Leases and other loans obtained	(124,130)	(2,446,589)
Intercompany loans within centralized cash management	(46,200,260)	47,025,471
Reimbursement of the loans obtained to intercompany (Note 20.1)	(340,000,000)	—
	(136,324,390)	**44,578,882**

(Amounts expressed in Euros)

4. Cash Flows (Continued)

(d) Cash and cash equivalents

At 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Bank deposits immediately available	6,907,986	666,374
Cash	3,342,111	7,090,836
Cash and bank deposits	**10,250,097**	**7,757,210**

5. Changes in accounting policies and estimates and errors

No new or revised standards or interpretations were adopted in the year ended 31 December 2013, nor were there any voluntary changes in other accounting policies or changes in accounting estimates.

In the year ended 31 December 2013, no other new or revised standards or interpretations were issued that are not yet in force.

In the year ended 31 December 2013, there were no corrections of material errors from prior years.

6. Tangible fixed assets

6.1. Movement in tangible fixed assets

During the years ended 31 December 2013 and 2012, the movement in tangible fixed assets was as follows:

	2013							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
	Euro							
Gross value								
Opening balance	1,022,830	361,009,230	1,177,171,210	8,939,324	338,724,314	5,937,300	68,998,892	1,961,803,100
Acquisitions	—	6,380,229	25,634,805	1,731,216	10,598,781	31,645	30,714,058	75,090,734
Disposals	—	(365,496)	(117,696)	(1,166,157)	(91,202)	—	—	(1,740,551)
Transfers and write-offs	—	469,952	(60,792,187)	(203,945)	(8,786,978)	(9,034)	(48,468,458)	(117,790,650)
Closing balance	**1,022,830**	**367,493,915**	**1,141,896,132**	**9,300,438**	**340,444,915**	**5,959,911**	**51,244,492**	**1,917,362,633**
Accumulated depreciation and impairment losses								
Opening balance	—	238,774,282	871,314,184	6,194,237	309,719,275	5,262,476	—	1,431,264,454
Depreciation of the period (Note 31)	—	11,815,702	80,042,417	1,185,568	20,444,348	167,236	—	113,655,271
Disposals	—	(45,589)	(94,879)	(1,034,443)	(65,858)	—	—	(1,240,769)
Transfers and write-offs	—	(4,665,016)	(88,291,419)	(155,750)	(22,505,510)	(6,734)	—	(115,624,428)
Closing balance	**—**	**245,879,379**	**862,970,303**	**6,189,612**	**307,592,255**	**5,422,978**	**—**	**1,428,054,528**
Net value	**1,022,830**	**121,614,536**	**278,925,829**	**3,110,826**	**32,852,660**	**536,933**	**51,244,492**	**489,308,105**

(Amounts expressed in Euros)

6. Tangible fixed assets (Continued)

	2012							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
	Euro							
Gross value								
Opening balance	1,022,830	349,835,192	1,129,487,744	9,252,705	323,390,947	5,907,194	58,879,724	1,877,776,336
Acquisitions	—	7,270,676	34,816,306	705,678	9,765,698	30,106	50,514,093	103,102,557
Disposals	—	(16,156)	(68,284)	(980,394)	(94,949)	—	—	(1,159,783)
Transfers and write-offs	—	3,919,518	12,935,444	(38,665)	5,662,618	—	(40,394,925)	(17,916,010)
Closing balance	**1,022,830**	**361,009,230**	**1,177,171,210**	**8,939,324**	**338,724,314**	**5,937,300**	**68,998,892**	**1,961,803,100**
Accumulated depreciation and impairment losses								
Opening balance	—	227,023,601	803,787,019	5,593,181	288,466,022	5,038,866	—	1,329,908,689
Depreciation of the period (Note 31)	—	11,802,448	80,906,266	1,493,905	23,358,750	223,610	—	117,784,979
Disposals	—	(10,271)	(68,271)	(884,331)	(80,800)	—	—	(1,043,673)
Transfers and write-offs	—	(41,496)	(13,310,831)	(8,518)	(2,024,697)	—	—	(15,385,541)
Closing balance	**—**	**238,774,282**	**871,314,183**	**6,194,237**	**309,719,275**	**5,262,476**	**—**	**1,431,264,454**
Net value	**1,022,830**	**122,234,948**	**305,857,027**	**2,745,087**	**29,005,039**	**674,824**	**68,998,892**	**530,538,646**

As concerns the activity in 2013 and 2012, it is worth noting the investments in tangible fixed assets allocated essentially toward reinforcing mobile data capacity and network quality and expanding the coverage of the 3G/3.5G and 4G networks.

6.2. Other situations relating to tangible fixed assets

In relation to tangible fixed assets, it is worth mentioning that at 31 December 2013, the Company had assets held by third parties in the net amount of 18,027,536 Euros.

7. Goodwill

Goodwill at 31 December 2013 and 2012, in the amount of 10,169,655 Euros, was determined in 2007 following the acquisition of investee PT Wi-Fi, a company that in 2008 was merged into Meo, S.A., as noted in Note 1.

(Amounts expressed in Euros)

8. Intangible assets

During the years ended 31 December 2013 and 2012, the movement in intangible assets was as follows:

	2013			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	847,610,560	2,994,846	1,243,424	851,848,830
Acquisitions	32,325,222	(1,101)	64,311	32,388,432
Disposals	(3,887,484)	—	—	(3,887,484)
Transfers and write-offs	(15,386,650)	—	(1,122,201)	(16,508,851)
Closing balance	**860,661,648**	**2,993,745**	**185,534**	**863,840,927**
Accumulated amortisation and impairment losses				
Opening balance	452,166,760	2,495,398	—	454,662,158
Amortisation (Nota 31)	54,403,423	172,791	—	54,576,214
Disposals	(2,411,218)	—	—	(2,411,218)
Transfers and write-offs	(16,404,324)	—	—	(16,404,324)
Closing balance	**487,754,641**	**2,668,189**	**—**	**490,422,830**
Intangible assets, net	**372,907,007**	**325,556**	**185,534**	**373,418,097**

	2012			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euro			
Gross value				
Opening balance	816,008,835	2,494,179	1,876,767	820,379,781
Acquisitions	37,424,538	91,842	199,317	37,715,697
Disposals	(472,319)	—	—	(472,319)
Transfers and write-offs	(5,350,494)	408,825	(832,660)	(5,774,329)
Closing balance	**847,610,560**	**2,994,846**	**1,243,424**	**851,848,830**
Accumulated amortisation and impairment losses				
Opening balance	393,156,855	2,394,281	—	395,551,136
Amortisation (Nota 31)	62,900,079	101,117	—	63,001,196
Disposals	(205,202)	—	—	(205,202)
Transfers and write-offs	(3,684,972)	—	—	(3,684,972)
Closing balance	**452,166,760**	**2,495,398**	**—**	**454,662,158**
Intangible assets, net	**395,443,800**	**499,448**	**1,243,424**	**397,186,672**

The acquisitions of intangible assets in the years ended 31 December 2013 and 2012 relate fundamentally to the expenses incurred under loyalty programme contracts with customers, which are amortised over their durations.

(Amounts expressed in Euros)

8. Intangible assets (Continued)

At 31 December 2013, the net book value of ''Industrial property and other rights'' included essentially:

- An amount of 343 million Euros relating to the 3G and 4G licenses acquired in 2000 and 2011, respectively, corresponding to a gross amount of 500 million Euros net of accrued amortisation of 157 million Euros. The gross amount includes essentially:
  - (i) 133 million Euros relating to the UMTS license acquired in 2000;
  - (ii) 242 million Euros recorded in 2007, pursuant to the commitments assumed in 2000 by Meo, S.A. and the other mobile operators to contribute to the information company during the term of the license, and 11.5 million Euros recorded in 2009 relating to additional commitments under the terms of the UMTS license. At the date the license was assigned it was not possible to reliably determine how these commitments would be fulfilled, such that the Company did not record any asset or liability at that date;
  - (iii) 106 million Euros relating to the 4G license acquired in 2011.
- An amount of 25 million Euros relating to expenses incurred under post-paid mobile services customer loyalty contracts, which are to be amortised over the duration of the respective loyalty programme contracts (2 years); and
- An amount of 3.8 million Euros relating to software usage licenses.

During the years ended 31 December 2013 and 2012, the carrying amount of intangible assets included amounts in respect of personnel expenses of 4,499,166 Euros and 3,933,263 Euros, respectively, relating to own work capitalized.

In 2013 and 2012, the Company undertook research, development and innovation activities under which other operation expenses and fixed assets in the following amounts respectively were recognised:

	2013	2012
	Euro	
Tangible fixed assets	22,525,056	39,471,223
Intangible assets	433,893	976,270
Other operation expenses	3,670,307	3,688,018
Total	**26,629,256**	**44,135,511**

9. Financial investments—Equity method of accounting

During the years ended 31 December 2013 and 2012, the movement in this line item was as follows (Note 10.2):

	2013	2012
	Euro	
Investments in subsidiary companies		
Opening balance	5,432,502,015	5,670,077,380
Dividends (Note 4.b)	(67,900,000)	(5,000,000)
Equity method	(346,192,988)	(232,575,365)
Financial investments, net	**5,018,409,027**	**5,432,502,015**

(Amounts expressed in Euros)

9. Financial investments—Equity method of accounting (Continued)

In the years ended 31 December 2013 and 2012, the movement in investments in subsidiary companies stemming from the application of the equity method was recorded as follows:

	2013	2012
	Euro	
Gains in affiliated companies net (Note 24)	194,737,007	68,574,455
Adjustments to financial assets (Note 18)	(540,929,995)	(301,149,820)
	(346,192,988)	**(232,575,365)**

10. Related parties

10.1. Shareholders and Group companies

At 31 December 2013 and 2012, the detail for ''Shareholders and Group companies'' under current assets and liabilities consisted of the following:

	2013	2012
	Euro	
DEBIT BALANCES		
Current		
Intercompany loans granted within centralized cash management	8,384,405	—
Accounts receivable from PT SGPS within tax consolidation[(a)]	18,423,167	—
Total debit balances with shareholders and group companies (Note 10.3)	**26,807,572**	**—**
CREDIT BALANCES		
Current		
Accounts payable from PT SGPS within tax consolidation[(a)]	—	613,816
Other	2,755,033	2,280,951
Total credit balances with shareholders and group companies (Note 10.3)	**2,755,033**	**2,894,767**

(a) In 2013, the line item reflected the amount receivable from PT SGPS corresponding to the difference between the advance payments and withholding effected in 2013 and the estimated IRC for 2013. In 2012, the estimated IRC exceeded advance payments and withholding, such that the company owed IRC to PT SGPS, the parent company for RETGS tax consolidation purposes.

10.2. Financial investments in subsidiary companies

As mentioned in Note 1, the Company is wholly owned by PT Comunicações, which in turn is wholly owned by PT Portugal, which in turn is held by Portugal Telecom. Consequently, all the companies that form part of the PT Group were deemed related parties of Meo, S.A., including not just its own subsidiaries, but also Portugal Telecom's other subsidiary companies.

(Amounts expressed in Euros)

10. Related parties (Continued)

The detail, at 31 December 2013 and 2012, of the financial investments in the Company's subsidiaries and the main financial information on these entities is as follows:

	2013									
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity	% held	Financial investments (Note 9)	Provision for financial investments (Note 19)	Share on net income (Note 24)
SUBSIDIARIES:										
PT Móveis	Av. Fontes Pereira de Melo, nº 40 1069-300 Lisboa Taguspark—Parque de Ciênciae Tecnologia	5,039,111,722	20,702,695	—	194,737,007	5,018,409,027	100.0%	5,018,409,027	—	194,737,007
PT—Sistemas de Informação (PT-SI)[(a)]	Av. Jacques Delors Edifícios Inovação III e IV 2740-122 Porto Salvo	53,092,435	45,842,091	91,795,072	(2,446,656)	7,250,343	0.1%	—	2,779	(2,447)
								5,018,409,027	**2,779**	**194,734,560**

	2012									
Company name	Headquarters	Assets	Liabilities	Services rendered and sales	Net (Loss) Income	Shareholders' equity	% held	Financial investments (Note 9)	Provision for financial investments (Note 19)	Share on net income (Note 24)
SUBSIDIARIES:										
PT Móveis	Av. Fontes Pereira de Melo, nº 40 1069-300 Lisboa Taguspark—Parque de Ciência e Tecnologia	5,468,958,645	36,456,630	—	68,576,645	5,432,502,015	100.0%	5,432,502,015	—	68,576,645
PT—Sistemas de Informação (PT-SI)[(a)]	Av. Jacques Delors Edifícios Inovação III e IV 2740- 122 Porto Salvo	69,905,903	60,882,617	110,995,705	(3,014,854)	9,023,286	0.1%	—	1,006	(3,015)
								5,432,502,015	**1,006**	**68,573,630**

(a) The shareholders' equity of this company includes ancillary contributions (*prestações acessórias*) in the amount of 10,028,970 Euros.

(Amounts expressed in Euros)

10. Related parties (Continued)

10.3. Balances and transactions with related parties

In addition to debit and credit balances included in ''Shareholders and Group companies,'' as broken down above, the Company also has accounts receivable from and payable to related parties under other assets and liabilities' line items.

The nature and details of the main debit balances with related parties at 31 December 2013 and 2012 are as follows:

	2013						
	Shareholders and group companies (Note 10.1)	Accounts receivable	Unbilled revenues	Deferrals	Advances to suppliers	Other accounts receivable (Note 17)	Total accounts receivable
				euros			
PT SGPS	26,807,572	297	—	—	—	388	**26,808,256**
PT Comunicações	—	77,640,126	14,012,756	514,223	—	276,960	**92,444,065**
Unitel SARL (''Unitel'')	—	1,294,602	—	—	—	—	**1,294,602**
Timor Telecom, S.A. (''Timor Telecom'')	—	766,932	—	—	—	—	**766,932**
PT—SI	—	432,994	32,057	53,360	59,897	43,178	**621,486**
PT PRO,Serviços Administrativos de Gestão Partilhados, SA (''PT PRO'')	—	388,926	9,831	—	—	426	**399,183**
Portugal Telecom Inovação, SA (''PT Inovação'')	—	42,448	1,585	353,085	—	—	**397,118**
PT Contact—Telemarketing e Serviços de Informática, SA (''PT Contact'')	—	359,508	3,173	—	—	—	**362,681**
CST—Companhia Santomense Telecomunicações, SARL (''CST'')	—	282,666	—	—	—	—	**282,666**
PT Centro Corporativo S.A. (''PT Centro Corporativo'')	—	122,245	19,466	—	—	—	**141,711**
Other companies	—	563,728	14,610	—	1,426	188	**579,952**
	26,807,572	**81,894,471**	**14,093,478**	**920,668**	**61,323**	**321,140**	**124,098,652**

	2012					
	Accounts receivable	Unbilled revenues	Deferrals	Advances to suppliers	Other accounts receivable (Note 17)	Total accounts receivable
				euros		
PT Comunicações	18,824,226	4,397,504	698,136	—	942,337	**24,862,203**
Unitel	3,369,729	—	—	—	—	**3,369,729**
PT—SI	494,551	32,469	708,381	—	45	**1,235,446**
PT Inovação	62,807	13,337	365,260	388,397	—	**829,801**
PT Centro Corporativo	641,312	28,528	—	—	—	**669,840**
PT PRO	593,937	19,131	—	—	91	**613,159**
PT Contact	370,078	11,915	—	—	—	**381,993**
CST	133,862	—	—	—	—	**133,862**
Other companies	671,226	(82,890)	—	19,266	984	**608,586**
	25,161,728	**4,419,994**	**1,771,777**	**407,663**	**943,457**	**32,704,619**

(Amounts expressed in Euros)

10. Related parties (Continued)

The nature and details of the main credit balances with related parties at 31 December 2013 and 2012 are as follows:

	2013						
	Shareholders and Group companies (Note 10.1)	Suppliers	Investment suppliers	Accrued expenses	Deferrals	Other accounts payable (Note 17)	Total accounts payable
				euros			
PT Comunicações	2,753,989	38,051,789	889,662	33,608,523	53,090	74,946	**75,431,999**
PT SGPS	—	32,976	—	7,654	—	—	**40,630**
PT Contact	—	5,381,039	—	19,506,509	528	404	**24,888,480**
PT—SI	1,044	3,900,830	1,797,876	433,047	1,120	43,178	**6,177,095**
PT Inovação	—	1,418,626	3,398,356	39,663	81	1	**4,856,727**
PT Centro Corporativo	—	4,097,201	—	(974,116)	(3,257)	—	**3,119,828**
PT PRO	—	2,149,359	27,428	221,981	(7,798)	1,290	**2,392,260**
UNITEL	—	800,356	—	—	—	—	**800,356**
Other companies	—	1,443,202	—	(1,722,071)	126,559	5,133	**(147,177)**
	2,755,033	**57,275,378**	**6,113,322**	**51,121,190**	**170,323**	**124,952**	**117,560,198**

	2012							
	Loans obtained (Note 20)	Shareholders and Group companies (Note 10.1)	Suppliers	Investment suppliers	Accrued expenses	Deferrals	Other accounts Payable (Note 17)	Total accounts payable
				euros				
PT Comunicações	340,000,000	2,280,891	63,656,961	1,264,587	42,387,020	85,776	55,358	**449,730,593**
PT SGPS	37,803,523	613,816	525,647	—	82,291	—	—	**39,025,277**
PT Contact	—	—	9,332,546	—	12,947,303	1,114	153	**22,281,116**
PT Inovação	—	—	2,019,091	3,865,267	45,290	12	—	**5,929,660**
PT—SI	—	60	2,502,510	1,717,686	934,118	1,253	907	**5,156,534**
UNITEL	—	—	4,932,298	—	—	—	—	**4,932,298**
PT Centro Corporativo	—	—	1,581	683	3,539,650	(232)	—	**3,541,682**
PT PRO	—	—	1,854,742	30,806	143,277	8,132	200	**2,037,157**
Other companies	—	—	689,803	—	(2,021,576)	88,238	(2,017)	**(1,245,552)**
	377,803,523	**2,894,767**	**85,515,179**	**6,879,029**	**58,057,373**	**184,293**	**54,601**	**531,388,765**

(Amounts expressed in Euros)

10. Related parties (Continued)

In the years ended 31 December 2013 and 2012, the nature and details of the main transactions with related parties are as follows:

	2013						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries(a)	Other operating income and gain	Other operating expenses and losses	Net interest expenses
				Euro			
PT Comunicações	157,093,899	(126,458,306)	(29,936,990)	(4,827,835)	585,721	(2,102,956)	**(2,936,476)**
SIRESP Gestão Redes Digitais Segurança Emergência, SA	9,151,084	—	(21,930)	80,128	4,986,970	—	**—**
UNITEL	2,147,461	(1,448,566)	—	—	211,457	(203,339)	**—**
CV Móvel	742,082	(321,675)	—	—	23,705	(15,586)	**—**
Timor Telecom	724,866	(47,431)	—	7,440	1,988	(1,353)	**—**
PT—SI	675,546	(1,238)	(11,589,407)	1,958,679	—	801	**—**
PT Centro Corporativo	551,037	—	(20,047,940)	89,063	—	—	**—**
PT PRO	363,821	—	(9,282,246)	1,894,582	—	(4,151)	**—**
PT Inovação	291,724	—	(4,656,495)	34,759	—	(17,970)	**—**
PT Contact	201,724	0	(41,687,787)	2,026,885	0	0	**—**
CST	197,423	(119,296)	—	—	56,217	(8,893)	**—**
Other companies	676,761	(754,466)	(13,190)	1,751,857	84,143	(1,904,629)	**(641,050)**
	172,817,428	**(129,150,978)**	**(117,235,985)**	**3,015,558**	**5,950,201**	**(4,258,076)**	**(3,577,526)**

	2012						
	Sales and services rendered	Costs of services rendered	Supplies and external services	Wages and salaries(a)	Operating income and gain	Operating expenses and losses	Net interest expenses
				Euro			
PT Comunicações	107,445,442	(139,562,905)	(17,932,147)	(4,750,806)	610,843	(1,901,750)	**(14,543,063)**
SIRESP Gestão Redes Digitais Segurança Emergência, SA	8,880,580	(14,558)	(114)	86,010	4,235,896	—	**—**
UNITEL	1,781,222	(2,196,594)	—	—	136,938	(37,933)	**—**
CV Móvel	1,120,850	(404,413)	—	—	17,990	(32,906)	**—**
PT—SI	688,065	—	(15,740,207)	1,963,519	—	—	**—**
Timor Telecom	551,873	(96,764)	—	—	13,152	(372)	**—**
PT Centro Corporativo	450,597	—	(22,964,195)	106,051	—	7,728	**—**
PT PRO	407,283	—	(8,749,337)	1,786,252	—	(499)	**—**
PT Inovação	363,785	(77)	(4,706,860)	(13,874)	—	(17,970)	**—**
PT Contact	258,515	—	(37,074,794)	1,599,493	—	108	**—**
CST	176,890	(194,974)	—	—	12,530	(8,486)	**—**
Other companies	1,148,633	(680,559)	(12,344)	1,584,746	75,736	(1,875,786)	**(1,665,098)**
	123,273,735	**(143,150,844)**	**(107,179,998)**	**2,361,391**	**5,103,085**	**(3,867,866)**	**(16,208,161)**

(a) This line item includes personnel assigned to other companies in the Portugal Telecom Group, in the amounts of 6,855,925 Euros in 2013 and 6,348,474 Euros in 2012, which were invoiced to these entities and recognised as a deduction to ''Wages and salaries.'' The expenses supported by the Company on personnel assigned by other companies in the Portugal Telecom Group refer essentially to personnel assigned by PT Comunicações, which amounted to 4,163,590 Euros in 2013 and 4,233,652 Euros in 2012.

10.4. Other information

The compensation attributed to members of the Company's corporate organs in the years ended 31 December 2013 and 2012 amounted to 40,000 Euros in both years and refer exclusively to fees for the legal review of accounts allocated to the Fiscal Council.

Compensation of the members of the Board of Directors is to be borne in full by PT Portugal.

(Amounts expressed in Euros)

11. Deferrals

These line items consisted of the following at 31 December 2013 and 2012:

	2013	2012
	Euro	
PREPAID EXPENSES		
Current		
Direct costs	5,021,745	4,974,597
Maintenance	2,001,044	2,745,797
Rentals	338,419	311,317
Marketing and publicity	1,750	1,411,866
Other	136,318	315,839
Total prepaid expenses	**7,499,276**	**9,759,416**
DEFERRED INCOME		
Current		
Advance billing	26,574,634	30,925,007
Customer Loyalty Program	7,901,416	12,073,209
Penalties imposed to customers relating to violations of contracts	6,234,237	7,866,182
Other	752,008	1,416,867
Total deferred income	**41,462,295**	**52,281,265**

12. Other financial assets and liabilities

These line items consisted of the following at 31 December 2013 and 2012:

	2013	2012
	Euro	
OTHER FINANCIAL ASSETS		
Non-Current		
Accounts receivable—trade (Note 15)	128,127	15,847
Other	3,891	1,955
Total non-current	**132,018**	**17,802**
OTHER FINANCIAL LIABILITIES		
Non-Current		
Dismantling and removal of assets[(a)]	18,366,291	32,705,960
Other	5,804,014	2,226,418
Total non-current	**24,170,305**	**34,932,378**

(a) At 31 December 2013 and 2012, this line item reflects obligations to dismantle and remove assets installed on others' property and to restore the respective premises (Note 3.11).

13. Income taxes

13.1. Framework

As of 1 January 2013, pursuant to a change in tax law in December of 2012, companies generally became subject to income tax under the *Imposto sobre o Rendimento das Pessoas Coletivas* (IRC) at the rate of 25%, plus (i) a municipal tax of up to 1.5% of the IRC tax base and (ii) a state tax of 3%, applicable to the tax base between 1.5 and 7.5 million Euros, and 5%, applicable to the tax base in excess of 7.5 million Euros (this limit was 10 million Euros in 2012), resulting in a maximum aggregate rate of approximately 31.5% for taxable profits in excess of 7.5 million Euros.

As of 2014, companies located in Continental Portugal will be taxed under the IRC at a base rate of 23%, plus (i) a Municipal Tax of up to 1.5% on the tax base, and (ii) a State Tax of 3.0% applicable to taxable profits between 1.5 and 7.5 million Euros, 5.0% applicable to taxable profits between 7.5 and 35 million Euros, and 7.0% applicable to taxable profits in excess of 35 million Euros, resulting in a maximum aggregate rate of approximately 31.5% for taxable profits in excess of 35 million Euros.

The Company's tax profit in 2013 and 2012 exceeded the 7.5 and 10 million Euro limits mentioned above, such that the Company applied a tax rate of 31.5% to calculate the income tax estimates, having corrected the effect of the tax rates applicable to taxable profit up to the above-referenced limits.

In calculating the taxable income to which the above-referenced tax rate is applied, excluded tax expenses and revenues are added to or deducted from accounting income.

The Company participates in the *Regime Especial de Tributação dos Grupos de Sociedades* (''RETGS'') tax consolidation, where the parent company is PT SGPS, such that estimated income taxes and withholding effected by third parties are recorded on the balance sheet as PT SGPS accounts payable and receivable.

In accordance with applicable law, tax returns are subject to review and correction by the tax authorities for four years (five years for Social Security) except when there have been tax losses, when tax benefits have been conceded, or there are ongoing audits, complaints or challenges, in which cases, depending on the circumstances, the periods are extended or suspended. The Company's Board of Directors, as supported by information from its tax advisors, believes that any tax contingencies should not significantly affect the financial statements as of and for 31 December 2013, considering the provisions constituted and the existing expectations at the date hereof with respect to the resolution of the tax contingencies described in Note 19.

13.2. Deferred taxes

In measuring the expense relating to income taxes for the year, in addition to the current tax as determined based on income before taxes as adjusted in accordance with tax law, the effects resulting from temporary differences between income before taxes and taxable profits, originating in the year or in years prior, are also taken into account.

(Amounts expressed in Euros)

13. Income taxes (Continued)

The movement in deferred tax assets during the years ended 31 December 2013 and 2012 was as follows:

	2013					
	Impairment of accounts receivable	Depreciation and amortisation of tangible assets	Impairment of inventories	Other provision and adjustments	Other temporary differences	Total
			Euro			
Opening balance	6,673,770	16,650,574	1,079,238	21,895,569	713,721	**47,012,872**
Increases (reductions)						
Net income	(2,850,133)	(2,704,060)	(98,428)	(5,735,394)	887,011	**(10,501,004)**
Shareholders' equity	—	—	—	—	233,731	**233,731**
Closing balance	**3,823,637**	**13,946,514**	**980,810**	**16,160,175**	**1,834,463**	**36,745,599**

	2012					
	Impairment of accounts receivable	Depreciation and amortisation of tangible assets	Impairment of inventories	Other provision and adjustments	Other temporary differences	Total
			Euro			
Opening balance	—	20,501,141	—	22,775,930	736,725	**44,013,796**
Increases (reductions)						
Net income	6,673,770	(3,850,567)	1,079,238	(880,361)	(49,216)	**2,972,864**
Shareholders' equity	—	—	—	—	26,212	**26,212**
Closing balance	**6,673,770**	**16,650,574**	**1,079,238**	**21,895,569**	**713,721**	**47,012,872**

The movement in deferred tax liabilities during the years ended 31 December 2013 and 2012 was as follows:

	2013
	Other temporary differences
	Euro
Opening balance	212,773
Increases (reductions)	
Net income	(106,387)
Closing balance	**106,386**

	2012
	Other temporary differences
	Euro
Opening balance	319,159
Increases (reductions)	
Net income	(106,386)
Closing balance	**212,773**

(Amounts expressed in Euros)

13. Income taxes (Continued)

13.3. Tax rate reconciliation

In the years ended 31 December 2013 and 2012, the reconciliation between the theoretical amount resulting from applying the nominal tax rate to income before taxes and the income tax expense is as follows:

	2013	2012
	Euro	
Income before taxes	**396,092,472**	**331,654,062**
Nominal tax rate	31.5%	31.5%
Expected tax	**124,769,129**	**104,471,030**
Permanent differences[(i)]	(62,547,845)	(22,024,852)
Reversal of deferred taxes from previous years	1,629,471	(4,533,837)
Surplus of prior year accrued income tax	(3,980,526)	2,132,056
Other	76,064	35,476
	59,946,293	**80,079,873**
Income tax		
Income tax-current	49,551,676	83,159,123
Deferred tax	10,394,617	(3,079,250)
	59,946,293	**80,079,873**

(i) Permanent differences consist of the following:

	2013	2012
	Euro	
Equity method of accounting (Note 24)	(194,734,560)	(68,573,630)
Tax benefits	(978,486)	(1,057,306)
Recognition of capital gains and losses	331,367	(8,342)
Provisions and adjustments not deductible for tax purposes	(1,993,569)	840,940
Other	(1,189,340)	(1,121,826)
	(198,564,588)	**(69,920,164)**
Nominal tax rate	31.5%	31.5%
	(62,547,845)	**(22,024,852)**

13.4. Other Information

In accordance with Law 40/2005, of 3 August, which approved the SIFIDE—*Sistema de Incentivos Fiscais em Investigação e Desenvolvimento Empresarial*, the Company applied in 2013 for business research and development tax incentives relating to 2012 in the amount of 572,669 Euros.

Under Law 10/2009 of 10 March, which approved the RFAI—*Regime Fiscal de Apoio ao Investimento*, the Company's periodic income tax return for 2012 included a deduction in the amount of 2,344,049 Euros, based on significant investments in new generation broadband networks.

During the 2013 financial year, Law 49/2013, of 16 July 2013, established a *Crédito Fiscal Extraordinário ao Investimento*, which is a deduction from IRC collection in the amount of 20% of investment expenses relating to operating assets carried out after 1 June 2013. In companies participating in RETGS tax consolidation, the deduction will be effected based on the tax base of the Group and the limitations provided in the law, and amounts that cannot be deducted can be utilised in the five subsequent tax periods, under the same conditions. The Company is evaluating whether it will use this benefit or not, as

(Amounts expressed in Euros)

13. Income taxes (Continued)

a function of investment made in 2013 in the maximum amount of 5,008,055.93 Euros that can be considered eligible, and for this reason has not reflected this situation in the financial statements.

14. Inventories

This line item consisted of the following at 31 December 2013 and 2012:

	2013			2012		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Goods	39,732,401	(15,955,792)	23,776,609	34,344,331	(14,459,940)	19,884,391
Raw materials and consumables	1,587,017	(218,116)	1,368,901	1,584,085	(121,895)	1,462,190
	41,319,418	**(16,173,908)**	**25,145,510**	**35,928,416**	**(14,581,835)**	**21,346,581**

In 2013 and 2012, the costs of products sold and materials consumables were determined as follows:

	2013			2012		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	34,344,331	1,584,085	**35,928,416**	43,860,085	1,607,738	**45,467,823**
Purchases	153,919,624	402,758	**154,322,382**	126,406,613	412,345	**126,818,958**
Adjustments	(38,258,322)	2,349,957	**(35,908,365)**	(31,080,007)	2,098,589	**(28,981,418)**
Closing balance	39,732,401	1,587,017	**41,319,418**	34,344,331	1,584,085	**35,928,416**
Costs of products sold and materials consumables	**110,273,232**	**2,749,783**	**113,023,015**	**104,842,360**	**2,534,587**	**107,376,947**

The accrued inventory impairment losses in the years ended 31 December 2013 and 2012 were as follows:

	2013			2012		
	Goods	Materials	Total	Goods	Materials	Total
	Euro					
Opening balance	14,459,940	121,895	**14,581,835**	18,365,977	276,919	**18,642,896**
Increases	2,763,151	96,221	**2,859,372**	11,551	—	**11,551**
Reversals	(1,267,299)	—	**(1,267,299)**	(3,917,588)	(155,024)	**(4,072,612)**
Closing balance	**15,955,792**	**218,116**	**16,173,908**	**14,459,940**	**121,895**	**14,581,835**

15. Accounts receivable and unbilled revenues

At 31 December 2013 and 2012, these line items consisted of the following:

	2013			2012		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euro					
Trade accounts receivable—current assets	329,562,219	(85,831,116)	243,731,103	295,799,651	(93,909,837)	201,889,814
Trade accounts receivable—non-current assets (Note 12)	128,127	—	128,127	15,847	—	15,847
Accounts receivable	**329,690,346**	**(85,831,116)**	**243,859,230**	**295,815,498**	**(93,909,837)**	**201,905,661**
Unbilled revenues	90,207,873	—	90,207,873	104,201,086	—	104,201,086
	419,898,219	**(85,831,116)**	**334,067,103**	**400,016,584**	**(93,909,837)**	**306,106,747**

(Amounts expressed in Euros)

15. Accounts receivable and unbilled revenues (Continued)

In the years ended 31 December 2013 and 2012, the change in accrued impairment losses on debts receivable from clients was as follows:

	2013	2012
	Euro	
Opening balance	93,909,837	98,875,939
Increases (reversals)	9,832,211	11,166,860
Utilizations[(a)]	(17,910,932)	(16,132,962)
Closing balance	**85,831,116**	**93,909,837**

(a) This line item refers to the use of accrued impairment losses to face of credits of doubtful collection that were deemed uncollectible and that were fully adjusted.

The Company is exposed to credit risk due to the possibility a counterparty might not fulfil its contractual obligations, resulting in financial loss. Credit risk relates essentially to accounts receivable for services rendered to clients and is monitored regularly with the following objectives: (a) limiting the credit extended to clients, considering the respective profile and the age of the accounts receivable; (b) monitoring trends in the level of credit extended; (c) regularly testing for impairment of amounts receivable; and (d) analyzing market risk where the client is located. The Company is not exposed to any significant credit risk relating to any particular client, as its accounts receivable derive from a large number of clients.

At 31 December 2013 and 2012, the age of client accounts receivable, net of impairment losses, was as follows:

	2013			2012		
	Accounts receivable from group companies	Accounts receivable from other companies	Total	Accounts receivable from group companies	Accounts receivable from other companies	Total
	Euro					
Unexpired balance	83,563,701	42,809,016	126,372,717	21,994,249	40,473,715	62,467,964
Expired balance						
0-60 days	1,885,313	14,299,812	16,185,125	3,626,042	24,364,021	27,990,063
60-90 days	684,849	2,135,507	2,820,356	1,109,927	3,587,679	4,697,606
90-180 days	834,315	4,051,858	4,886,173	1,601,762	5,496,429	7,098,191
180-360 days	543,243	5,500,154	6,043,397	(353,868)	9,569,072	9,215,204
360-720 days	(125,678)	5,620,149	5,494,471	1,706,213	5,014,934	6,721,147
More than 720 days	1,005,415	81,051,576	82,056,991	1,013,634	82,701,852	83,715,486
Accounts receivable	**88,391,158**	**155,468,072**	**243,859,230**	**30,697,959**	**171,207,702**	**201,905,661**

16. State and other public entities

As of 31 December 2013 and 2012, the debit and credit balances with the State and Other Public Entities were as follows:

	2013		2012	
	Debit balances	Credit balances	Debit balances	Credit balances
	Euro			
Value added tax	—	23,691,396	—	8,731,468
Social security taxes	—	982,036	—	896,308
Personnel income taxes	—	980,507	—	723,989
Other taxes	991	24,448	275,246	10,043
	991	**25,678,387**	**275,246**	**10,361,808**

(Amounts expressed in Euros)

17. Other accounts receivable and payable

As of 31 December 2013 and 2012, these line items consisted of the following:

	2013	2012
	Euro	
OTHER ACCOUNTS RECEIVABLE		
Current		
Group companies (Note 10.3)	321,140	943,457
Other accounts receivable	8,107,161	9,367,525
Total other accounts receivable	**8,428,301**	**10,310,982**
OTHER ACCOUNTS PAYABLE		
Non-Current		
License LTE(a)	14,840,169	19,082,848
Total non current	**14,840,169**	**19,082,848**
Current		
Commitments related to the license UMTS	8,354,115	35,555,145
License LTE(a)	6,000,000	6,000,000
Commissions payable to agents	2,128,921	3,293,131
Group companies (Note 10.3)	124,952	54,601
Other accounts payable	2,517,259	3,430,361
Total current	**19,125,247**	**48,333,238**
Total other accounts payable	**33,965,416**	**67,416,086**

(a) These items correspond to the present value of the amounts owed in the context of the acquisition of the 4G license, completed in December 2011. The payment plan established for the amounts owed at 31 December 2013 provides for payment in 4 annual instalments of 6 million Euros each, the last is payable in January 2017, for an aggregate of 24 million Euros, where the present value at 31 December 2013 amounts to 20,840,169 Euros.

18. Shareholders' equity

18.1. Share capital

As of 31 December 2013 and 2012, the Company's share capital was fully subscribed and paid-in, amounting to 47,000,000 Euros, and was represented by 9,400,000 book-entry shares, with a nominal value of 5 Euros each. The Company's share capital is wholly held by PT Comunicações (Note 1).

18.2. Legal reserve

Commercial law and the Company's bylaws establish that at least 5% of annual net income must be allocated to reinforce the legal reserve until it represents 20% of the share capital. This reserve cannot be distributed other than in the event of the liquidation of the company, but can be utilised to absorb losses, after exhausting all other reserves, or for incorporation in the capital.

As of 31 December 2013 and 2012, the legal reserve was fully constituted in accordance with applicable commercial law, amounting to 9,400,000 Euros.

(Amounts expressed in Euros)

18. Shareholders' equity (Continued)

18.3. Adjustments to financial assets

During the years ended 31 December 2013 and 2012, the movement in this line item was as follows:

	Unpaid dividends	Foreign currency exchange differences[(a)]	Other changes in shareholders' equity[(b)]	Total
		Euro		
Balance as at 1 January 2012	**5,689,039,641**	**(229,436,015)**	**(404,029)**	**5,459,199,597**
Equity method	—	(350,110,383)	48,960,382	**(301,150,001)**
Dividends not received from PT Móveis	45,340,711	—	—	**45,340,711**
Balance as at 31 December 2012	**5,734,380,352**	**(579,546,398)**	**48,556,353**	**5,203,390,307**
Equity method	—	(534,610,065)	(6,319,256)	**(540,929,321)**
Dividends not received from PT Móveis	676,645	—	—	**676,645**
Balance as at 31 December 2013	**5,735,056,997**	**(1,114,156,463)**	**42,237,097**	**4,663,137,631**

(a) This line item basically reflects the Company's interest in changes in shareholders' equity in PT Móveis other than those arising from the interest in the net (loss)/income of this investee. In 2013 and 2012, this line item reflected essentially negative adjustments for exchange rate conversion, due to the depreciation of the Brazilian *Real* against the Euro in the investment held indirectly in the Oi Group, which was acquired on 28 March 2011 by Bratel Brasil, as noted in Note 1.

(b) In 2012, the other changes in shareholders' equity due to application of the equity method relate essentially to a gain recorded by Bratel Brasil, in the amount of 49 million Euros, relating to the Oi Group's corporate reorganisation in March 2012.

The variations relating to application of the equity method were recorded by counter-entry for the appreciated financial investments in accordance with the equity method as follows:

	2013	2012
	Euro	
Investments in subsidiaries and associated companies (Note 9)	(540,929,995)	(301,149,820)
Provision for negative financial investments (Note 19)	674	(181)
	(540,929,321)	**(301,150,001)**

18.4. Allocation of earnings

In 2012, as resolved at the General Shareholders' Meeting held on 28 March 2012, the net earnings for 2011, in the total amount of 285,819,986.56 Euros, were allocated as follows: (1) 235,479,275.19 Euros for dividend distribution, and (2) 50,340,711.37 Euros for retained earnings.

In 2013, as resolved at the General Shareholders' Meeting held on 27 March 2013, the entire net earnings for 2012, in the total amount of 251,574,188.89 Euros, were transferred to ''Retained earnings.''

(Amounts expressed in Euros)

19. Provisions, contingent liabilities and contingent assets

19.1. Movements in the provisions

During the years ended 31 December 2013 and 2012, the movements in the provisions were as follows:

	2013				
	Tax claims	Other litigation	Provision for negative financial investments (Note 10)	Other provisions	Total
			Euro		
Opening balance	3,583,639	10,981,608	1,006	4,911,670	**19,477,923**
Increases	754,139	—	1,773	1,977,312	**2,733,224**
Reductions	(979,369)	(131,790)	—	—	**(1,111,159)**
Utilizations	(2,084,779)	—	—	—	**(2,084,779)**
Closing balance	**1,273,630**	**10,849,818**	**2,779**	**6,888,982**	**19,015,209**

	2012				
	Tax claims	Other Litigation	Provision for negative financial investments (Note 10)	Other provisions	Total
			Euro		
Opening balance	3,613,271	11,284,872	—	5,043,895	**19,942,038**
Increases	1,461,158	—	1,006	—	**1,462,164**
Reductions	(628,805)	(303,264)	—	(132,225)	**(1,064,294)**
Utilizations	(33,063)	—	—	—	**(33,063)**
Other movements	(828,922)	—	—	—	**(828,922)**
Closing balance	**3,583,639**	**10,981,608**	**1,006**	**4,911,670**	**19,477,923**

The provisions for negative financial investments are allocated to deal with losses in investee companies that have negative shareholders' equity (Note 10), and are calculated as a function of the percentage of interest in the capital of these companies. The movements in these provisions during the years ended 31 December 2013 and 2012 were as follows:

	2013	2012
	Euro	
Losses in subsidiaries and associated companies (Note 24)	2,447	825
Adjustments to financial assets (Note 18)	(674)	181
	1,773	**1,006**

19.2. Proceedings with probable losses

The provisions for taxes are allocated to handle various tax contingencies relating to IRC and Social Security, among other taxes and charges.

The provisions for ongoing judicial proceedings are allocated to handle liabilities arising from proceedings brought against the Company, estimated based on information from its lawyers.

At 31 December 2013 and 2012, the Company, in accordance with NCRF 21 *Provisões, Passivos Contingentes e Ativos Contingentes* (''NCRF 21'') and based on the opinion of internal and external legal counsel, had classified a variety of ongoing judicial and arbitral actions and tax contingencies as

(Amounts expressed in Euros)

19. Provisions, contingent liabilities and contingent assets (Continued)

proceedings with probable losses, to bear the probable outflow of resources as a result of these proceedings. The nature of these proceedings is as follows:

	2013	2012
	Euro	
Legal proceedings		
Civil contingencies	10,245,469	10,084,018
Labor contingencies	24,632	286,871
Other contingencies	579,717	610,719
	10,849,818	**10,981,608**
Tax contingencies	1,273,630	3,583,639
	12,123,448	**14,565,247**

19.3. Proceedings with possible losses

At 31 December 2013 and 2012, the Company, in accordance with NCRF 21 and based on the opinion of internal and external legal counsel, had classified a variety of ongoing judicial and arbitral actions and tax contingencies as proceedings with possible losses. The nature of these proceedings is as follows:

	2013	2012
	Euro	
Legal proceedings		
Civil contingencies[a]	780,759	8,203,539
Labor contingencies	1,683	—
Other contingencies	2,180,597	3,869,544
	2,963,039	**12,073,083**

(a) At 31 December 2012, this line item included a Noxitel proceeding in the amount of 6,000,000 Euros, regarding breach of contract, which ended in 2013 without any penalty for the Company.

The Board of Directors believes that any corrections resulting from audits/inspections of tax returns by the tax authorities will not have a significant effect on the financial statements as of and for 31 December 2013, considering the provisions constituted and the expectations at the date hereof with respect to the final resolution of the above-referenced matters.

19.4. Other proceedings

The Company received additional IRC assessments relating to the financial years from 2004 to 2010, and the tax audit report relating to 2010, which essentially question the deductibility of certain financial costs, in the total amount of 204 million Euros of taxes. The Company disagrees with these assessments and conclusions, and considers, based on the opinion of its tax counsel, that there are solid arguments to oppose the position of the tax authorities.

19.5. Contingent assets

The value of contingent assets at 31 December 2013 amounted to approximately 4.6 million Euros, referring essentially to proceedings brought by the company against third parties, relating to situations of breach of 2G equipment sales contracts, service provision and lack of payment for Wi-Fi service.

(Amounts expressed in Euros)

20. Loans obtained

Loans obtained as of 31 December 2013 and 2012 consisted of the following:

	2013		2012	
	Non-current	Current	Non-current	Current
	Euro			
Intragroup loans (Note 10)	—	—	340,000,000	—
Centralized cash management (Note 10)	—	—	—	37,803,523
Commercial programme	230,000,000	20,000,000	—	—
Other financings	—	2,020,914	—	21,719
Leases	1,429,085	1,239,737	1,311,519	2,577,104
	231,429,085	**23,260,651**	**341,311,519**	**40,402,346**

20.1. Intragroup loans

In June 2010, the Company obtained advances from PT Portugal, its previous shareholder, in the amount of 500,000,000 Euros, which did not have an established maturity. On 30 November 2010, these advances were assigned by PT Portugal to PT Comunicações at their respective nominal amount, in the context of the sale by the former to the latter of the financial interest in Meo, S.A. On 2 December 2011, the Company repaid the amount of 160,000,000 Euros relating to these advances and on 1 March 2013 it repaid the remaining 340,000,000 Euros (Note 4).

20.2. Centralised cash management

As of March 2006, Portugal Telecom began to centralise all receipts and payments of the Group companies headquartered in Portugal. The loans obtained by the Company pursuant to this centralized cash management system have short-term maturities and bear interest at market rates.

20.3. Commercial paper programme

On 25 June 1999, Portugal Telecom established a Framework Agreement for the Issuance of Commercial Paper, in which the Company participates, which was amended several times and had, at 31 December 2013, a maximum amount of 3,500,000,000 Euros. The agreement is in effect until 7 July 2015, and is automatically renewable for successive 2-year periods, until 7 July 2025, except if terminated by any of the parties.

On 1 June 2000, Portugal Telecom established a Framework Agreement for the Issuance of Commercial Paper, in which the Company participates, which was amended several times and had, at 31 December 2013, a maximum amount of 3,000,000,000 Euros. The contract is in effect until 1 June 2014, and is automatically renewable for successive 2-year periods, until 1 June 2020, except if terminated by any of the parties.

At 31 December 2012, the Company was not using any amount under these programmes. During 2013, the Company used an amount of 250,000,000 Euros (Note 4), which was outstanding at the end of the year.

20.4. Leases

Financial lease obligations result essentially from: (i) vehicle leases, which generally include purchase options; and (ii) rights to use transmission capacity over fibre optic circuits.

(Amounts expressed in Euros)

20. Loans obtained (Continued)

As of 31 December 2013 and 2012, the Company had recorded the following assets in the balance sheet under the financial lease regime:

	2013			2012		
	Gross value	Accumulated depreciation	Carrying value	Gross value	Accumulated depreciation	Carrying value
	Euro					
Tangible fixed assets						
Transport equipment	3,940,616	1,595,861	2,344,755	4,797,856	2,986,250	1,811,606
Other tangible fixed assets	736,562	433,200	303,362	737,926	272,224	465,702
	4,677,178	2,029,061	2,648,117	5,535,782	3,258,474	2,277,308
Intangible assets						
Industrial property and other rights	2,864,046	2,266,332	597,714	2,864,046	1,311,650	1,552,396
	7,541,224	**4,295,393**	**3,245,831**	**8,399,828**	**4,570,124**	**3,829,704**

The maturity of the minimum payments for the financial leases at 31 December 2013 and 2012 was as follows:

	2013			2012		
	Capital	Interest	Total	Capital	Interest	Total
	Euro					
Up to 1 year	1,239,737	97,059	1,336,796	2,577,104	203,515	2,780,619
Between 1 and 2 years	713,538	45,516	759,054	671,392	48,671	720,063
Between 2 and 3 years	291,938	26,549	318,487	501,782	14,337	516,119
Between 3 and 4 years	250,342	15,016	265,358	67,735	5,397	73,132
Between 4 and 5 years	121,090	6,365	127,455	70,610	1,667	72,277
More than 5 years	52,177	393	52,570	—	—	—
	2,668,822	**190,898**	**2,859,720**	**3,888,623**	**273,587**	**4,162,210**

21. Suppliers

At 31 December 2013 and 2012, ''Trade Suppliers'' and ''Investment suppliers'' line items consisted of the following:

	2013	2012
	Euro	
Trade suppliers		
Current	162,474,110	209,491,363
Invoices to be issued	4,320,533	4,901,774
	166,794,643	**214,393,137**
Investment suppliers		
Current	24,020,629	46,601,212
Invoices to be issued	3,893,380	1,792,312
	27,914,009	**48,393,524**

(Amounts expressed in Euros)

22. Accrued expenses

At 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Support services	55,519,444	48,931,816
Commissions	32,235,530	20,123,148
Direct costs of services rendered	19,565,533	18,013,062
Other supplies and external services	11,333,716	9,379,785
Litigation and Notaries	9,014,706	1,227,675
Charges for vacations, vacation subsidies and other payroll costs	6,576,148	6,179,096
Specialized work	6,338,406	5,817,463
Interest and other financial expenses payable[(a)]	1,836,321	27,519,410
Other	5,362,407	2,298,645
	147,782,211	**139,490,100**

(a) The decrease in the balance of this line item relates essentially to repayment of advances to PT Comunicações (Note 20.1).

23. Services rendered and sales

In the years ended 31 December 2013 and 2012, these line items consisted of the following:

	2013	2012
	Euro	
Services rendered		
Billing	888,263,041	977,459,009
Interrelation	53,019,889	68,409,374
Operators roaming	10,733,634	18,749,961
Sales	102,547,893	88,691,659
	1,054,564,457	**1,153,310,003**

24. Equity in earnings of affiliated companies

In the years ended 31 December 2013 and 2012, the gains and losses in affiliated companies, arising from application of the equity method of accounting (Notes 10.2 and 13.3), were recognised through counter-entries to the following line items:

	2013	2012
	Euro	
Financial investments (Note 9)		
PT Móveis	194,737,007	68,576,645
PT Sistemas de Informação	—	(2,190)
	194,737,007	**68,574,455**
Provision for negative financial investments (Note 19)		
PT Sistemas de Informação	(2,447)	(825)
	194,734,560	**68,573,630**

(Amounts expressed in Euros)

25. Direct costs

In the financial years ended 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Rental costs for capacity	109,817,252	116,950,631
Interconnection costs	58,079,681	74,815,235
Leases	21,287,425	20,898,905
Contents of internet and mobile service	8,631,042	12,377,473
Other	755,674	212,179
	198,571,074	**225,254,423**

26. Supplies and external services

In the financial years ended 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Support services	92,036,982	84,095,238
Commissions	70,766,272	64,287,368
Specialized work	25,024,286	31,483,543
Maintenance and repairs	29,356,171	30,835,907
Electricity	15,153,555	14,167,250
Rentals	13,669,486	12,405,388
Disposal of space	8,203,280	6,483,923
Communications	5,170,197	5,935,293
Transportation	3,809,897	4,070,337
Other	3,153,085	8,132,492
	266,343,211	**261,896,739**

At 31 December 2013 and 2012, the Company's future liabilities for operating leases had the following maturities:

	2013	2012
	Euro	
Up to 1 year	53,265,651	61,647,285
Between 1 and 2 years	13,658,387	40,467,372
Between 2 and 3 years	11,066,696	11,149,980
Between 3 and 4 years	9,845,863	9,395,535
Between 4 and 5 years	8,736,038	8,279,865
More than 5 years	23,696,640	26,024,967
	120,269,275	**156,965,004**

(Amounts expressed in Euros)

27. Wages and salaries

In the financial years ended 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Salaries	37,569,513	35,607,140
Social Security charges	7,964,807	8,025,560
Healthcare	582,896	574,649
Training	426,949	181,315
Social events	269,209	227,052
Other	252,294	253,098
	47,065,668	**44,868,814**

28. Indirect taxes

In the financial years ended 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Anacom taxes	13,772,974	15,256,934
Value Added Tax	303,542	16,275
Other	500,872	498,886
	14,577,388	**15,772,095**

29. Other income and gains

In the financial years ended 31 December 2013 and 2012, the detail for this line item was as follows:

	2013	2012
	Euro	
Suplemental income[(a)]	8,197,625	9,917,138
Interest due	1,737,568	1,918,363
Recovery of accounts receivable	1,905,591	1,655,043
Gains on exchange rate differences	1,447,051	1,316,873
Gains in inventories	183,906	261,121
Other	1,420,212	899,290
	14,891,953	**15,967,828**

(a) This line item includes essentially income from renting out space.

(Amounts expressed in Euros)

30. Other expenses and losses

In the financial years ended 31 December 2013 and 2012, this line item consisted of the following:

	2013	2012
	Euro	
Write-off of tangible fixed assets[(a)]	1,921,812	2,400,905
Losses in inventories	1,758,740	1,503,287
Losses on exchange rate differences	1,458,853	1,434,249
Discounts granted	326,162	362,514
Direct write-off of accounts receivable	243,190	310,136
Other[(b)]	8,824,330	16,044,013
	14,533,087	**22,055,104**

(a) The amounts in this line item in 2013 and 2012 are explained essentially by write-offs due to the process of inventorying hardware and software.

(b) This item essentially reflects non-recurring adjustments to handle collection risk for certain accounts receivable.

31. Depreciation and amortisation ((losses)/reversals)

This line item in the financial years ended 31 December 2013 and 2012 consisted of the following:

	2013	2012
	Euro	
Tangible fixed assets (Note 6)	113,655,271	117,784,979
Intangible assets (Note 8)	54,576,214	63,001,196
	168,231,485	**180,786,175**

32. Interest and related income/expenses

In the financial years ended 31 December 2013 and 2012, these line items consisted of the following:

	2013	2012
	Euro	
Interest and related income		
Interest income	410,326	468,450
Other	27,861	914,203
	438,187	**1,382,653**
Interest and related expenses		
Interest expense	18,043,431	18,364,882
Bank commissions and expenses	474,685	610,516
Finance leases	144,752	166,137
Other	156,913	3,323,362
	18,819,781	**22,464,897**

(Amounts expressed in Euros)

32. Interest and related income/expenses (Continued)

The details for interest income and expense in the financial years ended 31 December 2013 and 2012 are as follows:

	2013	2012
	Euro	
Interest income		
Short-term investments	410,326	463,290
Intragroup loans	—	5,160
	410,326	**468,450**
Interest expense		
Intragroup loans	16,202,563	16,213,321
Other[(a)]	1,840,868	2,151,561
	18,043,431	**18,364,882**

(a) This line item essentially reflects the effect of the financial updating of the liability associated with the acquisition of the 4G/LTE license (Note 17), completed in December 2011.

33. Earnings per share

Earnings per share in the financial years ended 31 December 2013 and 2012 were calculated as follows:

	2013	2012
	Euro	
Net income	336,146,179	251,574,189
Number of shares	9,400,000	9,400,000
Basic earnings per share	**35.76**	**26.76**

There are no situations that give rise to dilution, such that diluted earnings per share are equal to basic earnings per share.

34. Guarantees and other financial commitments

At 31 December 2013 and 2012, the Company had the following guarantees and other financial commitments in favour of third parties:

	2013	2012
	Euro	
Guarantees in favour of courts	**105,370**	**112,031**
Bank guarantees in favor of other entities:		
Anacom	24,000,000	30,000,000
Ministry of Justice	2,859,806	2,863,418
Other	2,023,980	2,397,784
	28,883,786	**35,261,202**
Total guarantees	**28,989,156**	**35,373,233**
Commitments of purchase before:		
Fixed asset and content suppliers	8,981,302	21,383,567
Suppliers of inventories	8,264,400	30,193,567
Other services	12,387,759	14,608,520
	29,633,461	**66,185,654**

34. Guarantees and other financial commitments (Continued)

The bank guarantee provided in favour of Anacom at 31 December 2013, in the amount of 24,000,000 Euros, was requested by Anacom in the context of the auction of spectrum usage rights, and corresponds to the total amount of the outstanding instalments (Note 17).

At 31 December 2013, the value for the bank guarantees provided in favour of other entities includes, essentially, the amount of 1.5 million Euros in respect of contracts to use stores.

The commitments of purchase refer to: (i) orders placed and not satisfied, essentially to acquire telecommunications infrastructure and equipment, in the normal course of business, in the total amount of 17,245,702 Euros; and (ii) service orders placed and not satisfied, in the normal course of business, in the amount of 12,387,759 Euros.

35. Events occurred after the balance sheet date

The financial statements as of and for the year ended 31 December 2013 were approved by the Board of Directors and authorised for issuance on 4 February 2014, and are still subject to approval at the General Shareholders' Meeting, under the terms of applicable commercial law in Portugal.

There were no significant events after 31 December 2013 that would require adjustments or disclosure in these financial statements.

36. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in conformity with the NCRF, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

TMN

Financial Statements

AUDITORS' REPORT

Introduction

1. We have audited the accompanying financial statements of TMN—Telecomunicações Móveis Nacionais, S.A. (''the Company''), presently denominated MEO—Serviços de Comunicações e Multimédia, S.A., which comprise the balance sheet as of 31 December 2012 that presents a total of 6,777,665,631 Euros and shareholders' equity of 5,802,214,129 Euros, including a net income of 251,574,189 Euros, the statements of income by nature, of changes in shareholders' equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of financial statements that present a true and fair view of the financial position of the Company, the results of its operations, the changes in its shareholders' equity and its cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of an appropriate system of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our audit.

Scope

3. Our audit was performed in accordance with the auditing standards *(''Normas Técnicas e as Directrizes de Revisão/Auditoria'')* issued by the Portuguese Institute of Statutory Auditors *(''Ordem dos Revisores Oficiais de Contas'')*, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An audit also includes assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, for the purpose explained in paragraph 5 below, in all material respects, the financial position of TMN—Telecomunicações Móveis Nacionais, S.A. as of 31 December 2012 and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Emphases

5. The financial statements mentioned in paragraph 1 above refer to the Company on a standalone basis and were prepared in accordance with current legislation for approval and publication. The Company did not prepared consolidated financial statements as, in accordance with number 3 of article 7 of Decree-Law 158/2009, of 13 July 2009 was not required to do so, as its financial statements were included in the consolidated financial statements of Portugal Telecom, SGPS, S.A.. As described in Note 3.6, although the financial investments have been accounted for by the equity method, under which the Company´s net profit for the year and shareholders' equity include the effect of consolidating the subsidiaries, the accompanying financial statements do not include the effects of a full consolidation of their assets, liabilities, revenues and costs.

6. As of 31 December 2012, the Company's financial investments included the wholly-owned subsidiary PT Móveis, S.A. (''PT Móveis''), which owned 100% interest in Bratel BV, a holding company that essentially owned the investment in Oi, S.A. and its controlling shareholders in the total amount of 2,979 million Euros. In connection with the business combination between Portugal Telecom, SGPS, S.A. (''PT SGPS'') and Oi, as of 2 May 2014 this investment was sold to PT SGPS and PT Móveis incurred in a net loss of approximately 950 million Euros, of which 1,000 million Euros did not have an impact in the PT Móveis shareholders' equity as it corresponds to a transfer to net income of the cumulative amount of negative foreign currency translations adjustments that

were recorded directly in shareholders' equity between March 2011 (Oi's acquisition date) and 2 May 2014 (of which 350 million Euros recorded at 31 December 2012), while the remaining 50 million Euros corresponds to a capital gain reflecting the difference between the selling price and the carrying value of the investment in the books of PT Móveis.

Lisbon, 14 November 2014

Deloitte & Associados, SROC S.A.
Represented by João Luís Falua Costa da Silva

TMN—TELECOMUNICAÇÕES MÓVEIS NACIONAIS, S.A.

BALANCE SHEETS
31 DECEMBER 2012 AND 2011

(Translation of balance sheets originally issued in Portuguese—Note 36

	Notes	2012	2011
		Euros	
ASSETS			
Non-current assets			
Tangible fixed assets	6	530,538,646	547,867,647
Goodwill	7	10,169,655	10,169,655
Intangible assets	8	397,186,672	424,828,645
Financial investments—equity method of accounting	9,10	5,432,502,015	5,670,077,380
Other financial assets	12	17,802	95,951,774
Deferred tax assets	13	47,012,872	44,013,796
Total non-current assets		**6,417,427,662**	**6,792,908,897**
Current assets			
Inventories	14	21,346,581	26,824,927
Trade receivables	15	201,889,814	214,143,349
Unbilled revenues	15	104,201,086	133,859,939
Advances to suppliers		4,697,634	4,867,787
State and other public entities	16	275,246	2,859
Shareholders and group companies	10	—	9,221,948
Other accounts receivable	17	10,310,982	12,724,421
Deferrals	11	9,759,416	6,784,356
Other financial assets	12	—	37,124,881
Cash and bank deposits	4	7,757,210	52,787,099
Total current assets		**360,237,969**	**498,341,566**
Total assets		**6,777,665,631**	**7,291,250,463**
SHAREHOLDERS' EQUITY			
Share capital	18	47,000,000	47,000,000
Legal reserve	18	9,400,000	9,400,000
Other reserves		(246,879)	(189,875)
Adjustments to financial assets	18	5,203,390,307	5,459,199,597
Retained earnings		291,096,512	286,096,512
Net income	18	251,574,189	285,819,987
Total shareholders' equity		**5,802,214,129**	**6,087,326,221**
LIABILITIES			
Non-current liabilities			
Provisions	19	1,006	—
Loans obtained	20	341,311,519	343,367,496
Deferrals		—	640,167
Deferred tax liabilities	13	212,773	319,159
Other accounts payable	17	19,082,848	23,087,862
Other financial liabilities	12	34,932,378	130,517,511
Total non-current liabilities		**395,540,524**	**497,932,195**
Current liabilities			
Provisions	19	19,476,917	19,942,038
Loans obtained	20	40,402,346	6,487,175
Deferrals	11	52,281,265	54,129,554
Accounts payable to group companies	10	2,894,767	8,892,468
Trade payables	21	214,393,137	196,985,401
Investment suppliers	21	48,393,524	83,399,284
Accrued expenses	22	139,490,100	146,232,661
Advances from clients		3,883,876	3,262,332
State and other public entities	16	10,361,808	11,463,232
Other accounts payable	17	48,333,238	138,073,021
Other financial liabilities	12	—	37,124,881
Total current liabilities		**579,910,978**	**705,992,047**
Total liabilities		**975,451,502**	**1,203,924,242**
Total liabilities and shareholders' equity		**6,777,665,631**	**7,291,250,463**

The accompanying notes form an integral part of these financial statements

The Accountant The Board of Directors

TMN—TELECOMUNICAÇÕES MÓVEIS NACIONAIS, S.A.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Translation of statements of changes in shareholders' equity originally issued in Portuguese—Note 36)

	Notes	2012	2011
		Euros	
Services rendered	23	1,064,618,344	1,151,092,469
Sales	23	88,691,659	92,923,147
Operating subsidies		31,191	—
Earnings of affiliated companies, net	24	68,573,630	50,340,710
Own work capitalized	8	3,933,263	2,909,014
Costs of products sold	14	(107,376,947)	(109,304,435)
Direct costs	25	(225,254,423)	(226,266,258)
Marketing and publicity		(23,566,649)	(29,617,992)
External Supplies and Services	26	(261,896,739)	(279,553,388)
Wages and salaries	27	(44,868,814)	(48,041,638)
Indirect taxes	28	(15,772,095)	(15,388,176)
Impairment of inventories ((losses)/reversals)	14	4,061,061	1,402,513
Impairment of accounts receivable ((losses)/reversals)	15	(11,166,860)	(5,006,649)
Provisions (increases/reductions)	19	(396,864)	2,622,488
Other income	29	15,967,828	18,375,806
Other expenses	30	(22,055,104)	(19,422,408)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		**533,522,481**	**587,065,203**
Depreciation and amortisation ((increase)/decrease)	31	(180,786,175)	(194,421,638)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		**352,736,306**	**392,643,565**
Interest and related income	32	1,382,653	5,627,127
Interest and related expenses	32	(22,464,897)	(22,928,249)
INCOME BEFORE TAXES		**331,654,062**	**375,342,443**
Income tax	13	(80,079,873)	(89,522,456)
NET INCOME		**251,574,189**	**285,819,987**
Earnings per share	33	26.76	30.41

The accompanying notes form an integral part of these financial statements.

The Accountant | The Board of Directors

TMN—TELECOMUNICAÇÕES MÓVEIS NACIONAIS, S.A.

STATEMENTS OF CHANGES IN SHARHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Translation of statements of changes in shareholders' equity originally issued in Po

		Share capital	Legal Reserve	Other reserves	Adjustment to financial assets
					Euros
Balance at 1 January 2011	A	**47,000,000**	**9,400,000**	**—**	**1,863**
Changes:					
Foreign currency translation adjustments		—	—	—	(229,436,015)
Unpaid dividends		—	—	—	5,689,037,476
Other changes in shareholders' equity		—	—	(189,875)	(403,727)
	B	**—**	**—**	**(189,875)**	**5,459,197,734**
Net income	C				
Comprehensive income	B+C				
Repayment of supplementary capital contributions					
Application of earnings		—	—	—	—
	D	**—**	**—**	**—**	**—**
Balance at 31 December 2011	E=A+B+C+D	**47,000,000**	**9,400,000**	**(189,875)**	**5,459,199,597**
Changes:					
Foreign currency translation adjustments		—	—		(350,110,383)
Unpaid dividends		—	—		45,340,711
Other changes in shareholders' equity		—	—	(57,004)	48,960,382
	F	**—**	**—**	**(57,004)**	**(255,809,290)**
Net income	G				
Comprehensive income	F+G				
Operations with shareholders:					
Application of earnings		—	—	—	—
	H	**—**	**—**	**—**	**—**
Balance at 31 December 2012	E+F+G+H	**47,000,000**	**9,400,000**	**(246,879)**	**5,203,390,307**

The accompanying notes form an integral part of these financial statements

The Accountant

TMN—TELECOMUNICAÇÕES MÓVEIS NACIONAIS, S.A.

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Translation of statements of cash flow originally issued in Portuguese—Note 36)

	Notes	2012	2011
		Euros	
OPERATING ACTIVITIES			
Collections from clients		1,424,854,955	1,457,483,992
Payments to suppliers		(765,555,039)	(761,958,533)
Payments to employees		(48,749,295)	(48,939,460)
Cash flow from operations		**610,550,621**	**646,585,999**
Cash receipts relating to income taxes		(92,147,467)	(83,616,092)
Other cash payments, net	4.(a)	(85,798,643)	(86,958,286)
Cash flow from operating activities (1)		**432,604,511**	**476,011,621**
INVESTING ACTIVITIES			
Cash receipts relating to:			
Tangible fixed assets		2,319,819	5,024,534
Intangible assets		336,507	1,845,902
Interest and related income		3,398,579	7,793,018
Dividends	4.(b)	5,000,000	—
		11,054,905	**14,663,454**
Payments relating to:			
Tangible fixed assets		(163,204,445)	(115,187,130)
Intangible assets		(129,389,314)	(52,482,083)
		(292,593,759)	**(167,669,213)**
Cash flow from investing activities (2)		**(281,538,854)**	**(153,005,759)**
FINANCING ACTIVITIES			
Cash receipts relating to:			
Loans obtained	4.(c)	47,025,471	—
Subsidies		31,191	—
		47,056,662	**—**
Cash payments relating to:			
Loans obtained	4.(c)	(2,446,589)	(268,195,368)
Interest and related expenses		(5,226,344)	(13,462,864)
Dividends	18	(235,479,275)	—
		(243,152,208)	**(281,658,232)**
Cash flow from financing activities (3)		**(196,095,546)**	**(281,658,232)**
Change in cash and cash equivalents (4) = (1) + (2) + (3)		**(45,029,889)**	**41,347,630**
Cash and cash equivalents at the beginning of the period		52,787,099	11,439,469
Cash and cash equivalents at the end of the period	4.(d)	**7,757,210**	**52,787,099**

The accompanying notes form an integral part of these financial statements

The Accountant The Board of Directors

CONTENTS

TMN—Telecomunicações Móveis Nacionais, S.A.
Notes to the financial statements
As of 31 December 2012
(Amounts expressed in euros)

1. Introductory note

TMN—Telecomunicações Móveis Nacionais, S.A. (''the Company'' or ''TMN'') was founded on 22 March 1991, its main activity being the rendering mobile communication services. It is licenced by *Instituto das Comunicações de Portugal* (''ICP''), currently ICP—*Autoridade Nacional de Comunicações* (''ANACOM'') to render complementary telecommunications services—mobile land services—on national territory, under the terms of the ICP—011/TCM license of 16 March 1992. In accordance with a decision of the Board of Directors of ANACOM of 28 February 2007 the right to use these frequencies was renewed for an additional period of 15 years, up to 16 March 2022. At the end of 2000, TMN was licensed by ANACOM to exploit international mobile communication services under the terms of the IMT 2000/UMTS license of 19 December 2000 under number ICP—02 / UMTS up to 11 January 2016, with the possibility of being renewed for an additional period of 15 years.

In December 2011, TMN was notified by ANACOM, under a spectrum auction carried out between 28 and 30 November that it had acquired a spectrum in the 800 MHz, 1.8 GHz and 2.6 GHz frequency bands for 113 million euros. This enables TMN to render fourth generation mobile services, through Long Term Evolution (''LTE'') technology, which corresponds to evolution of the GSM and UMTS technologies. TMN was licenced to use these frequencies for an initial period of 15 years, renewable for an additional period of 15 years.

In addition the Company can render other telecommunication services in Portugal, including:

a) TMN is registered to exercise public telecommunication services;

b) TMN is licensed by ANACOM to render land line telephone services under the terms of ICP—010/99/99-SFT license and to establish and supply a public telecommunications network under the terms of ICP—017/99-RPT license, both for the whole national territory, dated 25 November 1999;

c) TMN is authorized to render private virtual network services, the access code ''70596'' having been attributed to it.

In February 2008, Law 12/2008—rendering of Essential Public Services was published, in accordance with which the Company was given a period of 6 months to bring legal action against clients for non-payment, after which, if nothing is done, the liability lapses. In accordance with the law all electronic communication services (and not only land line telephone services) became subject to the new rules.

In 2008, under the Portugal Telecom Group reorganization process, TMN acquired from Portugal Telecom, SGPS, S.A. (''PT SGPS'' or ''Portugal Telecom''), the participation it held in PT Acessos de Internet Wi-Fi, S.A (''PT Wi-Fi'') having merged it into TMN, effective as of 1 January 2008.

TMN is the sole shareholder of PT Móveis—Serviços de Telecomunicações, SGPS, S.A. (''PT Móveis''). On 27 September 2010, PT Móveis sold to Telefónica Móviles, S.A. the 50% participation that it held in Brasilcel N.V. (a joint venture that controls Vivo, that was founded at the end of 2002 between the Portugal Telecom Group—through PT Móveis—and the Telefónica Group—through Telefónica Móviles, S.A.). Subsequently, on 28 March 2011, Portugal Telecom completed the acquisition process of effective participations of 25.3% in Telemar Norte Leste, S.A. (''Oi'') and 14.1% in Contax, S.A. from the controlling shareholders of the companies for 8,437 million Brazilian Reais. This investment was made by the Portugal Telecom Group through the company Bratel Brasil, in which PT Móveis has an indirect participation of 99%. The terms of the agreements enable Portugal Telecom to share decision making power on financial and operating strategies of the companies acquired and so they have been classified as jointly controlled entities in accordance with IAS 31—Joint Ventures. Consequently, as permitted by the standard, the entities acquired were consolidated proportionately in the consolidated financial statements of Portugal Telecom for 2012, the participations being recognized indirectly in the individual non-consolidated financial statements in accordance with the equity method in the same way as investments in subsidiaries. The Oi Group is the leading operator in telecommunication services in the Brazilian market and the largest land line telecommunication service operator in the South American

1. Introductory note (Continued)

market in terms of active clients and Contax is one of the leading companies in corporate services and is the leading company in contact service centers in Brazil.

On 30 November 2010 PT Portugal, SGPS, S.A. (''PT Portugal'') sold to PT Comunicações, S.A. (''PT Comunicações'') the entire participation it held in TMN, and so the Company became wholly owned by PT Comunicações.

Under the terms of article 7 of Decree-Law 158/2009, despite having investments in group and associated companies, the Company is exempt from preparing consolidated financial statements since it is directly or indirectly wholly owned by Portugal Telecom, SGPS S.A. (''Portugal Telecom''), which in turn presents consolidated financial statements which include the financial statements of the Company and its subsidiaries.

2. Basis of presentation

The accompanying financial statements were prepared in accordance with the applicable provisions of Portuguese law, as set forth in Decree-Law 158/2009, which approved the Accounting System (*Sistema de Normalização Contabilística*—''SNC''), and in accordance with the conceptual framework, Accounting and Financial Statement Standards (*Normas Contabilísticas e de Relato Financeiro*—''NCRF'') and Interpretation Standards (*Normas Interpretativas*) issued in notices 15652/2009, 15655/2009 and 15653/2009, respectively. The Company first adopted NCRF in 2010, applying NCRF 3—*Adoção Pela Primeira Vez Das NCRF* (''NCRF 3'') is using 1 January 2009 as the transition date for the purpose of presenting these financial statements. As provided for in the Attachment to Decree-Law 158/2009, the Company also applies the International Accounting Standards and International Financial Reporting Standards (''IAS/IFRS'') and respective interpretations (''SIC/IFRIC'') of the IASB, to cover the gaps or omissions relating to specific matters of some transactions or particular situations not provided for by the SNC.

3. Main accounting policies, judgments and estimates

The accompanying financial statements were prepared on a going concern basis. The main accounting policies adopted in preparing these financial statements are explained below and were applied on a consistent basis, unless otherwise indicated.

3.1. Tangible fixed assets

Tangible fixed assets are recorded at the cost of acquisition or production, which includes purchase cost, any costs directly attributable to putting the assets in place in the condition needed to operate as intended and, when applicable, the initial estimated cost the Company expects to incur to dismantle and remove the assets and restore to their original condition the locations in which they were installed.

Subsequent costs are added to the book value for the asset only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. Maintenance and repair costs not likely to generate future economic benefits are recognized as an expense in the period in which they are incurred.

3. Main accounting policies, judgments and estimates (Continued)

Except for land that is not depreciated, depreciation of the other tangible fixed assets is recognized on a straight-line monthly basis, as from the time the asset is ready for use. The annual rates applied reflect the estimated useful life for each asset class, as follows:

Class of asset	Years of useful life
Buildings and other constructions	3-50
Machinery and equipment	3-20
Transport equipment	4-5
Administrative equipment	3-10
Other tangible fixed assets	4-8

The useful lives and the depreciation method are reviewed regularly, the effect of any change in these estimates being recognized prospectively in the income statement.

Gains or losses resulting from a write-off or sale are determined as the difference between the amount received and the book value of the asset, and are recognized in the income statement.

3.2. Leases

Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards inherent to possessing the corresponding assets. All other leases are classified as operating leases. Leases are classified based on their substance and not their form.

Assets acquired under finance lease contracts, as well as the corresponding liabilities, are recorded at the beginning of the lease at the lesser of the fair value of the assets and the present value of the minimum lease payments. The lease payments include financial expense and amortization of the capital, financial expenses being imputed in accordance with a constant periodic interest rate on the remaining balance of the liability.

In leases considered as operating leases, the lease payments are recognized as an expense on a straight-line basis over the lease period.

3.3. Concentration of business activities and goodwill

Acquisitions of investments in subsidiary companies are recorded using the purchase method. Acquisition cost is determined as the aggregate, at the acquisition date, of the following components: (a) the fair value of the assets received or receivable; (b) the fair value of the liabilities incurred or assumed; (c) the fair value of equity instruments issued by the Company in exchange for obtaining control over the subsidiary; and (d) the costs directly attributable to the acquisition. When applicable, acquisition cost includes the effect of contingent payments agreed for the transaction, and subsequent changes in such payments are recorded by corresponding entry to the corresponding goodwill.

Goodwill corresponds to the excess of acquisition cost over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company, at the acquisition date, in accordance with NCRF 14 *Concentrações de Atividades Empresariais*—''NCRF 14'' (Concentration of business activities). If the difference between cost and the fair value of the assets and liabilities acquired is negative, it is recognized as income for the year. Considering the exception provided for in NCRF 3, the Company applied the provisions of NCRF 14 only to acquisitions after 1 January 2009, so that the amounts of goodwill relating to acquisitions prior to that date were retained as initially calculated in accordance with the standard applicable at the time.

Goodwill resulting from the acquisition of subsidiary companies is included on the balance sheet caption ''Goodwill.''

3. Main accounting policies, judgments and estimates (Continued)

Goodwill is not amortized, being subject to impairment tests on an annual basis or whenever there are indications of a possible loss in value. For purposes of testing impairment, goodwill is allocated to cash-generating units. Any impairment loss is immediately recorded as an expense in the income statement for the period and cannot later be reversed.

3.4. Intangible assets

Intangible assets include, basically (1) rights and licenses, (2) commercial lease rights, (3) terminal equipment assigned to clients under service contracts, and (4) the cost of development activities. Intangible assets acquired separately are recorded at cost, less accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight-line basis in accordance with the following estimated useful lives:

Class of asset	Useful life
UMTS (3G) license	Period of the license with a renewal period (up to 2030)
LTE (4G) license	Period of the license with a renewal period (up to 2042))
Rights over terminal equipment assigned to clients	Contract period (2 Years)
Other intangible assets	3 years

The useful lives and method of amortizing the various intangible assets are reviewed annually, and the effect of any changes in these estimates being recognized prospectively in the income statement.

Research expenses are recognized in the income statement when incurred. Development expenses are capitalized when the technical and economic feasibility of the product or process being developed can be shown and the Company has the intention and capability to complete its development and begin marketing or using it, as provided for in NCRF 6 *Activos Intangíveis* (Intangible assets).

3.5. Impairment of tangible fixed assets and intangible assets

The Company makes impairment tests of its tangible and intangible assets whenever there is an event or change that indicates that the amount at which the asset is recorded may not be recovered. Where there are such indications, the Company determines the recoverable amount of the asset, so as to determine the extent of the impairment loss. When it is not possible to determine the recoverable amount of an asset, the recoverable amount for the cash-generating unit to which the asset belongs is estimated.

In addition, in the specific case of terminal equipment assigned to clients under loyalty contracts, impairment is tested periodically, and the assets are fully written off in cases where the revenue associated with the client giving rise to the intangible asset is not assured.

The recoverable amount is determined as the greater of the sales price and value in use. The sales price is the amount that would be obtained by selling the asset in a transaction between independent knowledgeable entities, fewer costs directly attributable to the sale. Value in use results from future cash flows discounted to reflect the cost of capital and the specific risk of the asset.

Whenever the book value of the asset or of the cash-generating unit exceeds its recoverable amount, an impairment loss is recognized and recorded in the income statement.

3. Main accounting policies, judgments and estimates (Continued)

3.6. Financial investments

Subsidiary companies are all the entities over which the Company has decision-making power over their financial and operating policies, generally represented by more than half of the voting rights. Associated companies are entities over which the Company exercises significant influence, but do not have control, generally with participations of between 20% and 50% of the voting rights.

Investments in the Company's subsidiaries are recorded using the equity method of accounting.

In accordance with this method, investments are initially recorded at cost and subsequently adjusted based on post-acquisition changes in the Company's interest in the net assets of the corresponding entities. The Company's results include its interest in the corresponding results of these entities.

Investments are tested whenever there are indications that the asset may be impaired, the impairment losses are recorded as expenses in the income statement.

Gains obtained in transactions with subsidiaries are eliminated in proportion to the Company's interest in them, with a corresponding entry to the investment caption.

3.7. Accruals basis

The Company records its income and expenses on an accruals basis, under which income and expenses are recognized as they are generated or incurred, regardless of when they are received or paid, respectively.

3.8. ''Qualified Technological Equipment'' operations

In prior years the Company entered into ''Qualified Technological Equipment'' (''QTE'') operations under which it sold telecommunication equipment to certain foreign investors. At the same time the investors entered into lease contracts for the equipment with entities founded specifically for the purpose, which signed conditional sales contracts of that equipment with the Company. The Company maintains legal title to the equipment.

The operations correspond to sale and lease-back transactions, the equipment remaining recorded on the balance sheet. Therefore, the Company recorded a current and non-current asset for the sales amount of the equipment and a current and non-current liability for the amount of the lease payments not yet due in the other assets and financial liabilities captions, respectively (Note 12).

In 2012 the contracts in force were terminated early and so the corresponding assets and liabilities were derecognized on the balance sheet.

3.9. Income tax

Income tax corresponds to the sum of current and deferred tax, which are recorded in the income statement except when they relate to items recorded directly in shareholders' equity, in which case they are also recorded in shareholders' equity.

Income tax is estimated based on the estimated taxable income for Corporate Income tax purposes.

Portugal Telecom uses the tax consolidation regime under the *Regime Especial de Tributação de Grupos de Sociedades* (''RETGS''), in which TMN is included. Consequently, estimated Corporate Income Tax, less amounts withheld by third parties and payments in advance, are recorded on the balance sheet as accounts payable to Portugal Telecom.

Income tax for the year recorded in the financial statements is calculated in accordance with NCRF 25 *Impostos Sobre o Rendimento* (Income Tax). In measuring income tax for the year, in addition to current tax determined based on pre-tax results adjusted in accordance with tax law, the effect of temporary

3. Main accounting policies, judgments and estimates (Continued)

differences between the amounts of assets and liabilities for accounting purposes and the respective amounts for tax purposes are also taken into account. Deferred tax assets and liabilities are calculated annually, using the tax rates that are expected to be in effect on the date of the temporary differences reverse.

Deferred tax assets are recorded only when there is reasonable expectation of the existence of sufficient future taxable profit to use them. At the balance sheet date, the temporary differences underlying the deferred tax assets are reappraised, for the purpose of recognizing unrecorded deferred tax assets due to not having fulfilled the conditions required for recording them, and/or decreasing the amount of the deferred tax assets recognized, due to the current expectation of their future recovery.

3.10. Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value represents estimated sale price less all the estimated costs necessary to complete the sale. The Company uses the average cost method.

Inventory impairment losses include the value of expected unused materials due to technological obsolescence and/or turnover, as well as price differences of materials, the realizable value is less than the average cost, to the extent that it exceeds the discount level considered normal in the business.

3.11. Trade and other accounts receivable

Trade and other accounts receivable are recognized initially at fair value, and are subsequently measured at cost or amortized cost, utilizing the effective interest rate method, less impairment losses.

Impairment of debts of doubtful collection is calculated based on an evaluation of the estimated risks arising from non-collection of accounts receivable, and is recognized in the income statement in the period in which it arises.

3.12. Provisions, liabilities and contingent liabilities

Provisions are recognized by the Company when there is a current obligation resulting from past events, provided it is probable that there will be an outlay of internal resources to settle the obligation and the amount of the outlay can be reasonably estimated. When any of these conditions is not fulfilled, the Company discloses the events as contingent liabilities, unless the possibility of an outflow of funds is remote.

Provisions are recognized at the amount corresponding to the present value of the best estimate, at the reporting date, of the resources needed to settle the liability. The estimate is determined considering the risks and uncertainties associated with the liability. Provisions are reviewed at the end of each year and adjusted so as to reflect the best estimate at that date.

Liabilities relating to costs of dismantling and removing assets installed on third party property and restoring the respective premises to their original condition are recognized when the assets start to be utilized and if it is possible to reliably estimate the respective liability. The amount of the liability recognized corresponds to the present value of the liability, adjustments being recognized in the caption ‘‘Other expenses.’’

3.13. Loans obtained

Loans obtained are initially recognized at fair value, net of transaction costs incurred, and are subsequently adjusted to amortized cost, using the effective interest method.

(Amounts expressed in euros)

3. Main accounting policies, judgments and estimates (Continued)

3.14. Financial expenses on loans obtained

The Company has the policy of capitalizing financial charges relating to loans obtained for the acquisition, construction or production of tangible assets. However, the Company has recognized financial charges as expenses when incurred, given that the construction period for the tangible and intangible assets has been relatively short.

3.15. Balance sheet classification

Assets realizable and liabilities payable in more than one year from the balance sheet date are classified, respectively, as non-current assets and liabilities, at their present value.

3.16. Foreign currency balances and transactions

Foreign currency transactions (those not in the Company's functional currency) are recorded at the exchange rates at the dates of the transactions. Assets and liabilities expressed in foreign currency for which there is no agreement for fixing the exchange rate are translated to Euros using the exchange rates in effect at the balance sheet date. Favorable and unfavorable exchange rate differences, resulting from differences between the exchange rates in effect at the date of the transactions and those in effect at the date of the collections or payments or at the balance sheet date, are recorded as income and expenses in the income statement.

At 31 December 2012 and 2011 assets and liabilities were translated to Euros at the following exchange rates in relation to Euro, as published by Bank of Portugal:

Currency	2012	2011
	Euros	
Swedish Crown	8.5820	8.9120
Special Drawing Right	1.1658	1.1865
US Dollar	1.3194	1.2939
Swiss Franc	1.2072	1.2156
Pound Sterling	0.8161	0.8353

3.17. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Income to be recognized is net of the estimated amount of returns, discounts and other rebates, and does not include Value Added Tax (''VAT'') and other taxes paid in connection with the sale.

Revenue from services rendered is recognized by reference to the degree of completion of the transaction at the reporting date, provided that all the following conditions are satisfied: (1) the amount of income can be reliably measured; (2) it is probable that future economic benefits associated with the transaction will flow to the Company; (3) the expenses incurred or to be incurred in the transaction can be reliably measured; and (4) the degree of completion of the transaction at the reporting date can be reasonably estimated.

Revenue from telecommunications activities is recorded at gross value, and unbilled amounts due or generated at the date of the financial statements, are recorded based on estimates and included in the caption ''Unbilled income.'' Differences between the estimated and actual amounts are recorded in the subsequent period.

Revenue relating to advances from clients is deferred, and recognized only when the service is provided.

3. Main accounting policies, judgments and estimates (Continued)

Revenue from international telecommunications services is calculated based on the termination rates established in bilateral agreements with the various telecommunications operators. The agreements also establish whether it is the operator of origin of the traffic that should present the credit to the operator of the destination country, or whether the latter must present the debit to the former.

The Company operates loyalty programs for some of its customers, under which, based on consumption, clients have the right to loyalty points that can be exchanged for equipment, accessories and discounts on subsequent purchases of services. In the absence of specific SNC standards or interpretations relating to this topic, the Company applies IFRIC 13 Customer Loyalty Programs (''IFRIC 13''), in accordance with which it records these operations as transactions containing multiple elements, such that the amount initially received is allocated between the income relating to the traffic consumed and the points that the customer obtained. Accordingly, the deferred revenue relating to the latter component is recognized when the points are used or expire.

Interest revenue is recognized based on the effective interest method.

3.18. Own work capitalized

Internal expenses incurred by the Company in developing fixed assets, essentially relating to labor, are capitalized with a corresponding entry to the caption ''Own work capitalized,'' provided the following requirements are fulfilled: (a) the fixed assets developed are identifiable; (b) there is a strong probability that the fixed assets will generate future economic benefits; and (c) the development expenses can be reliably measured.

3.19. Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the corresponding contractual provisions, and are classified as cost or amortized cost.

(a) Financial assets and liabilities at cost or amortized cost

Financial assets and liabilities are classified in the ''at cost or amortized cost'' category when they present the following characteristics: (a) they are on demand or have established maturities; (b) they have an associated fixed or determinable return; and (c) they are not a derivative financial instrument and do not incorporate a derivative financial instrument.

Financial assets and liabilities considered in this category are measured at cost or amortized cost, less accumulated impairment losses (in the case of financial assets), and correspond essentially to the following asset and liability captions included on the Company's balance sheet:

- Loans obtained
- Shareholders and Group companies
- Trade receivables
- Trade payables and investment suppliers
- Accrued income and expenses
- Advances to suppliers and from clients
- State and other public entities
- Other receivables and payables
- Other financial assets and liabilities
- Cash and bank deposits

3. Main accounting policies, judgments and estimates (Continued)

Amortized cost is determined using the effective interest method. The effective interest rate is that which exactly discounts the estimated future payments or receipts during the expected life of the financial instrument to the net book value of the financial asset or liability.

(b) Impairment of financial assets

Financial assets classified in the ''at cost or amortized cost'' category are subject to impairment tests at the end of each year. The financial assets are impaired when there is objective evidence that, as a result of one or more events occurring after initial recognition, their estimated future cash flows will be affected.

For financial assets measured at amortized cost, impairment loss corresponds to the difference between the book value of the asset and the present value of the new estimated future cash flows discounted at the respective original effective interest rate. For financial assets measured at cost, impairment loss corresponds to the difference between the book value of the asset and the best estimate of the fair value of the asset.

If the impairment loss decreases subsequently as a result of an event occurring after initial recognition of the loss, the impairment must be reversed to results. The reversal is carried out only up to the limit of the amount that would be recognized (amortized cost) had the loss not been initially recorded.

Impairment losses and the respective reversals are recorded in the income statement essentially under the caption ''Impairment of accounts receivable ((losses)/reversals).

(c) Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to the cash flows from the assets expire, or when the financial assets and all the significant risks and benefits associated with their ownership are transferred to another entity. Financial assets transferred for which the Company has retained some significant risks and benefits are derecognized, provided that control over them has been ceded.

The Company derecognizes financial liabilities only when the corresponding obligation is settled, cancelled or expires.

3.20. Main accounting estimates and judgments

In preparing the financial statements in accordance with the NCRF, the Company's Board of Directors uses estimates and assumptions that affect the application of policies and the amounts reported. The estimates and judgments are continuously evaluated and are based on the experience of past events and other factors, including expectations relating to future events deemed probable in light of the circumstances on which the estimates are based or as the result of information or experience acquired. The most significant accounting estimates reflected in the financial statements are the following:

(a) Useful life of tangible and intangible fixed assets

The Company uses estimates to calculate the useful lives of tangible and intangible fixed assets.

(b) Recognition of provisions and impairment losses

The Company is party to several ongoing legal proceedings for which, based on the opinion of its lawyers, it used its judgment to determine if it should recognize any provision in respect of the contingencies. Impairment of accounts receivable is calculated essentially based on the age of the accounts receivable, the risk profile of the clients and their financial situation.

The estimates were determined based on the best information available at the date the financial statements were prepared. However, there may be events in subsequent periods that, not being foreseeable at the time, were not considered in these estimates. In accordance with NCRF 4 *Políticas*

(Amounts expressed in euros)

3. Main accounting policies, judgments and estimates (Continued)

Contabilísticas, Alterações nas Estimativas Contabilísticas e Erros—''NCRF 4'' (Accounting policies, Changes in accounting estimates and Errors), changes to the estimates that occur after the date of the financial statements are corrected prospectively in the income statement. Therefore, given the associated degree of uncertainty, actual results for the transactions in question may differ from the corresponding estimates.

3.21. Post balance sheet date occurrences

Events occurring after the balance sheet date that provide additional information about conditions that existed at the balance sheet date are reflected in the financial statements. Events that occur after the balance sheet date that provide information on conditions that occur after the balance sheet date are not reflected in the financial statements, and are only disclosed if deemed material.

4. Cash flow

For the purposes of the statement of cash flow, ''Cash and cash equivalents'' includes cash, bank deposits repayable on demand and other very liquid short-term investments with initial maturities of up to three months, net of bank overdrafts, when applicable.

The Company is subject to liquidity risk if the sources of financing, such as cash, operating cash flows and cash flows from divestment transactions and financing, do not meet the existing needs, such as operating cash outflows, investments, shareholder returns and the payment of principal and interest on debt. Based on the cash flows generated by its operations, available cash and the possibility of obtaining financing from Portugal Telecom under the centralized cash management system implemented in the Group, the Company believes it has the capacity to comply with its obligations.

The statement of cash flows was prepared in accordance with NCRF 2 *Demonstração de Fluxos de Caixa* (Statement of Cash Flow), with the following notable aspects:

(a) Other payments, net

This caption includes essentially Value Added Tax and spectrum fees paid to the regulator ICP—Anacom.

(b) Dividend income

In the years ended 31 December 2012 this caption corresponds to dividends received from the subsidiary PT Móveis, in the amount 5,000,000 Euros (Note 9).

(c) Receipts (payments) relating to loans obtained

In 2012 and 2011, payments relating to loans obtained, net of cash receipts relating to loans obtained, is made up as follows:

	2012	2011
	Euros	
Financing under the centralized treasury system	47,025,471	(52,799,489)
Repayment of financing obtained under the commercial paper program (Note 20.3)	—	(49,900,000)
Repayment of shareholders' loans from Group companies (Note 20.1)	—	(160,000,000)
Finance lease contracts and other financing	(2,446,589)	(5,495,879)
	44,578,882	**(268,195,368)**

(Amounts expressed in euros)

4. Cash flow (Continued)

(d) Cash and cash equivalentes

This caption was made up as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
Bank deposits repayable on demand	666,374	45,609,699
Cash	7,090,836	7,177,400
Cash and bank deposits	**7,757,210**	**52,787,099**

5. Changes in accounting policies and estimates and errors

No new or revised standards or interpretations were adopted in the year ended 31 December 2012, nor were there any voluntary changes in other accounting policies or changes in accounting estimates.

In the year ended 31 December 2012, no other new or revised standards or interpretations were issued that are not yet in force.

In the year ended 31 December 2012 there were no corrections of material prior year errors.

6. Tangible fixed assets

6.1. Changes in tangible fixed assets

The changes in tangible fixed assets in the years ended 31 December 2012 and 2011 were as follows:

	2012							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
	Euros							
Gross value								
Opening balance	1.022.830	349.835.192	1.129.487.744	9.252.705	323.390.947	5.907.194	58.879.724	1.877.776.336
Acquisitions	—	7.270.676	34.816.306	705.678	9.765.698	30.106	50.514.093	103.102.557
Disposals	—	(16.156)	(68.284)	(980.394)	(94.949)	—	—	(1.159.783)
Transfers and write-offs	—	3.919.518	12.935.444	(38.665)	5.662.618	—	(40.394.925)	(17.916.010)
Closing Balance	**1.022.830**	**361.009.230**	**1.177.171.210**	**8.939.324**	**338.724.314**	**5.937.300**	**68.998.892**	**1.961.803.100**
Accumulated amortization and impairment losses								
Opening balance	—	227.023.601	803.787.019	5.593.181	288.466.022	5.038.866	—	1.329.908.689
Amortization for the year (Note 3.1)	—	11.802.448	80.906.266	1.493.905	23.358.750	223.610	—	117.784.979
Disposals	—	(10.271)	(68.271)	(884.331)	(80.800)	—	—	(1.043.673)
Transfers and write-offs	—	(41.496)	(13.310.831)	(8.518)	(2.024.697)	—	—	(15.385.541)
Closing Balance	**—**	**238.774.282**	**871.314.183**	**6.194.237**	**309.719.275**	**5.262.476**	**—**	**1.431.264.454**
Tangible fixed assets, net	**1.022.830**	**122.234.948**	**305.857.027**	**2.745.087**	**29.005.039**	**674.824**	**68.998.892**	**530.538.646**

(Amounts expressed in euros)

6. Tangible fixed assets (Continued)

	2011							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
	Euros							
Gross value								
Opening balance	1.022.830	341.233.141	1.591.188.514	10.208.220	302.373.816	5.610.439	41.906.824	2.293.543.784
Acquisitions	—	4.320.398	69.884.312	297.245	10.369.717	296.755	46.914.347	132.082.774
Disposals	—	(14.747)	(540.149.558)	(1.091.551)	(94.036)	—	—	(541.349.892)
Transfers and write-offs	—	4.296.400	8.564.476	(161.209)	10.741.450	—	(29.941.447)	(6.500.330)
Closing Balance	**1.022.830**	**349.835.192**	**1.129.487.744**	**9.252.705**	**323.390.947**	**5.907.194**	**58.879.724**	**1.877.776.336**
Accumulated amortization and impairment losses								
Opening balance	—	215.399.495	1.254.440.149	4.895.738	264.482.957	4.456.213	—	1.743.674.552
Amortization for the year (Note 3.1)	—	12.352.551	89.499.668	1.729.142	24.836.958	582.653	—	129.000.972
Disposals	—	(8.459)	(537.362.237)	(981.259)	(57.243)	—	—	(538.409.198)
Transfers and write-offs	—	(719.986)	(2.790.562)	(50.440)	(796.650)	—	—	(4.357.637)
Closing Balance	**—**	**227.023.601**	**803.787.018**	**5.593.181**	**288.466.022**	**5.038.866**	**—**	**1.329.908.689**
Tangible fixed assets, net	**1.022.830**	**122.811.591**	**325.700.726**	**3.659.524**	**34.924.925**	**868.328**	**58.879.724**	**547.867.647**

The changes in 2012 include investment in tangible fixed assets to be used essentially to increase the capacity of mobile data and quality of the network and expansion of the coverage of the 3G/3,5G and 4G networks;

The changes in 2011 include investments in tangible fixed assets to be used essentially to expand the capacity coverage of the 3G/3,5G network. The sale of basic equipment in 2011 in the net book value of 2.8 million euros, corresponds essentially to sale of the 2G network equipment, which was substituted throughout the year by equipment to render fourth generation services (4G).

6.2. Other matters relating to tangible fixed assets

In prior years, TMN carried out operations with property reserve with foreign investors for the sale of certain telecommunications equipment of its basic network. At the same time the investors signed lease contracts for the equipment with entities founded specifically for the purpose, which in turn signed conditional sales contracts for the equipment with TMN, for the amount of the initial sale. In 2012 the contracts in force were terminated early without significant cost to the Company.

At 31 December 2012 the Company had tangible fixed assets with a net book value of 19,797,082 euros in the hands of third parties.

7. Goodwill

Goodwill at 31 December 2012 and 2011, in the amount of 10,169,655 Euros, was determined in 2007 following the acquisition of the subsidiary PT Wi-Fi, a company that in 2008 was merged into Meo, S.A., as mentioned in Note 1.

(Amounts expressed in euros)

8. Intangible assets

The changes in intangible assets in the years ended 31 December 2012 and 2011 were as follows:

	2012			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euros			
Gross value				
Opening balance	816,008,835	2,494,179	1,876,767	820,379,781
Acquisitions	37,424,538	91,842	199,317	37,715,697
Disposals	(472,319)	—	—	(472,319)
Transfers and write-offs	(5,350,494)	408,825	(832,660)	(5,774,329)
Closing Balance	**847,610,560**	**2,994,846**	**1,243,424**	**851,848,830**
Accumulated amortization and impairment losses				
Opening balance	393,156,855	2,394,281	—	395,551,136
Amortization for the year (Note 3.1)	62,900,079	101,117	—	63,001,196
Disposals	(205,202)	—	—	(205,202)
Transfers and write-offs	(3,684,972)	—	—	(3,684,972)
Closing Balance	**452,166,760**	**2,495,398**	**—**	**454,662,158**
Intangible assets, net	**395,443,800**	**499,448**	**1,243,424**	**397,186,672**

	2011			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	Euros			
Gross value				
Opening balance	671,511,305	2,494,179	302,921	674,308,405
Acquisitions	146,100,488	—	1,870,727	147,971,215
Disposals	(69,481)	—	—	(69,481)
Transfers and write-offs	(1,533,477)	—	(296,881)	(1,830,358)
Closing Balance	**816,008,835**	**2,494,179**	**1,876,767**	**820,379,781**
Accumulated amortization and impairment losses				
Opening balance	328,921,955	1,978,187	—	330,900,142
Amortization for the year (Note 31)	65,004,572	416,094	—	65,420,666
Disposals	(52,313)	—	—	(52,313)
Transfers and write-offs	(717,359)	—	—	(717,359)
Closing Balance	**393,156,855**	**2,394,281**	**—**	**395,551,136**
Intangible assets, net	**422,851,980**	**99,898**	**1,876,767**	**424,828,645**

The acquisitions of intangible assets in the year ended 31 December 2012 relate fundamentally to expenses incurred under loyalty program contracts entered into with clients.

(Amounts expressed in euros)

8. Intangible assets (Continued)

The acquisitions of intangible assets in the year ended 31 December 2011 correspond essentially to (1) the acquisition of rights to use 4G network frequencies (LTE) under which an intangible asset of 106.1 million euros, corresponding to the present value of 113 million euros payable to Anacom, was recorded (Notes 1 and 17) and (2) the present value of terminal equipment ceded to clients under service contracts with them.

At 31 December 2012 the net book value of the caption ''Industrial property and other rights'' included essentially:

- The amount of 360 million euros relating to the 3G and 4G licenses acquired in 2000 and 2011, respectively, corresponding to a gross amount of 500 million euros net of accumulated amortization of 140 million euros. The gross amount includes essentially:
  - (i) 133 million euros relating to the UMTS license acquired in 2000;
  - (ii) 242 million euros recorded in 2007, under commitments assumed in 2000 by TMN and the other mobile operators to make contributions to the information society during the term of the license, and 11.5 million Euros recorded in 2009 relating to additional commitments under the terms of the UMTS license. At the date the license was granted it was not possible to reliably determine how these commitments would be realized, and so the Company did not record any asset or liability at that date;
  - (iii) 106 million euros relating to the 4G license acquired in 2011.
- The amount of 29 million Euros relating to the cost incurred under post-paid mobile service customer loyalty contracts, which are amortized over the duration of the respective loyalty program contracts (2 years); and
- The amount of 3 million euros relating to software utilization licenses.

During the years ended 31 December 2012 and 2011, the book value of intangible assets included 3,933,263 euros 2,909,014 euros, respectively, for personnel expenses relating to own work capitalized.

In 2012 and 2011 the Company carried out research, development and innovation activities for which other operation expenses and fixed assets in the following amounts were recognized:

	2012	2011
	Euros	
Tangible fixed assets	39,471,223	39,408,128
Intangible assets	976,270	470,687
Operating costs	3,688,018	3,616,135
Total	**44,135,511**	**43,494,950**

(Amounts expressed in euros)

9. Investments—Equity method

During the years ended 31 December 2012 and 2011 the changes in this caption were as follows (Note 10.2):

	2012	2011
	Euros	
Investment in subsidiary companies		
Opening balance	5,670,077,380	5,849,576,875
Equity method	(232,575,365)	(179,499,495)
Dividends	(5,000,000)	—
Financial investments, net	**5,432,502,015**	**5,670,077,380**

In the years ended 31 December 2012 and 2011 changes in investments in subsidiary companies resulting from application of the equity method were recorded as follows:

	2012	2011
	Euros	
Gain on subsidiaries (Note 24)	68,574,455	50,340,710
Adjustment in investments (Note 18)	(301,149,820)	(229,840,205)
	(232,575,365)	**(179,499,495)**

10. Related parties

10.1. Shareholders and group companies

At 31 December 2012 and 2011 the current asset and liability captions ''Shareholders and Group companies'' were made up as follows:

	2012	2011
	Euros	
DEBIT BALANCES		
Loans granted under the centralized treasury system (Note 10.3)	—	9,221,948
Total debit balances with shareholders and Group companies	**—**	**9,221,948**
CREDIT BALANCES		
Accounts payable to PT SGPS under the tax consolidation (RETGS)(a)	613,816	8,892,468
Others	2,280,951	—
Total credit balances with shareholders and Group companies (Note 10.3)	**2,894,767**	**8,892,468**

(a) This caption corresponds to accounts payable to PT SGPS under the tax consolidation (RETGS) and relate to estimated Corporate Income Tax, less withholdings at source made by third parties and payments on account.

10.2. Investments in subsidiaries

As mentioned in Note 1, the Company is wholly owned by PT Comunicações, which in turn is wholly owned by PT Portugal, which in turn is owned by Portugal Telecom. Consequently, all the companies that form part of the PT Group were considered as related parties of TMN, including not just its own subsidiaries, but also Portugal Telecom's other subsidiary companies.

(Amounts expressed in euros)

10. Related parties (Continued)

Details of the investments in the Company's subsidiaries and the main financial information of these entities at 31 December 2012 and 2011 is as follows:

	2012									
Company	**Head office**	**Asset**	**Liability**	**Services rendered and sales**	**Net income**	**Equity**	**% held**	**Financial Investment (Note 9)**	**Provision for financial investing**	**Proportion of net income (Note 24)**
Subsidiaries										
PT Móveis	Av. Fontes Pereira de Melo, nº 40 1069-300 Lisbon	5,468,958,645	36,456,630	—	68,576,645	5,432,502,015	100.0%	5,432,502,015	—	68,576,645
PT—Sistemas de Informação (PT-SI) (a)	Taguspark—Parque de Ciência e Tecnologia Av. Jacques Delors Edifícios Inovação III e IV 2740-122 Porto Salvo	69,905,903	60,882,617	110,995,705	(3,014,854)	9,023,286	0.1%	—	1,006	(3,015)
								5,432,502,015	**1,006**	**68,573,630**

	2011								
Company	**Head office**	**Asset**	**Liability**	**Services rendered and sales**	**Net income**	**Equity**	**% held**	**Financial Investment (Note 9)**	**Proportion of net income (Note 24)**
Subsidiaries									
PT Móveis	Av. Fontes Pereira de Melo, nº 40 1069-300 Lisbon	5,691,958,493	21,883,304	—	50,338,276	567007518900.0%	100.0%	5,670,075,189	50,338,276
PT—Sistemas de Informação (PT-SI) (a)	Taguspark—Parque de Ciência e Tecnologia Av. Jacques Delors Edifícios Inovação III e IV 2740-122 Porto Salvo	71,490,375	59,270,750	125,548,899	2,434,436	1221962500.0%	0.1%	2,191	2,434
								5,670,077,380	**50,340,710**

(a) The shareholders' equity of this company includes supplementary capital contributions in the amount of 10,028,970 Euros.

10.3. Balances and transactions with related parties

In addition to debit and credit balances included in ''Shareholders and Group companies,'' as shown above, the Company also has accounts receivable from and payable to related parties under other assets and liabilities captions.

(Amounts expressed in euros)

10. Related parties (Continued)

The nature and details of the main debit balances with related parties at 31 December 2012 and 2011 are as follows:

	2012					
	Trade receivables	**Accrued receivables**	**Deferrals**	**Advances to suppliers**	**Other accounts receivable (Note 17)**	**Total debit balances**
			Euros			
PT Comunicações	18,824,226	4,397,504	698,136	—	942,337	**24,862,203**
Unitel SARL	3,369,729	—	—	—	—	**3,369,729**
PT—SI	494,551	32,469	708,381	—	45	**1,235,446**
Portugal Telecom Inovação, SA (''PT Inovação'')	62,807	13,337	365,260	388,397	—	**829,801**
PT Centro Corporativo S.A. (''PT Centro Corporativo'')	641,312	28,528	—	—	—	**669,840**
PT PRO, Serviços Administrativos de Gestão Partilhados, SA (''PT PRO'')	593,937	19,131	—	—	91	**613,159**
PT Contact-Telemarketing e Serviços de Informática, SA (''PT Contact'')	370,078	11,915	—	—	—	**381,993**
CST-Companhia Santomense Telecomunicações,SARL (''CST'')	133,862	—	—	—	—	**133,862**
Other companies	671,226	(82,890)	—	19,266	984	**608,586**
	25,161,728	**4,419,994**	**1,771,777**	**407,663**	**943,457**	**32,704,619**

	2011						
	Trade receivables	**Accrued receivables**	**Shareholders and Group companies (Note 10.1)**	**Deferrals**	**Advances to suppliers**	**Other accounts receivable (Note 17)**	**Total debit balances**
			Euros				
PT Comunicações	16,916,597	16,328,323	—	625,883	—	292,910	**34,163,713**
PT SGPS	1,488		9,221,948	—	—	191,372	**9,414,808**
Unitel SARL	2,099,877	—	—	—	—	—	**2,099,877**
PT—SI	404,641	10,521	—	1,377,516	—	—	**1,792,678**
PT Contact	488,169	14,551	—	—	—	—	**502,720**
PT PRO	335,563	22,927	—	—	—	8,492	**366,982**
Timor Telecom	317,585	—	—	—	—	—	**317,585**
PT Centro Corporativo	158,398	33,971	—	—	—	—	**192,369**
Other companies	575,528	(280,985)	—	—	1,226	79	**295,848**
	21,297,846	**16,129,308**	**9,221,948**	**2,003,399**	**1,226**	**492,853**	**49,146,580**

(Amounts expressed in euros)

10. Related parties (Continued)

The nature and details of the main credit balances with related parties at 31 December 2012 and 2011 are as follows:

	2012							
	Loans obtained (Note 20)	Shareholders and Group companies (Note 10.1)	Trade payables	Investment suppliers	Accrued expenses	Deferrals	Other payables (Note 17)	Total credit balances
	Euros							
PT Comunicações	340,000,000	2,280,891	63,656,961	1,264,587	42,387,020	85,776	55,358	**449,730,593**
PT SGPS	37,803,523	613,816	525,647	—	82,291	—	—	**39,025,277**
PT Contact	—	—	9,332,546	—	12,947,303	1,114	153	**22,281,116**
PT Inovação	—	—	2,019,091	3,865,267	45,290	12	—	**5,929,660**
PT—SI	—	60	2,502,510	1,717,686	934,118	1,253	907	**5,156,534**
UNITEL	—	—	4,932,298	—	—	—	—	**4,932,298**
PT Centro Corporativo	—	—	1,581	683	3,539,650	(232)	—	**3,541,682**
PT PRO	—	—	1,854,742	30,806	143,277	8,132	200	**2,037,157**
Other companies	—	—	689,803	—	(2,021,576)	88,238	(2,017)	**(1,245,552)**
	377,803,523	**2,894,767**	**85,515,179**	**6,879,029**	**58,057,373**	**184,293**	**54,601**	**531,388,765**

	2011							
	Loans obtained (Note 20)	Shareholders and Group companies (Note 10.1)	Trade payables	Investment suppliers	Accrued expenses	Deferrals	Other payables (Note 17)	Total credit balances
	Euros							
PT Comunicações	340,000,000	—	39,870,331	22,430,311	32,638,994	114,608	2,931,156	**437,985,400**
PT Contact	—	—	10,167,646	530,766	13,085,093	807	17,754	**23,802,066**
PT Centro Corporativo	—	—	6,104,530	91,466	5,259,448	903	1,100	**11,457,447**
PT SGPS	—	8,892,468	391,241	—	23,639	—	—	**9,307,348**
PT Inovação	—	—	960,200	5,954,248	77,809	2,540	—	**6,994,797**
PT—SI	—	—	2,016,196	3,238,142	656,857	181		**5,911,376**
UNITEL	—	—	3,041,768	—	—	—	—	**3,041,768**
PT PRO	—	—	2,514,606	276,575	192,375	1,156	8,327	**2,993,039**
Other companies	—	—	484,006	1,648	(450,529)	48,493	(3,015)	**80,603**
	340,000,000	**8,892,468**	**65,550,524**	**32,523,156**	**51,483,686**	**168,688**	**2,955,322**	**501,573,844**

(Amounts expressed in euros)

10. Related parties (Continued)

The nature and details of the main transactions with related parties in the years ended 31 December 2012 and 2011 are as follows:

	2012						
	Services rendered and sales	Direct cost of services rendered	Supplies and services	Personnel costs (a)	Other income	Other costs	Net interest expense
	Euros						
PT Comunicações	107.445.442	(139.562.905)	(17.932.147)	(4.750.806)	610.843	(1.901.750)	(14.543.063)
SIRESP Gestão Redes Digitais Segurança Emergência, SA	8.880.580	(14.558)	(114)	86.010	4.235.896	—	—
UNITEL	1.781.222	(2.196.594)	—	—	136.938	(37.933)	—
PT—SI	1.120.850	(404.413)	—	—	17.990	(32.906)	—
PT Centro Corporativo	688.065	—	(15.740.207)	1.963.519	—	—	—
CV Móvel	551.873	(96.764)	—	—	13.152	(372)	—
PT PRO	450.597	—	(22.964.195)	106.051	—	7.728	—
PT Inovação	407.283	—	(8.749.337)	1.786.252	—	(499)	—
Timor Telecom	363.785	(77)	(4.706.860)	(13.874)	—	(17.970)	—
PT Contact	258.515	—	(37.074.794)	1.599.493	—	108	—
CST	176.890	(194.974)	—	—	12.530	(8.486)	—
Other companies	1.148.633	(680.559)	(12.344)	1.584.746	75.736	(1.875.786)	(1.665.098)
	123.273.735	**(143.150.844)**	**(107.179.998)**	**2.361.391**	**5.103.085**	**(3.867.866)**	**(16.208.161)**

	2011						
	Services rendered and sales	Direct cost of services rendered	Supplies and services	Personnel costs (a)	Other income	Other costs	Net interest expense
	Euros						
PT Comunicações	45.067.096	(116.663.536)	(14.988.424)	(5.047.528)	1.018.884	(1.882.941)	(21.624.023)
SIRESP Gestão Redes Digitais Segurança Emergência, SA	8.385.788	(30.300)	(577)	85.188	5.557.738	—	—
UNITEL	2.139.258	(2.926.561)	—	—	31.206	(149.999)	(4)
PT—SI	619.096	—	(17.676.690)	1.855.514	3	—	—
PT Centro Corporativo	532.132	—	(19.915.554)	98.922	1	—	—
CV Móvel	484.901	(100.282)	—	—	53.219	(33.960)	—
PT PRO	395.722	—	(10.213.851)	1.458.903	2	—	—
PT Inovação	376.983	—	(4.813.417)	(25.470)	2	(17.825)	—
Timor Telecom	350.270	(68.190)	—	—	3.822	(3.027)	—
PT Contact	256.746	—	(39.380.036)	1.219.475	2	—	—
CST	191.095	(53.458)	—	—	843	(2.824)	—
Other companies	708.923	(61.462)	(108.583)	38.218	26.268	(1.147.801)	(21.828)
	59.508.010	**(119.903.789)**	**(107.097.132)**	**(316.778)**	**6.691.990**	**(3.238.377)**	**(21.645.855)**

(a) This caption includes personnel assigned to other companies of the Portugal Telecom Group, in the amounts of 6,348,474 euros in 2012 and 5,451,835 euros in 2011, which were invoiced to these entities and recognized as a deduction from ''Wages and salaries.'' The expenses borne by the Company on personnel assigned by other companies of the Portugal Telecom Group refer essentially to personnel assigned by PT Comunicações, which amounted to 4,233,652 euros in 2012 and 4,934,242 euros in 2011.

(Amounts expressed in euros)

10. Related parties (Continued)

10.4. Other information

The remuneration attributed to members of the Company's corporate boards in the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
	Euros	
Board of Directors		
Fixed remuneration	—	850,972
Variable remuneration	—	384,875
Audit Board		
Statutory audit fees	40,000	50,000
	40,000	**1,285,847**

Remuneration of the members of the Board of Directors became fully borne by PT Portugal.

11. Deferrals

These captions were made up as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
EXPENSES TO BE RECOGNIZED		
Current		
Direct costs	4,974,597	4,833,160
Maintenance and repairs	2,745,797	1,412,231
Marketing and publicity	1,411,866	583
Rent and lease	311,317	356,351
Others	315,839	182,031
Total current	**9,759,416**	**6,784,356**
INCOME TO BE RECOGNIZED		
Current		
Pre- billing	30,925,007	32,746,299
Client loyalty program	12,073,209	11,586,233
Indemnities for non- contractual compliance by clients	7,866,182	7,339,783
Others	1,416,867	2,457,239
Total current	**52,281,265**	**54,129,554**

(Amounts expressed in euros)

12. Other financial assets and liabilities

These captions were made up as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
Other Financial Assets		
Non- current		
Costumers (note 15)	15,847	96,073
Accounts receivable related to QTE operations(a)	—	95,849,637
Others	1,955	6,064
Total Non-current	**17,802**	**95,951,774**
Current		
Accounts receivable related to QTE operations(a)	—	37,124,881
Total corrente	**—**	**37,124,881**
Total dos outros ativos financeiros	**17,802**	**133,076,655**
Other Financial Liabilities		
Non-current		
Accounts payable related to QTE operations(a)	—	95,849,637
Others (b)	34,932,378	34,667,874
Total Non-current	**34,932,378**	**130,517,511**
Current		
Accounts payable related to QTE operations(a)	—	37,124,881
Total current	**—**	**37,124,881**
Total other financial liabilities	**34,932,378**	**167,642,392**

(a) As explained in Note 3.8, in prior years the Company entered into QTE operations under which it recognized accounts receivable and payable of the same amount, corresponding to the amount of the sale of equipment and the amount of income not yet due under the lease contracts for the equipment, respectively. In 2012 the contracts signed for these operations were terminated early without significant costs for the Company.

(b) At 31 December 2012 and 2011 this caption reflected essentially obligations to dismantle and remove assets installed on third party property and to restore the respective locations to their original condition (Note 3.12), in the amounts of 32,705,960 euros and 32,388,113 euros, respectively.

13. Income tax

13.1. Framework

In 2011 the Company was subject to Corporate Income Tax at the rate of 25%, plus a municipal tax of up to 1.5% on taxable income and a state surcharge of 2.5% on taxable income in excess of 2 million euros, totaling an aggregate maximum of 29.0%. In 2012 the Company is subject to Corporate Income Tax at the rate of 25% plus (i) a municipal tax of up to 1.5% on taxable income and (ii) a state surcharge of 3% and 5% on taxable income between 1.5 and 10 million euros and on taxable income exceeding 10 million euros, respectively, resulting in a maximum aggregate rate of 31.5%. The Company's taxable income for 2012 and 2011 exceeded the above mentioned 10 million and 2 million euro limits and so it applied the tax rates of 31.5% and 29.0% to calculate estimated income tax for 2012 and 2011, respectively, having adjusted the effect of the tax rates applicable to taxable income up to the limits referred to above.

(Amounts expressed in euros)

13. Income tax (Continued)

In the calculation of taxable income, to which the tax rates referred to earlier are applicable, costs and income not acceptable for tax purposes are deducted or added to the accounting results.

The Company is included in the tax consolidation (*Regime Especial de Tributação dos Grupos de Sociedades*—''RETGS'') in which the parent company, PT SGPS, is dominant, and so estimated income tax and withholdings by third parties are recorded on the balance sheet as accounts payable to and receivable from PT SGPS.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for four years (five years for Social Security) except when there have been tax losses, tax benefits have been granted, or there are ongoing inspections, complaints or challenges, in which case, depending on the circumstances, the periods are extended or suspended. The Company's Board of Directors believes, supported by information from its tax advisors that any tax contingencies should not significantly affect the financial statements as of 31 December 2012, considering the provisions recorded and the existing expectations at this time regarding the resolution of the tax contingencies described in Note 19.

13.2. Deferred tax

In determining income tax expense for the year, in addition to current tax determined based on income before tax adjusted in accordance with tax legislation, the effect of temporary differences between income before tax and taxable income, arising in the year or in prior years, are also taken into account.

The changes in deferred tax assets during the years ended 31 December 2012 and 2011 were as follows:

	2012					
	Impairment of accounts receivable	Depreciation and amortization of fixed assets	Impairment of inventories	Provisions and adjustments	Other temporary differences	Total
	Euros					
Opening balance	—	20,501,141	—	22,775,930	736,725	**44,013,796**
Increase/(decrease)						
Net income	6,673,770	(3,850,567)	1,079,238	(880,361)	(49,216)	**2,972,864**
Equity	—	—	—	—	26,212	**26,212**
Closing balance	**6,673,770**	**16,650,574**	**1,079,238**	**21,895,569**	**713,721**	**47,012,872**

	2011			
	Depreciation and amortization of fixed assets	Provisions and adjustments	Other temporary differences	Total
	Euros			
Opening balance	25,947,162	22,492,302	418,717	**48,858,181**
Increase/(decrease)				
Net income	(7,073,096)	(1,523,986)	179,153	**(8,417,929)**
Equity	—	—	80,385	**80,385**
Change in the tax rate				
Net income	1,627,075	1,807,614	51,540	**3,486,229**
Equity	—	—	6,930	**6,930**
Closing balance	**20,501,141**	**22,775,930**	**736,725**	**44,013,796**

(Amounts expressed in euros)

13. Income tax (Continued)

The changes in deferred tax liabilities in the years ended 31 December 2012 and 2011 were as follows:

	2012	
	Other temporary differences	Total
	Euros	
Opening balance	319,159	**319,159**
Increase/(decrease)		
Net income	(106,386)	**(106,386)**
Closing balance	**212,773**	**212,773**

	2011	
	Other temporary differences	Total
	Euros	
Beginning balance	391,772	**391,772**
Increase/(decrease)		
Net result	(97,943)	**(97,943)**
Change in the tax rate		
Net result	25,330	**25,330**
Closing balance	**319,159**	**319,159**

13.3. Reconciliation of the tax rate

In the years ended 31 December 2012 and 2011, reconciliation between the theoretical amount resulting from applying the nominal tax rate to income before tax and income tax expense is as follows:

	2012	2011
	Euros	
Income before tax	**331,654,062**	**375,342,443**
Nominal tax rate	31.5%	29.0%
Expected tax	**104,471,030**	**108,849,308**
Permanent differences (i)	(22,024,852)	(14,614,284)
Reversal of prior year deferred tax	(4,533,837)	(877,941)
Insufficiency /excess of prior year income tax	2,132,056	(708,292)
Impact of change in the rate on the calculation of deferred tax (ii)	—	(3,460,899)
Others	35,476	334,564
	80,079,873	**89,522,456**
Income tax		
Current tax	83,159,123	84,663,369
Deferred tax	(3,079,250)	4,859,087
	80,079,873	**89,522,456**

(Amounts expressed in euros)

13. Income tax (Continued)

(i) Permanent differences are made up as follows:

	2012	2011
	Euros	
Effect of applying the equity method (Note 24)	(68,573,630)	(50,340,710)
Tax benefits	(1,057,306)	(629,560)
Difference between the accounting and tax gains and losses	(8,342)	(606,594)
Provisions and impairment losses not considered for deferred tax purposes	840,940	773,867
Others	(1,121,826)	408,915
	(69,920,164)	**(50,394,082)**
Nominal tax rate	31.5%	29.0%
	(22,024,852)	**(14,614,284)**

(ii) This caption corresponds to the impact of a change in the tax rate used to calculate deferred tax, from 29.0% to 31.5% on 31 December 2010 and 2011, respectively, as a result of the change in tax legislation at the end of 2011

13.4. Other information

In accordance with Law 40/2005 of 3 August, which approved the SIFIDE—*Sistema de Incentivos Fiscais em Investigação e Desenvolvimento Empresarial* (System of Tax Incentives for Investigation and Business Development), in 2012 the Company presented its application for 2011 in the amount of 417,152 euros.

The Company included a deduction of 2,344,049 Euros in its tax return for 2012 in accordance with Law 10/2009 of 10 March, which approved the RFAI—*Regime Fiscal de Apoio ao Investimento* (Tax Regime for the Support of Investment), based on significant investments made in new generation broadband networks.

14. Inventories

This caption was made up as follows at 31 December 2012 and 2011:

	2012			2011		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Euros					
Goods	34,344,331	(14,459,940)	19,884,391	43,860,085	(18,365,977)	25,494,108
Raw, subsidiary and consumable materials	1,584,085	(121,895)	1,462,190	1,607,738	(276,919)	1,330,819
	35,928,416	**(14,581,835)**	**21,346,581**	**45,467,823**	**(18,642,896)**	**26,824,927**

(Amounts expressed in euros)

14. Inventories (Continued)

The cost of raw, subsidiary and consumable materials consumed in 2012 and 2011 was determined as follows:

	2012			2011		
	Goods	Materials	Total	Goods	Materials	Total
			Euros			
Opening balance	43,860,085	1,607,738	**45,467,823**	48,419,220	1,711,251	**50,130,471**
Purchases	126,406,613	412,345	**126,818,958**	139,252,811	444,445	**139,697,256**
Adjustments	(31,080,007)	2,098,589	**(28,981,418)**	(37,799,268)	2,743,799	**(35,055,469)**
Closing balance	34,344,331	1,584,085	**35,928,416**	43,860,085	1,607,738	**45,467,823**
Cost of products sold and materials consumed	**104,842,360**	**2,534,587**	**107,376,947**	**106,012,678**	**3,291,757**	**109,304,435**

The changes in accumulated impairment losses on inventories in 2012 and 2011 were as follows:

	2012			2011		
	Goods	Materials	Total	Goods	Materials	Total
			Euros			
Opening balance	18,365,977	276,919	**18,642,896**	20,032,839	12,570	**20,045,409**
Increase	11,551	—	**11,551**	566,068	—	**566,068**
Reversal	(3,917,588)	(155,024)	**(4,072,612)**	(1,547,981)	(420,600)	**(1,968,581)**
Other changes	—	—	—	(684,949)	684,949	—
Closing balance	**14,459,940**	**121,895**	**14,581,835**	**18,365,977**	**276,919**	**18,642,896**

15. Accounts receivable and unbilled revenues

These captions were made up as follows at 31 December 2012 and 2011:

	2012			2011		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
			Euros			
Trade accounts receivable—current assets	295,799,651	(93,909,837)	201,889,814	313,019,288	(98,875,939)	214,143,349
Trade accounts receivable—non-current assets	15,847	—	15,847	96,073	—	96,073
Trade receivables	**295,815,498**	**(93,909,837)**	**201,905,661**	**313,115,361**	**(98,875,939)**	**214,239,422**
Unbilled revenues	104,201,086	—	104,201,086	133,859,939	—	133,859,939
	400,016,584	**(93,909,837)**	**306,106,747**	**446,975,300**	**(98,875,939)**	**348,099,361**

(Amounts expressed in euros)

15. Accounts receivable and unbilled revenues (Continued)

The changes in accumulated impairment losses on trade accounts receivable in 2012 and 20 were as follows:

	2012	2011
	Euros	
Opening balance	98,875,939	114,325,998
Increase/(reversal)	11,166,860	5,006,649
Utilization (a)	(16,132,962)	(20,456,708)
Closing balance	**93,909,837**	**98,875,939**

(a) This caption corresponds to the utilization of accumulated impairment losses to cover doubtful receivables that were considered as uncollectible and had been fully adjusted.

The Company is exposed to credit risk due to the possibility that a counterparty might not fulfill its contractual obligations, resulting in financial loss. Credit risk relates essentially to accounts receivable for services rendered to clients and is monitored regularly with the following objectives: (a) limiting the credit extended to clients, considering their respective profiles and the age of the accounts receivable; (b) monitoring evolution of the level of credit extended; (c) regularly testing of amounts receivable for impairment; and (d) analyzing market risk where the client is located. The Company is not exposed to any significant credit risk relating to any particular client, as its accounts receivable result from a large number of clients.

The aging of accounts receivable net of impairment losses at 31 December 2012 and 2011 was as follows:

	2012			2011		
	Receivables from PT Group companies	Receivables from other companies	Total	Receivables from PT Group companies	Receivables from other companies	Total
	Euros					
Balance not yet due	21,994,249	40,473,715	62,467,964	18,989,514	66,250,113	85,239,627
Balance due						
0-60 days	3,626,042	24,364,021	27,990,063	1,103,922	19,441,106	20,545,028
60-90 days	1,109,927	3,587,679	4,697,606	(295,843)	2,230,515	1,934,672
90-180 days	1,601,762	5,496,429	7,098,191	857,764	5,473,053	6,330,817
180-360 days	(353,868)	9,569,072	9,215,204	745,419	5,405,615	6,151,034
360-720 days	1,706,213	5,014,934	6,721,147	282,831	1,172,843	1,455,674
More than 720 days	1,013,634	82,701,852	83,715,486	858,501	91,724,069	92,582,570
Trade receivables	**30,697,959**	**171,207,702**	**201,905,661**	**22,542,108**	**191,697,314**	**214,239,422**

(Amounts expressed in euros)

16. State and other public entities

The debit and credit balances with the State and other public entities at 31 December 2012 and 2011 are made up as follows:

	2012		2011	
	Debit balance	Credit balance	Debit balance	Credit balance
	Euros			
Value Added Tax	—	8,731,468	—	9,897,766
Social Security	—	896,308	—	886,421
Income tax withholdings	—	723,989	—	672,078
Other taxes	275,246	10,043	2,859	6,967
	275,246	**10,361,808**	**2,859**	**11,463,232**

17. Other receivables and payables

These captions were made up as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
OTHER RECEIVABLES		
Current		
Group companies (Note 10)	943,457	492,853
Personnel	185,586	43,781
Sundry invoicing	—	11,184
Community subsidies	—	—
Other debtors	9,181,939	12,176,603
Total current	**10,310,982**	**12,724,421**
Accumulated impairment losses	—	—
Total other receivables	**10,310,982**	**12,724,421**
OTHER PAYABLES		
Non-current		
License LTE	19,082,848	23,087,862
Total Non-current	**19,082,848**	**23,087,862**
Current		
Commitments relating to the UMTS licence	35,555,145	34,742,823
LTE licenses	6,000,000	83,000,000
Agents' commission	3,293,131	2,376,975
Related parties (note 10)	54,601	2,955,322
Other creditors	3,430,361	14,997,901
Total current	**48,333,238**	**138,073,021**
Total other payables	**67,416,086**	**161,160,883**

(Amounts expressed in euros)

18. Shareholders' equity

18.1. Capital

At 31 December 2012 and 2011 the Company's share capital was fully paid up and amounted to 47,000,000 Euros, being represented by 9,400,000 nominal shares of 5 Euros each. The Company's share capital is fully owned by PT Comunicações (Note 1).

18.2. Legal reserve

Commercial legislation and the Company's bylaws establish that at least 5% of annual net income must be appropriated to a legal reserve until the reserve represents 20% of share capital. The reserve cannot be distributed other than in the event of the liquidation of the company, but can be used to absorb losses, after all the other reserves have been exhausted, or for incorporation into capital.

At 31 December 2012 and 2011 the legal reserve was fully constituted in accordance with applicable commercial legislation and amounted to 9,400,000 Euros.

18.3. Adjustments to financial assets

The changes in this caption in 2012 and 2011 were as follows:

	Unpaid dividends	Foreign currency exchanges differences	Other changes in shareholders' equity(b)	Total
		Euros		
Balance at 1 January 2011	**2,165**	**—**	**(302)**	**1,863**
Equity method	—	(229,436,015)	(403,727)	**(229,839,742)**
Unappropriated profit of PT Móveis	5,689,037,476	—	—	**5,689,037,476**
Balance at 31 December 2011	**5,689,039,641**	**(229,436,015)**	**(404,029)**	**5,459,199,597**
Equity method	—	(350,110,383)	48,960,382	**(301,150,001)**
Unappropriated profit of PT Móveis	45,340,711	—	—	**45,340,711**
Balance at 31 December 2012	**5,734,380,352**	**(579,546,398)**	**48,556,353**	**5,203,390,307**

(a) This caption corresponds basically to the Company's participation in other changes in shareholders' equity of PT Móveis not resulting from participation in the net result of the subsidiary. In 2012 and 2011 this caption corresponded essentially to negative translation adjustments resulting from depreciation of the Brazilian Real in relation to the Euro in the investment held indirectly in the Oi Group, which was acquired on 28 March 2011 by Bratel Brasil, as explained in Note 1.

(b) The other changes in shareholders' equity in 2012 resulting from application of the equity method relate essentially to gain recorded by Bratel Brasil, in the amount of 49 million euros, resulting from the Oi Group's corporate reorganization in March 2012.

The changes relating to application of the equity method were recorded by corresponding entry to investments recorded in accordance with the equity method as follows:

	2012	2011
	Euros	
Equity investments in subsidiary and associated companies (Note 9)	(301,149,820)	(229,840,205)
Provision for negative investments (Note 19)	(181)	463
	(301,150,001)	**(229,839,742)**

(Amounts expressed in euros)

18. Shareholders' equity (Continued)

18.4. Appropriation of earnings

In 2011, as decided at the Shareholders' General Meeting held on 25 March 2011, net earnings for 2010, amounting to 5,889,053,625 euros, were appropriated in full to retained earnings.

In 2012, as decided at the Shareholders' General Meeting held on 28 March 2012, net earnings for 2011, amounting to 285,819,986.56 euros, were appropriated as follows: (1) dividends to be distributed of 235,479,275.19 euros; (2) retained earnings of 50,340,711.37 euros.

19. Provisions, contingent liabilities and contingent assets

19.1. Changes in provisions

The changes in provisions in 2012 and 2011 were as follows:

	2012				
	Taxes	Legal processes in progress	Negative investments (Note 10)	Other provisions	Total
			Euros		
Opening balance	3,613,271	11,284,872	—	5,043,895	**19,942,038**
Increase	1,461,158	—	1,006	—	**1,462,164**
Decrease	(628,805)	(303,264)	—	(132,225)	**(1,064,294)**
Utilization	(33,063)	—	—	—	**(33,063)**
Other changes	(828,922)	—	—	—	**(828,922)**
Closing balance	**3,583,639**	**10,981,608**	**1,006**	**4,911,670**	**19,477,923**

	2011				
	Taxes	Legal processes in progress	Negative investments (Note 10)	Other provisions	Total
			Euros		
Opening balance	3,175,235	15,586,554	463	35,098,297	**53,860,549**
Increase	789,524	—	—	1,241,158	**2,030,682**
Decrease	(351,488)	(4,301,682)	(463)	—	**(4,653,633)**
Other changes	—	—	—	(31,295,560)	**(31,295,560)**
Closing balance	**3,613,271**	**11,284,872**	**—**	**5,043,895**	**19,942,038**

The provision for negative investments is to cover losses in subsidiaries that have negative shareholders' equity (Note 10), and is calculated based on the percentage participation in the capital of these companies. The changes in the provisions in the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
	Euros	
Equity method		
Losses in subsidiary and associated companies (Note 24)	825	—
Adjustments to financial assets (Note 18)	181	(463)
	1.006	**(463)**

(Amounts expressed in euros)

19. Provisions, contingent liabilities and contingent assets (Continued)

19.2. Processes with probable loss

The provision for taxes is to cover several Corporate Income Tax and Social Security contingencies, as well as other taxes and rates.

The provision for legal processes in progress is to cover liabilities resulting from processes brought against the Company, estimated based on information from its lawyers.

At 31 December 2012 and 2011 the Company, based on the opinion of its internal and external lawyers, classified several legal and arbitration processes in progress and tax contingencies as of probable loss and so it recorded provisions in accordance with NCRF 21—Provisions, Contingent Liabilities and Contingent Assets to cover the probable outflow of resources. The nature of the processes is as follows:

	2012	2011
	Euros	
Legal processes in progress		
Civil responsibility	10,084,018	10,147,398
Labour responsibility	286,871	462,161
Other responsibilities	610,719	675,313
	10,981,608	**11,284,872**
Tax contingencies	3,583,639	3,613,271
	14,565,247	**14,898,143**

Processes with possible loss

At 31 December 2012 and 2011, the Company, based on the opinion of its internal and external lawyers, classified several legal and arbitration processes in progress and tax contingencies as of possible loss in accordance with NCRF. The nature of the processes is as follows:

	2012	2011
	Euros	
Legal processes in progress		
Civil responsibility (a)	8,203,539	455,394
Other responsibilities	3,869,544	4,153,953
	12,073,083	**4,609,347**

(a) The increase in these processes in relation to the preceding year results essentially from the new Noxitel process, dated May 2012, in the amount of 6,000,000 euros, regarding non-contractual compliance, which ended in 2013 without any penalty for the Company.

The Board of Directors believes that any corrections resulting from revisions/inspections of tax returns by the tax authorities will not have a significant effect on the financial statements as of 31 December 2012, considering the provisions recorded and the expectations at this time with respect to the final resolution of the above mentioned matters.

19.3. Other processes

The Company received additional Corporate Income Tax assessments relating to the financial years 2004 to 2009, and a tax inspection report relating to 2010, which essentially question the deductibility of certain financial costs, in the total amount tax amount of 198.5 million euros. The Company disagrees with these assessments and conclusions, and considers, based on the opinion of its tax consultants, that there are solid arguments to oppose the position of the tax authorities.

(Amounts expressed in euros)

19. Provisions, contingent liabilities and contingent assets (Continued)

19.4. Contingent assets

Contingent assets at 31 December 2012 amounted to approximately 4.4 million Euros and correspond essentially to processes brought by the Company against third parties, relating to situations of breach of 2G equipment sales contracts, the rendering of services and lack of payment for Wi-Fi services.

20. Loans obtained

Loans obtained at 31 December 2012 and 2011 are made up as follows:

	2012		2011	
	Non-current	Current	Non-current	Current
	Euros			
Loans from Group companies (Note 10)	340,000,000	—	340,000,000	—
Centralized treasury system (Note 10)	—	37,803,523	—	—
Finance leasing	1,311,519	2,577,104	3,367,496	6,375,667
Other financing	—	21,719	—	111,508
	341,311,519	**40,402,346**	**343,367,496**	**6,487,175**

20.1. Loans from Group companies

In June 2010 the Company obtained shareholders' loans from PT Portugal, its previous shareholder, in the amount of 500,000,000 Euros, which did not have an established maturity. On 30 November 2010, these advances were ceded by PT Portugal to PT Comunicações at their nominal amount, under the sale of the participation in TMN. On 2 December 2011, the Company repaid the amount of 160,000,000 Euros relating to these shareholders' loans (Note 4).

20.2. Centralized treasury

Starting on March 2006 Portugal Telecom began centralizing all receipts and payments of the Group companies headquartered in Portugal. The loans obtained by the Company under the centralized cash management system have short-term maturities and bear interest at market rates.

20.3. Commercial paper

On 25 June 1999 Portugal Telecom established a Framework Agreement for the Issuance of Commercial Paper, in which the Company participates, which has been amended several times and at 31 December 2012 was for a maximum of 3,500,000,000 Euros. The framework agreement is in effect until 7 July 2013, and is automatically renewable for successive 2-year periods, until 7 July 2025, unless it is terminated by any of the parties.

On 1 June 2000 Portugal Telecom established a Framework Agreement for the Issuance of Commercial Paper, in which the Company participates, which has been amended several times and, at 31 December 2013, was for a maximum amount of 3,000,000,000 Euros. The contract is in effect until 1 June 2014 and is automatically renewable for successive 2-year periods, until 1 June 2020, unless it is terminated by any of the parties.

At 31 December 2012 and 2011 the Company was not drawn any amount under these programs. In 2011 the Company repaid 49,900,000 euros which was outstanding at 31 December 2010 (Note 4).

20.4. Finance leasing

Financial lease obligations result essentially from: (i) vehicle leases, which generally include purchase options upon termination; and (ii) rights to use transmission capacity over fiber optic circuits.

(Amounts expressed in euros)

20. Loans obtained (Continued)

At 31 December 2012 and 2011 the Company had the following assets recorded on the balance sheet under the finance lease:

	2012			2011		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net Value
	Euros					
Tangible fixed assets						
Transport equipment	4,797,856	2,986,250	1,811,606	5,667,617	3,108,984	2,558,633
Other tangible fixed assets	737,926	272,224	465,702	181,688	68,133	113,555
	5,535,782	3,258,474	2,277,308	5,849,305	3,177,117	2,672,188
Intangible assets						
Industrial property and other rights	2,864,046	1,311,650	1,552,396	14,678,357	8,233,175	6,445,182
	8,399,828	4,570,124	3,829,704	20,527,662	11,410,292	9,117,370

The minimum finance lease contractual payments at 31 December 2012 and 2011 mature as follows

	2012			2011		
	Principal	Interest	Total	Principal	Interest	Total
	Euros					
Up to 1 year	2,577,104	203,515	2,780,619	6,375,667	677,434	7,053,101
From 1 to 2 years	671,392	48,671	720,063	1,675,843	166,696	1,842,539
From 2 to 3 years	501,782	14,337	516,119	1,271,558	57,100	1,328,658
From 3 to 4 years	67,735	5,397	73,132	410,978	4,903	415,881
From 4 to 5 years	70,610	1,667	72,277	9,117	276	9,393
	3,888,623	**273,587**	**4,162,210**	**9,743,163**	**906,409**	**10,649,572**

21. Trade payables

The captions ''Trade payables'' and ''Investment suppliers'' at 31 December 2012 and 2011 are made up as follows:

	2012	2011
	Euros	
Trade payables		
Current account	209,491,363	185,888,913
Invoices pending approval	4,901,774	11,096,488
	214,393,137	**196,985,401**
Investment suppliers		
Current account	46,601,212	77,483,995
Invoices pending approval	1,792,312	5,915,289
	48,393,524	**83,399,284**

(Amounts expressed in euros)

22. Accrued expenses

This caption was made up as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
Support services	48,931,816	62,231,272
Accrued interest and other financial expenses	27,519,410	13,404,600
Commissions	20,123,148	19,098,275
Direct cost of services rendered and other costs with telecommunications operators	18,013,062	21,918,065
Other supplies and services	10,607,460	12,001,596
Accrued vacation pay, subsidies and other personnel costs	6,179,096	9,588,617
Specialized work	5,817,463	5,307,959
Others	2,298,645	2,682,277
	139,490,100	**146,232,661**

23. Services rendered and sales

These captions were made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Services rendered		
Invoicing	977,459,009	1,025,591,698
Interconnection	68,409,374	99,057,908
Roaming operators	18,749,961	26,442,863
Sales	88,691,659	92,923,147
	1,153,310,003	**1,244,015,616**

24. Equity in earnings of affiliated companies

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Gain and loss on subsidiaries		
Gain	68,576,645	50,340,710
Loss	(3,015)	—
	68,573,630	**50,340,710**

(Amounts expressed in euros)

24. Equity in earnings of affiliated companies (Continued)

Gain and loss on subsidiaries resulting from application of the equity method in the years ended 31 December 2012 and 2011 (Notes 10.2 and 13.3) were recognized by corresponding entry to the following captions:

	2012	2011
	Euros	
Financial Investments (Note 9)		
PT Móveis	68,576,645	50,338,276
PT Sistemas de Informação	(2,190)	2,434
	68,574,455	**50,340,710**
Provision for negative financial investments (Note 19)		
PT Sistemas de Informação	(825)	—
	68,573,630	**50,340,710**

25. Direct costs

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Cost of capacity rent	116,950,631	91,186,377
Interconnection cost	74,815,235	97,281,185
Rent of base stations	20,898,905	20,813,007
Contents of internet and mobile service	12,377,473	16,847,207
Others	212,179	138,482
	225,254,423	**226,266,258**

26. Supplies and external services

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Support services	84,095,238	85,295,264
Commission	64,287,368	75,824,545
Specialized work	31,483,543	35,464,858
Maintenance and repairs	30,835,907	31,552,232
Electricity	14,167,250	15,010,358
Rent and lease	12,405,388	13,907,860
Communication	5,935,293	6,276,255
Transport	4,070,337	4,023,148
Fuel, water and other liquids	1,120,578	1,087,134
Travel and lodging	1,110,897	915,873
Insurance	755,284	879,084
Installing, assembling and disconnecting	550,045	259,739
Fees	538,935	444,606
Others (a)	10,540,676	8,612,432
	261,896,739	**279,553,388**

(Amounts expressed in euros)

26. Supplies and external services (Continued)

The Company's future liability under operating lease contracts matured as follows at 31 December 2012 and 2011:

	2012	2011
	Euros	
Up to 1 year	61,647,285	45,587,612
From 1 to 2 years	40,467,372	12,734,528
From 2 to 3 years	11,149,980	11,639,819
From 3 to 4 years	9,395,535	10,164,841
From 4 to 5 years	8,279,865	8,478,445
More than 5 years	26,024,967	30,135,491
	156,965,004	**118,740,736**

27. Personnel costs

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Remuneration	35,607,140	38,414,021
Social charges	8,025,560	8,114,875
Healthcare	574,649	602,108
Social action	227,052	229,095
Training	181,315	433,564
Others	253,098	247,975
	44,868,814	**48,041,638**

28. Indirect taxes and rates

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Anacom rates	15,256,934	16,557,661
Value Added Tax[(a)]	16,275	(1,645,062)
Others	498,886	475,577
	15,772,095	**15,388,176**

(a) This caption in 2011 includes the reversal of costs recorded in prior years relating to Value Added Tax on credit notes issued to clients as the Company believes it will be recovered.

(Amounts expressed in euros)

29. Other income

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Supplementary income[(a)]	9,917,138	11,350,431
Interest on overdue payments	1,918,363	2,272,280
Recovery of receivables	1,655,043	1,192,075
Exchange gain	1,316,873	2,698,409
Gain on inventories	261,121	687,380
Others	899,290	175,231
	15,967,828	**18,375,806**

(a) This caption includes essentially income from the rent of space

30. Other expenses

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Write-off of tangible fixed assets[(a)]	2,400,905	126,168
Losses on inventories	1,503,287	1,774,341
Losses on exchange rate differences	1,434,249	2,711,971
Financial discount allowed	362,514	456,871
Uncollectible receivables	310,136	3,485,196
Others[(b)]	16,044,013	10,867,861
	22,055,104	**19,422,408**

(a) The increase in this caption in 2012 is due essentially to the substitution of hardware and software equipment due to updating of the NGIN platform that resulted in its write-off.

(b) This item essentially reflects non-recurring adjustments to cover the collection risk of certain accounts receivable.

31. Depreciation and amortization

This caption is made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Tangible fixed assets (Note 6)	117,784,979	129,000,972
Intangible assets (Note 8)	63,001,196	65,420,666
	180,786,175	**194,421,638**

(Amounts expressed in euros)

32. Interest and related income/expenses

These captions are made up as follows for the years ended 31 December 2012 and 2011:

	2012	2011
	Euros	
Interest and related income		
Interest income	468,450	5,414,562
Others	914,203	212,565
	1,382,653	**5,627,127**
Interest and related expenses		
Interest expense	18,364,882	22,155,201
Finance leasing	166,137	169,742
Commission and other bank charges	610,516	97,582
Others	3,323,362	505,724
	22,464,897	**22,928,249**

Interest income and expense for the years ended 31 December 2012 and 2011 are made up as follows:

	2012	2011
	Euros	
Interest income		
Term deposits	463,290	5,378,575
Group companies	5,160	35,987
	468,450	**5,414,562**
Interest cost		
Group companies	16,213,321	21,620,363
Bank loans	2,014	1,863
Others[(a)]	2,149,547	532,975
	18,364,882	**22,155,201**

(a) The increase in this caption is due essentially to the effect of updating the liability for the acquisition of the 4G/LTE license (Note 17), concluded in December 2011.

33. Earnings per share

Earnings per share for the years ended 31 December 2012 and 2011 were calculated as follows:

	2012	2011
	Euros	
Net income	251,574,189	285,819,987
Number of shares	9,400,000	9,400,000
Basic earnings per share	**26.76**	**30.41**

There are no situations that result in dilution and so diluted earnings per share are the same as basic earnings per share.

(Amounts expressed in euros)

34. Guarantees and other financial commitments

At 31 December 2012 and 2011 the Company had the following guarantees and other financial commitments in favour of third parties:

	2012	2011
	Euros	
Bank guarantees in favour of the courts	**112,031**	**109,116**
Bank guarantees requested by the Company in favour of third parties:		
Anacom	30,000,000	15,000,000
Tax administration	2,863,418	2,874,128
Others	2,397,784	2,206,927
	35,261,202	**20,081,055**
Total guarantees	**35,373,233**	**20,190,171**
Purchase commitments to:		
Suppliers of fixed assets	21,383,567	34,286,840
Suppliers of inventories	30,193,567	20,826,447
Others	14,608,520	9,433,834
	66,185,654	**64,547,121**

The bank guarantee provided in favor of Anacom at 31 December 2012, in the amount of 30,000,000 Euros, was requested by Anacom in the auction of spectrum usage rights, and corresponds to the total amount of the outstanding instalments (Note 17).

The bank guarantees provided in favor of other entities at 31 December 2012 includes essentially the amount of 1.7 million Euros in respect of contracts to use shops.

The purchase commitments refer to: (i) orders placed and not satisfied, essentially to acquire telecommunications infrastructure and equipment, in the normal course of business, in the total amount of 51,577,134 euros; and (ii) service orders for the supply of services placed and not satisfied, in the normal course of business, in the amount of 14,608,520 euros.

35. Post balance sheet date occurrences

The financial statements as of 31 December 2012 were approved by the Board of Directors and authorized for issuance on 20 February 2013, being still subject to approval at the Shareholders' General Meeting, under the terms of applicable commercial legislation in Portugal.

There have been no significant events after 31 December 2012 that would require adjustments or disclosure in the accompanying financial statements.

36. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in conformity with the NCRF, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

ANNEX TO FINANCIAL STATEMENTS

ALTICE FRANCE S.A.

ALTICE FRANCE S.A.
(formerly ALTICE SIX S.A.)

Société anonyme

Annual accounts as of and for the year ended December 31, 2013

3, Boulevard Royal
L-2449 Luxembourg
RCS Luxembourg B 135.296
Subscribed capital : EUR 283.469.500

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

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Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg
Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the sole Shareholder of
Altice France S.A.
(formerly Altice Six S.A.)
3, boulevard Royal
L-2449 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying annual accounts of Altice France S.A. (formerly Altice Six S.A.), which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Altice France S.A. (formerly Altice Six S.A.) as of December 31, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

September 30, 2014

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Balance sheet as of December 31, 2013

(Denominated in EUR)

	Note(s)	2013 EUR	2012 EUR
ASSETS			
Formation expenses	3	-	224
Fixed assets			
Financial fixed assets	4		
Shares in undertakings with which the company is linked by virtue of participating interests	4.1	613.212.048	31.660.501
Amounts owed by undertakings with which the company is linked by virtue of participating interests	4.2	-	382.748.463
		613.212.048	414.408.964
Current assets			
Debtors			
Amounts owed by undertakings with which the company is linked by virtue of participating interests becoming due and payable within one year	4.2	-	9.271.777
Other receivables			
becoming due and payable within one year	5.1	1.344.940	100.548
becoming due and payable after more than one year		-	660.000
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		253.724	101.247
		1.598.664	10.133.572
Prepayments	11	4.249.314	-
Total assets		**619.060.027**	**424.542.761**

The accompanying notes form an integral part of these annual accounts.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Balance sheet as of December 31, 2013

(Denominated in EUR)

	Note(s)	2013 EUR	2012 EUR
LIABILITIES			
Capital and reserves			
Subscribed capital	6	203.674.129	203.674.129
Share premium and similar premium	8	151.883.946	-
Profit or loss brought forward	9	(352.111.855)	(502.882.411)
Profit or loss for the financial year		(52.437.157)	150.770.556
		(48.990.936)	(148.437.726)
Subordinated debts	10	341.175.696	572.853.125
Non subordinated debts			
Amounts owed to credit institutions	11		
becoming due and payable within one year		2.097.307	-
becoming due and payable after more than one year		323.986.270	-
Trade creditors			
becoming due and payable with one year		440.468	124.612
Amounts owed to undertakings with which the company is linked by virtue of participating interests			
becoming due and payable within one year		8.891	-
Tax and social security debts	12		
Tax debts		49.931	2.750
Other creditors			
becoming due and payable within one year	13	292.400	-
Total liabilities		**619.060.027**	**424.542.761**

The accompanying notes form an integral part of these annual accounts.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Profit and loss account for the year ended December 31, 2013
(Denominated in EUR)

	Note(s)	From 01/01/2013 to 31/12/2013 EUR	From 01/01/2012 to 31/12/2012 EUR
CHARGES			
Other external charges	14	686.896	107.019
Value adjustments on formation expenses and on tangible and intangible fixed assets	3	224	29.155
Other operating charges		750	28.431
Interest and other financial charges			
concerning affiliated undertakings	10	75.776.892	11.470.997
other interest and similar financial charges	11	2.294.950	-
Extraordinary expenses		-	-
Income tax	12	3.210	1.575
Other taxes not included in the previous caption	12	62	62
Profit for the financial year		-	150.770.556
Total charges		**78.762.983**	**162.407.795**
INCOME			
Income from financial fixed assets			
other income from participating interests	4	26.317.847	162.325.246
Other interest and other financial income			
other interest and similar financial income		7.979	16.409
Extraordinary income		-	66.140
Loss for the financial year		52.437.157	-
Total income		**78.762.983**	**162.407.795**

The accompanying notes form an integral part of these annual accounts.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Notes to the accounts as of December 31, 2013

Note 1 - General information

ALTICE FRANCE S.A., formerly ALTICE SIX S.A. (hereinafter referred to as the “Company”) was incorporated on December 18, 2007 and organized under the law of Luxembourg as a “société anonyme” for an unlimited period.

The registered office of the Company is established at 3, Boulevard Royal, L-2449 Luxembourg. The Company is registered to the Trade Register under number B 135 296 in Luxembourg.

On January 31, 2014, Next LP (Sole Shareholder of the Company) contributed all its economic interests in Altice France S.A. to Altice S.A. in exchange for shares in Altice S.A..

The Company’s financial year starts on January 1 and ends on December 31 of each year.

The purpose of the Company is the acquisition, the management, the development and the transfer of participations in any form whatsoever, in Luxembourg and foreign companies.

Furthermore, the Company can acquire and transfer other sorts of securities, by subscription, purchase, exchange, sale or any other manner, to contract various loans and to proceed to the issue of bonds or of convertible bonds and debt securities, to grant any assistance, loan, moves forward or guaranteed to the companies in which it holds a direct or indirect participation or to any companies being a member of the same group of companies as the Company.

Generally speaking, the Company is authorized to make any commercial, industrial and financial operation which could be in the field of the immovable securities or the property, susceptible to increase or to complete objects mentioned above.

The Company is part of the Altice S.A. group (“Altice”). The annual accounts are included in the combined financial statements of Altice S.A. and are available at 3, Boulevard Royal, L-2449 Luxembourg.

Based on the criteria defined by Luxembourg Law (article 314 of the commercial law), the Company is exempted from the obligation to draw up consolidated accounts and a consolidated management report. Therefore, in accordance with legal provisions, these annual accounts were presented on a non-consolidated basis for the approval of the shareholders during the Annual General Meeting.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Notes to the accounts as of December 31, 2013

Note 2 - Summary of significant accounting policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the Law of December 19, 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Formation expenses

Formation expenses are written off on a straight-line basis over a period of 5 years.

2.2.2 Financial assets

Shares in undertakings and loans to these undertakings are valued at purchase price including the expenses incidental thereto.

In the case of durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of transaction.

Formation expenses and financial fixed assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The realised and unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognised in the profit and loss account or revaluation reserves with the change in fair value.

2.2.5 Provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Tax debts". The advance payments are shown in the assets of the balance sheet under the "Other debtors" caption.

2.2.6 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear method.

Subordinated debts are recorded under subordinated debtors when their status is subordinated to unsecured debts.

2.2.7 Prepayments

This asset item includes expenditures incurred during the financial year but related to a subsequent financial year. Initial costs in relation to the issuance of the external loan are expensed over the duration of the corresponding loan.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Notes to the accounts as of December 31, 2013

Note 3 - Formation expenses

Formation expenses comprise incorporation expenses incurred for the creation of the Company and capital increase expenses.

The movements for the year are as follows:

	2013 EUR	2012 EUR
Gross book value - opening balance	**155.079**	**155.079**
Additions for the year	-	-
Gross book value - closing balance	**155.079**	**155.079**
Accumulated value adjustement - opening balance	**(154.855)**	**(125.700)**
Allocations for the year	(224)	(29.155)
Accumulated value adjustement - closing balance	**(155.079)**	**(154.855)**
Net book value - closing balance	-	**224**
Net book value - opening balance	**224**	**29.379**

Note 4 – Financial assets

The movements for the year are as follows:

	Shares in undertakings with which the company is linked by virtue of participating interests EUR	Amounts owed by undertakings with which the company is linked by virtue of participating interests EUR
Gross book value - opening balance	**31.660.501**	**385.549.357**
Additions/(decrease) for the year	581.551.547	(385.549.357)
Gross book value - closing balance	**613.212.048**	**-**
Accumulated value adjustement - opening balance	**-**	**(2.800.894)**
(Value adjustment)/Reversal for the year (*)	-	2.800.894
Accumulated value adjustement - closing balance	**-**	**-**
Net book value - closing balance	**613.212.048**	**-**
Net book value - opening balance	**31.660.501**	**382.748.463**

The fair value of undertakings with which the Company is linked by virtue of participating interests exceed the book value of the shares and the book value of the amounts owed by undertakings with which the Company is linked by virtue of participating interests. As a consequence, no value adjustments have been recorded as at December 31, 2013.

ALTICE FRANCE S.A. (formerly ALTICE SIX S.A.)

Notes to the accounts as of December 31, 2013

4.1Shares in undertakings with which the company is linked by virtue of participating interests

As at 31 December 2013, the breakdown of shares in undertakings with which the company is linked by virtue of participating interests is as follows:

		As at 31/12/2012		As at 31/12/2013			
Company name	Registered offices	Book value EUR	Share capital %	Book value EUR	Share capital %	Net equity as of 31/12/2013 EUR	Profit/(Loss) for the EUR
Fiberman S.C.A. (*)	5, rue Guillaume Kroll L-1882 Luxembourg	775.767	12,67%	792.707	12,84%	6.041.703	(17.998)
Fiberman Management S.à	5, rue Guillaume Kroll L-1882 Luxembourg	9.083	24,30%	9.083	24,30%	(14.669)	(14.087)
Altice B2B Lux. Holding S.à r.l.	3, boulevard Royal L-2449 Luxembourg	5.160.597	24,06%	-	-	-	-
Ypso Holding S.à r.l.	3, boulevard Royal L-2449 Luxembourg	25.715.055	24,06%	-	-	-	-
Numericable Group S.A.	5, place de la Pyramide 92088 Puteaux la Defense Cedex	-	-	612.410.258	27,38%	2.230.352.734	(1.626.175)
		31.660.501		**613.212.048**			

(*)The financial statements for Fiberman S.C.A. and Fiberman Management S.à r.l. are not subject to audit

Numericable Group S.A. ("Numericable Group") was incorporated in August 2013 by Carlyle, Cinven and the Company. Prior to Numericable Group's initial public offering ("IPO") which occurred on November 7, 2013, Carlyle, Cinven and the Company together with minority shareholders, contributed all of their economic interests in Ypso Holding S.à r.l. ("Ypso")and Altice B2B Lux Holding S.à r.l. ("Altice B2B") to Numericable Group in exchange for shares (the "Contribution").

This Contribution has been considered as a transaction under common control, as Carlyle, Cinven and the Company were acting in concert.

Numericable Group is therefore considered to be the successor entity of Ypso and Altice B2B.

The value of the Contribution by the Company was assessed at EUR 449.213.745 split between the shares in Ypso and Altice B2B for EUR 25.715.055 and 5.160.597 respectively, the instruments issued by Ypso for EUR 311.182.162 and the instruments issued by Altice B2B for an amount of EUR 107.155.931.

On November 7, 2013, the Company acquired from Carlyle and Cinven an additional 9.827.758 shares of Numericable Group for a price consideration of EUR 243.728.398.

On November 11, 2013, some non-controlling interests of the Company have been granted a total of 3.247.612 million shares of Numericable Group in connection with the redemption of subordinated financial liabilities issued by the Company and held by these entities for a total amount of EUR
80.540.778. The Company has pre-emption rights on these shares and a call option over these shares for a period of 3 years. On June 5, 2014, this call option was exercised (see note 20). As At December 31, 2013, the value of such option was EUR 670.000 as determined by the Board of Directors

As at December 31, 2013, the Company holds 33.935.277 of shares of Numericable Group. Based on the share price as of December 31, 2013 being EUR 26.4 per share, the fair value of the investment amounted to EUR 895.891.313. Based on this valuation, it is concluded that the fair value is greater than the net book value of the investment and therefore no impairment shall be recorded in the annual accounts as of and for the year ended December 31, 2013.

4.2Amounts owed by undertakings with which the company is linked by virtue of participating interests

As at November 7, 2013, as mentioned in note 4.1, all the loans and receivables being the CPECs, YFPECs, IFPECs, PECs, Super PECs and the related accrued interests against Ypso Holdings S.à r.l. and Altice B2B Lux Holding S.à r.l. have been contributed to Numericable Group in exchange for shares of Numericable Group.

Following the IPO of Numericable Group and the contribution of the investments held in Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l. (defined as the “Exit” in the debt instruments agreements), the Super PECs should bear an interest of 20% per annum since the subscription of the instruments. Therefore, interest income for a total amount of approximately EUR 21.710.873 have been recorded under the caption “Income from financial fixed assets: other income from participating interests” in the profit and loss account in order to catch up the interest income from the issuance of the Super PECs to the Contribution date. The interest incomes for the previous years have been recognized entirely in the profit and loss accounts for the year ended 2013. The remaining amount under the same caption corresponds to the interest income on the PECs bearing an interest of 7,38% per annum.

Additionally, under the caption “Income from financial fixed assets: other income from participating interests”, EUR 4.606.974 were recoginized as interests on the PECs against Altice B2B Lux Holding S.à r.l.

Note 5 - Other receivables

5.1Other receivables becoming due and payable within one year

As at December 31, 2013, this caption is mainly composed of:

- A loan of EUR 300.000 granted to New Ypso Management Benetti S.C.A. (a related company) on April 11, 2013. This loan does not bear interest and was transferred to Next LP in January 2014.
- An advance of EUR 178.661 granted to the shareholder which was settled in January 2014.
- 3 credit lines granted by the Company to members of the group totalling EUR 660.000. These credit lines generate interest at a rate of EURIBOR 3M + 1%. The maturity date is set at August 31, 2014. As at December 31, 2013, accumulated interest amounts to EUR 25.150.

Note 6 - Subscribed capital

As at December 31, 2013, the Company’s share capital was set at EUR 203.674.129, divided into 203.674.129 shares, i.e., 40.734.827 Class A shares, 40.734.827 Class B shares, 40.734.827 Class C shares, 40.734.827 Class D shares and 40.734.821 Class E shares, all fully paid with a nominal value of EUR 1.

During the years 2013 and 2012, no shares have been issued by the Company.

All shares issued by the Company bear the same rights and obligations to the holder.

Note 7 - Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 8 – Share premium and similar premiums

Upon redemption of debt instruments, existing shareholders have partly contributed their receivable for a total of EUR 151.883.946 to the Company. This was recorded in the account share premium ("Capital contribution not remunerated in shares").

Note 9 - Movements for the year on the reserve and profit and loss items

	Profit or loss brought forward EUR	Profit or loss for the financial year EUR
As at 31.12.2012	**(502.882.411)**	**150.770.556**
Movements during the year :		
• Allocation of previous year's profit	150.770.556	(150.770.556)
• Loss for the financial year	-	(52.437.157)
As at 31.12.2013	**(352.111.855)**	**(52.437.157)**

Note 10 – Subordinated debts

As at December 31, 2013, subordinated debts excluding accrued interests amounted to EUR 341.175.696 (2012: EUR 561.382.128)

All debt instruments previously issued by the Company have been redeemed in November 2013 for a total amount of EUR 648.629.802, resulting in a loss of EUR 43.024.738, being the difference between the redemption price and the net book value of such instruments (the "Redemption").

Part of the redemption proceeds have been repaid in cash or in kind (see note 4). An amount of EUR 151.883.946 was contributed to the Company and recorded as share premium (see note 8).

Following the IPO of Numericable Group and the contribution of the investments held in Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l. (defined as the "Exit" in the debt instruments agreements), the interest rate from the issuance date to the Redemption date should be computed as to obtain an Internal Rate Return of 20% over the life of the instruments. As a consequence, interest charges for a total amount of approximately EUR 28.799.395 have been recorded under the caption "Interest and other financial charges concerning affiliated undertakings" in the profit and loss account in order to catch up the interest charges since the issuance of the Super PECs. The interest charges for the previous years have been recognized entirely in the profit and loss accounts for the year ended 2013. The remaining amount under the same caption corresponds to the interests charges on the PECs bearing an interest of 7,38% per annum and the realized loss on the Redemption (see above).

The remaining amount has been offset against the issuance of new YFCPECs (Yield Free Convertible Preferred Equity Certificates) and CPECs (Convertible Preferred Equity Certificates) issued by the Company on November 12, 2013 and subscribed by the sole shareholder.

As at December 31, 2013, the financial instruments are composed as follows:

Type of financial instruments	Maturity date	Number of certificates	Par value per certificate (in EUR)	Interest rate	Nominal value (in EUR)
YFPECs	12/11/2088	241.041.345	1	None	241.041.345
CPECs	12/11/2062	100.134.351	1	None	100.134.351
					341.175.696

On January 31, 2014, all subordinated debt instruments issued by the Company have been contributed by the sole shareholder against issuance of additional shares.

Note 11 – Amounts owed to credit institutions

In November 2013, the Company entered into a margin loan facility agreement (“Margin Loan”), with a principal amount of EUR 323.986.270, bearing interest at a variable rate of 12 months Euribor + 4,25% for the first period, then 6 months Euribor + 4,25% and maturing in November 2016.

The accrued interest as at December 31, 2013 amounts to EUR 2.097.307 and the interest charges for the year then ended for the same amount have been recorded under the caption “Interest and other financial charges: other interest and similar financial charges” in the profit and loss account.

The initial costs (EUR 4.446.957) incurred in relation to the issuance of the “Margin Loan” are recorded in the balance sheet as “prepayments” less cumulated amortization (EUR 197.643). Those costs are amortized on a straight line basis up to the maturity of the Margin Loan and the amortization of the year is included in the caption “Interest and other financial charges: other interest and similar financial charges” in the profit and loss account (EUR 197.643).

On June 4, 2014 an additional tranche of EUR 121.748.934 has been drawn down to finance the acquisition of 3.247.612 shares of Numericable Group (See Note 20).
On July 3, 2014, the Margin Loan (principal + accrued interest) has been fully reimbursed using the proceeds of a capital increase (See Note 20).

Note 12 – Tax debts

The Company is subject to all taxes applicable to a commercial company in Luxembourg.

Note 13 – Other creditors

This caption is mainly composed of an advance of EUR 292.200 of Altice VII Bis S.à r.l. (a related party of the Company). This advance does not bear interest.

Note 14 – Other external charges

The increase of this caption is mainly due to the expenses incurred in connection with the structuring of the IPO of Numericable Group on November 7, 2013.

Note 15 – Staff

The Company had no employee during the financial year.

Note 16 – Off-balance sheet commitments

- Pledge agreement in connection with the ING loan (Pledge over all cash balances and all shares held in Numericable Group);
- Call option on the shares held by Pechel and Five Arrows in Numericable Group (Duration 20 years). The call option was exercised on June 5, 2014 (see note 20).

Note 17 – Going concern

During the year ended December 31, 2013, the Company had a net current liability position of EUR 1.290.333 (arising mainly from accrued interests of EUR 2.097.307, related to the Company's external debt issued to finance the acquisition of a 6% stake in Numericable Group) and loss of EUR 52.437.157 (down from a gain of EUR 150.770.556 as of December 31, 2012).

As of December 31, 2013, the Company's liabilities consist mainly of external debt amounting to a total of EUR 323.986.270 and shareholder debt amounting to a total of EUR 341.175.696. The current liability position mainly arises from the interest accrued on the Margin Loan.

Subsequently to the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of the Company, the former parent company NEXT LP has contributed to Altice S.A. all the existing subordinated debt instruments issued by the Company and subscribed by NEXT L.P.. Altice S.A. has subsequently converted all the instruments into share capital of the Company.

The external debt together with accrued interests has been fully reimbursed in July 2014 (see Notes 11 and 20).

Thus, Management is of the view that the Company will continue to act as a going concern for 12 months from the date of approval of these annual accounts for the year ended December 31, 2013.

Note 18 – Transactions with related parties

Transactions with related parties are disclosed in the notes 4, 5, 6, 8, 10, 13 and 19.

Note 19 – Emoluments granted to the management and to the supervisory bodies and commitments in relation to the retirement pensions for former directors.

As at December 31, 2013, there are no emoluments granted to members of the administrative, managerial and or supervisory bodies in the capacity of the Company nor commitments in relation to the retirement pensions for former directors.

Note 20 - Subsequent events

Acquisition of additional shares in Numericable

On November 18, 2013, the Company entered into an agreement with other major shareholders in the Numericable Group to purchase an additional 10% stake, thus increasing its shareholding to 40% (inclusive of the 2.6% option provided to other shareholders). Regulatory approval has been obtained in January 2014 and this acquisition has triggered a change in control of the Numericable Group. The transaction was consummated on February 4, 2014, with the primary proceeds from Altice S.A.'s IPO and thus the Company became the controlling shareholder of Numericable Group.

Total consideration paid to the vendors for the shares of Numericable Group amounted to EUR 317.046.092. An additional price has been paid during the second quarter of 2014 that amounted to EUR 42.135.133.

On June 5, 2014, a call option on 3.247.612 Numericable Group shares (i.e 2,6% of the share capital) held by Pechel Industries and Five Arrows was exercised at EUR 37,4139 per share, for a total amount of EUR 121.500.000. This transaction wass financed through the increase of the Margin Loan subscribed by the Company with ING.
As a consequence the shareholders agreement entered between Altice France, Pechel and Five Arrows in November 2013 has been terminated.

Agreement between Altice S.A., Carlyle and Cinven

On April 5, 2014, Altice S.A. has entered into an agreement with Carlyle Cable Investment SC (« Carlyle », an affiliate of The Carlyle Group) and CCI (F3) S.a.r.l (« Cinven », and affiliate of Cinven), according to which Altice S.A. would acquire the entirety of their respective stake in the share capital of Numericable Group. This acquisition of approximately 34,6% of Numericable Group's share capital was implemented (i) for up to approximately 14% of the share capital of Numericable Group by a sale of shares at a price of 30,50 EUR per share to be paid in cash and (ii) for the remainder, by a contribution in kind, remunerated in shares of Altice SA (one share of Numericable Group for 0,97 share of Altice).

On July 24, 2014, the transaction was consummated and Altice S.A. contributed to Altice France a 20.6% stake in Numericable Group through a contribution in kind.
The remaining portion will be settled in cash by Altice France at the latest on January 31, 2015.

Following these two transactions, Altice France's stake in the share capital of Numericable increased from 40% to 74.6%. The completion of these transactions was preceded by the granting to Altice France of a waiver from the obligation to launch a tender offer on all the Numericable's shares of common stock by the French Autorité des Marchés Financiers.

These transactions terminate the shareholders' agreement entered into between Altice France, Carlyle and Cinven, in place since the initial public offering of Numericable on the Euronext Paris Market of NYSE Euronext in November 2013.

Company's capital increases

On January 31, 2014, the sole shareholder converted all subordinated debt instruments held against the Company after the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs (Yield Free Convertible Preferred Equity Certificates) and CPECs (Convertible Preferred Equity Certificates) issued by the Company were converted into 34.117.569 new common shares of the Company at their nominal value for a total amount of EUR 340.875.696 million, including a share premium of EUR 306.758.127.

On May 12, 2014, the Sole Shareholder has decided to increase the share capital of the company for an amount of EUR 302 through the issuance of 302 new shares at EUR 1 per share plus a share premium of EUR 42.199.698. The capital increase has been entirely subscribed by Altice S.A..

On July 3, 2014, the Sole Shareholder has decided to increase the share capital of the company for an amount of EUR 45.608.000 through the issuance of 45.608.000 new shares at EUR 1 per share plus a share premium of EUR 411.392.000. The capital increase has been entirely subscribed by Altice S.A.. and the proceeds have been used to repay the Margin Loan and accrued interest (see Note 11).

On July 23, 2014, the Sole Shareholder has decided to increase the share capital of the company for an amount of EUR 68.500 through the issuance of 68.500 new shares at EUR 1 per share plus a share premium of EUR 671.500. The capital increase has been entirely subscribed by Altice S.A..

On July 24, 2014, the Sole Shareholder has decided to increase the share capital of the company for an amount of EUR 1.000 through the issuance of 1.000 new shares at EUR 1 per share plus a share premium of EUR 778.279.578. The capital increase has been entirely subscribed by Altice S.A. through the contribution of 25.517.936 shares of Numericable Group.

The share capital amounts to EUR 283.469.500 and is divided into 283.469.500 paid shares with a nominal value of EUR 1.

Acquisition of SFR

On April 5, 2014, the supervisory board of Vivendi S.A. approved the offer of Altice S.A. regarding the acquisition of Société du Radiotéléphone S.A. (“SFR”) an affiliate of Vivendi S.A..

On June 23, 2014, Vivendi S.A., Altice S.A. and Numericable Group S.A. announced that they have signed the definitive agreement regarding a combination between SFR and Numericable following a very constructive dialogue with the Employee Works Councils concerned. At closing, Vivendi S.A. will receive EUR 13.500.000.000 (excluding adjustments) and will keep a 20% stake in the new combination, which it could sell at a later stage after a one year lock-up period. It will also receive an earn-out of EUR 750.000.000 million depending on the future financial performance of the new group (EBITDA- Capex at least equal to EUR 2.000.000.000 during one fiscal year).

Exclusive negotiations between Numericable Group and Omer Telecom Limited for the acquisition of Virgin Mobile

On May 16, 2014, Omer Telecom Limited, shareholders of Virgin Mobile have decided to accept the purchase offer of Numericable Group amounting EUR 325.000.000. Both parties have entered into exclusive talk in order to finalize the transaction. Vivendi will participate up to EUR 200.000.000 in the financing of this acquisition.

On June 30, 2014, following constructive talks with employee representatives, the closing agreement to acquire 100% of the capital of Omer Telecom Limited, has been signed with Numericable Group. The agreement is dependent upon obtaining approval from the administrative authorities concerned.

THE ISSUER
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg

LEGAL ADVISERS TO THE ISSUER

as to matters of
U.S. federal, New York and English law
Ropes & Gray International LLP
5 New Street Square
London EC4A 3BF
United Kingdom

as to matters of
Israeli law
Meitar Liquornik Geva
Leshem Tal
16 Abba Hillel Rd.
Ramat Gan 52506, Israel

as to matters of
Luxembourg law
Luther
Aerogolf Center, 1B, Heienhaff,
L-1736 Senningerberg
Luxembourg

as to matters of
Portuguese law
Uría Menéndez—Proença de Carvalho
Edifício Rodrigo Uría
Rua Duque de Palmela, 23
1250-097—Lisboa
Portugal

as to matters of
Swiss law
Holenstein
attorneys-at-law Ltd
Utoquai 29/31
CH-8008 Zurich
Switzerland

as to matters of
Dominican law
Castillo y Castillo
Ave. Lope de Vega No. 4
Santo Domingo
Dominican Republic

LEGAL ADVISERS TO THE INITIAL PURCHASERS

as to matters of
U.S. federal, New York
and English law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to matters of
Israeli law
Goldfarb Seligman & Co.
Electra Tower
98 Yigal Alon Street
Tel Aviv 67891, Israel

as to matters of
Luxembourg law
Elvinger, Hoss & Prussen
2, Place Winston Churchill
BP 425
L-2014 Luxembourg

as to matters of Portuguese law
Cuatrecasas Gonçalves Pereira
Praça Marquês de Pombal, 2
1250-160 Lisbon
Portugal

as to matters of Swiss law
Pestalozzi Attorneys at Law Ltd
Loewenstrasse 1
CH-8001 Zurich
Switzerland

as to matters of
Dominican law
Pellerano & Herrera
10 John F Kennedy Ave
Santo Domingo
Dominican Republic

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

LEGAL ADVISER TO THE TRUSTEE
White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

EURO TRANSFER AGENT AND EURO REGISTRAR
Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

US PAYING AGENT,
US TRANSFER AGENT AND US REGISTRAR
Deutsche Bank Trust Company Americas
60 Wall Street, 16th Floor
New York, New York 10005
USA

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

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

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€2,055 million (equivalent)

$1,480,000,000 $7^{5}/_{8}$% Senior Notes due 2025

€750,000,000 $6^{1}/_{4}$% Senior Notes due 2025

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ALTICE S.A.

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